

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 495 final

Brussels, 8 September 1980

Proposal for a

COUNCIL DECISION (EEC)

on the negotiation of an international agreement on
jute and jute products

(submitted to the Council by the Commission)

COM(80) 495 final

EXPLANATORY MEMORANDUM

Communication No. COM 585 final of 26.11.1979 (1) from the Commission to the Council summarised the main features of the world jute market, and the numerous discussions on this commodity which had taken place in the previous two and a half years under the UNCTAD Integrated Programme for Commodities during a long series of Preparatory Meetings. As the end of the preparatory phase had been reached, the Commission's communication at that time requested guidelines for a Community position in the post-preparatory phase. These were discussed in the Council's expert meeting, whose results were taken note of by the Committee of Permanent Representatives.

The post-preparatory phase consisted of two meetings in UNCTAD :

- a Post-Preparatory Meeting (Geneva, 5-9 November 1979)
- a Pre-Negotiating Meeting (Geneva, 28 April - 9 May 1980).

Some further progress towards a sound basis for negotiation was made, particularly in the first of these meetings on the question of criteria for the approval of projects, and in the second on the question of maximum use of existing UN institutions by any new jute body. It was clear, however, that throughout this phase the attitude of the main producing countries (India and Bangladesh) was not guided by any strong wish to find compromise solutions to the main outstanding questions. In their opinion, the post-preparatory and pre-negotiating meetings merely constituted a technical phase during which the ground had to be laid for a Negotiating Conference, and were not the occasion for any negotiation itself.

In this situation, and given the importance of certain political considerations mentioned particularly in paragraph IV-2 of the aforementioned Communication, the Community at the end of the Pre-negotiating Meeting in May 1980 followed the Council's basic guidelines as previously agreed, and joined other consumers and producers in accepting a recommendation for the convening of negotiations on a possible formal commodity agreement between jute producing and consuming countries aimed at improving the competitiveness

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of jute primarily by action in the fields of research, development and promotion, but also including certain cost reduction activities, and regular consultations on stabilisation and a number of other subjects.

These negotiations are to begin in the last quarter of 1980 (possibly on 27 October - 14 November). Attached and listed below are:

A Recommendation for a Council Decision on the negotiation on an International Agreement on Jute and Jute Products;

and joined to it :

Annex : Directives for the negotiation of an International Agreement on Jute and Jute Products, including objectives and main provisions;

The Commission recommends that the Council adopts the aforementioned Recommendation and its annex .

Recommendation for a Council Decision
on the negotiation of an international agreement
on jute and jute products

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,
and in particular Article 113 thereof,

Having regard to the Recommendation from the Commission,

Whereas an international conference will be held in Geneva in the last
quarter of 1980 within the framework of UNCTAD to negotiate an
international agreement on jute and jute products,

Whereas the Community should participate in these negotiations,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission is hereby authorized to negotiate, on behalf of the
Community, an international agreement on jute and
jute products.

The Commission shall conduct the negotiations in accordance with the
directives in the Annex.

Done at Brussels,
For the Council

The President

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Directives for the negotiation
of an international agreement
on jute and jute products

INTRODUCTION

These directives are intended to enable the Community to participate in the forthcoming United Nations Conference for the negotiation of an International Agreement on Jute and Jute Products. They cover the main areas likely to be negotiated, and are based on the preparatory work carried out in the UNCTAD fora in Geneva since November 1976.

They are designed to provide the necessary negotiating flexibility and to enable the Community to participate in a final Agreement, taking account of the positions likely to be put forward by other participants. It is possible that, in the light of the development of the negotiations themselves, it will be necessary to modify or supplement the directives. In such a case the Commission will propose supplementary directives to the Council.

I. OBJECTIVES

The basic objective of the Community in negotiating an international agreement on jute and jute products, taking account of the provisions of UNCTAD Resolution 93(IV) (which adopted the integrated programme for commodities, with a view in particular to improving the terms of trade of developing countries and in order to eliminate the economic imbalance between developed and developing countries), shall be the establishment of an independent body appropriately constituted so as to launch a continuing programme of research, development and market promotion for jute and jute products aimed at substantially improving their competitiveness and maintaining and expanding existing and new markets.

In so doing, the Community shall aim also at :

- continued consideration of the question of stabilization of jute prices and supplies;
- ensuring that the Community's interests are safeguarded in the balance of rights and obligations under the Agreement, including an improvement in the regularity and adequacy of supplies of jute and jute goods to the Community.

II. MAIN PROVISIONS OF THE AGREEMENT

1. Cooperation with Existing Organizations

The Jute Organization shall, to the maximum extent possible, rely upon and fully utilize the facilities, services and expertise of existing organizations such as FAO, ITC, UNIDO and UNCTAD.

2. Financing

Financing of the Organization's administrative account shall be by direct participants' contributions proportional to the votes in the Council held by each of such participants. Limited departures from this principle in order to take account of the particular circumstances of certain groups of developing countries shall be accepted if the evolution of the negotiations so requires.

Financing of the Organization's substantive programmes on research, development and promotion should be mainly derived from the Common Fund's 2nd Account, and other international financial institutions. Provision should be made for the possibility of voluntary contributions from member and non-member governments and from private bodies.

Financing of the Organization's programme activities should be on the basis of individual approved projects. However, in the event that voluntary unearmarked funds are offered to the Organization, the Council shall consider acceptance of such funds for approved projects within specific programmes.

Efforts should be made to maintain an approximate balance in the weight given to the various main areas of research and development activity and market promotion.

3. Cost Reduction Projets

The main focus of the Organization's activity in the field should be improvement of agricultural productivity and fibre quality; however, areas relating to the jute manufacturing industry, such as improvement of processes and techniques, training, dissemination of information etc, could also be considered. The Organization's main functions in this field should be in the coordination and evaluation of projects, rather than in their implementation. The Organization should not involve itself in capital investment projects of any kind.

4. Criteria for the Approval of Projects

In order to gain the approval of the Jute Council, all projects concerning research and development, market promotion and cost reduction shall meet a set of criteria to be agreed in the text of the Agreement. These criteria shall in particular ensure :

- (a) that no project is of benefit to one country only or to the benefit of domestic consumption in producing countries only;
- (b) that projects have the potential for yielding positive returns and for improving jute's market prospects;
- (c) that projects be of reasonable size in relation to the resources available.

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5. Special Consideration for Particular Groups of Developing Countries

Financial or other concessions to particular groups of countries e.g. least-developed, land-locked etc, should not go beyond the terms laid down in UNCTAD Resolution 93 (IV). Some special treatment could in particular be considered for the financing of the administrative budget of the Organization, provided the principle of basing such financing on trade shares or on votes is preserved.

6. Voting

Votes in the Council should be split 50-50 between exporters and importers. Within each group the votes held by each country should be based on their share of world net exports or imports respectively. Limited departures from this principle should be admitted only for very small importing or exporting countries, and in order to accommodate the possibility of basic or initial votes.

7. Stabilization

The Agreement should provide for regular examination and consultations on the question of stabilization. Within such consultations only jute for export should be considered. An attempt should be made to give priority to discussions on raw jute over jute products.

8. Synthetics and Substitutes

The Agreement should provide for regular examination of the competition from synthetics and other substitutes, including improved collection of available information.

9. Common Fund

When the Common Fund becomes operational, full advantage of its facilities should be taken. For this purpose, the Jute Council should negotiate generally acceptable terms and modalities for an association agreement with the Common Fund.

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10. Headquarters of the Jute Organization

In order to "rely upon and fully utilize the facilities, services and expertise of existing organizations", in particular FAO, as has been agreed, the headquarters of the Organization should be Rome. Any departure from this logical choice of location should be soundly based on a guarantee that the necessary services can be provided at lower cost.

11. Entry into Force of the Agreement

The percentages of world net imports and exports of participating countries required for entry into force of the Agreement must be carefully calculated so that:

- (a) the requirements of the Common Fund, 2nd Account, are met;
- (b) not only will the participation of EEC, Japan and the USA be essential for it to come into force, but a much wider spread of members, including developing and Eastern European importing countries, is assured.

12. Duration of the Agreement

The Agreement could be for five years, extendable by a further two. However, the Community could accept any other reasonable proposals that might be generally supported by other participants.