

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 546 final

Brussels, 19th October, 1979

RECOMMENDATION FOR A COUNCIL DECISION  
AUTHORIZING THE COMMISSION TO OPEN NEGOTIATIONS  
WITH INDIA WITH A VIEW TO THE CONCLUSION OF  
AN AGREEMENT ON TRADE IN COIR PRODUCTS

---

(presented by the Commission to the Council)

EXPLANATORY MEMORANDUM

1. The Agreement in force between the Community and India on trade in coir products expires on 31 December 1979. This Agreement constitutes for India - the Community's main supplier - the "special arrangements" which were provided for under the Community's offer on generalised tariff preferences in order to enable the developing countries concerned to take advantage of the preferences for the products in question<sup>1</sup>.

The main features of the Agreement are as follows :

- the unilateral granting by the Community in the context of the GSP of suspension of tariff duties, which have been zero-rated since 1 January 1978;
- confirmation of the continuation of the arrangements ensuring almost total freedom from controls on imports into the Community (an import quota remains in one Member State in respect of coir mats and mattings; CCT heading No. ex 58.02)<sup>2</sup>;
- assurances from India as regards the supply under non-discriminatory conditions of the raw materials necessary for the Community coir products industry;
- the setting up of a Joint Cooperation Committee with the task, inter alia, of investigating opportunities and making suggestions with a view to cooperation in the fields of research and development as regards the production and uses of coir products.

./..

---

<sup>1</sup> Sri Lanka also receives preferences for coir products but, in view of the low level of exports from this country, the special arrangements took the form of a single exchange of letters in which Sri Lanka undertook to enter into negotiations with the Community if necessary.

<sup>2</sup> It should be pointed out that the Community agreed that its MTN offer should include the conversion of this quota into a voluntary restraint measure, the implementation of the offer being left for discussion in detail in the negotiations (see point III(b) below).

II. As the Agreement expires on 31 December 1979, the import arrangements to apply to these products from 1 January 1980 should be established. The Commission considers that it would be appropriate to try to conclude a new agreement of six years' duration with its Indian partner, whereby :

- a quantitative import protection measure would be maintained for a specified period (4 years) in the region of the Community (France) which retains a quota, in order to afford its industry the time needed to adjust to the liberalization of imports. This should be achieved, with India's agreement, by instituting, for 4 years, a system of voluntary restraint of exports under which reasonably limited increases would be allowed in the exports concerned, and, in the last two years of the Agreement, restrictions on coir products would be totally suspended.

This conversion of the quota into a voluntary restraint arrangement would constitute the implementation of the MTN offer.

- the suspension of duties which as been in force in the Community in the context of the GSP since 1 January 1978 would be maintained;
- formal assurances would be obtained from India on the supply of coir yarn to the Community industry under normal price conditions.

III. There are a number of grounds for this policy:

- a) the Community offer on generalised tariff preferences stipulated in respect of coir products that the elimination of customs duties would also be included where special arrangements had been made with the exporting developing countries. As this elimination has been put into effect, it should be maintained.
- b) In the context of the multilateral trade negotiations, the Community made an offer to India on quantitative restrictions on coir products to the effect that the import quota applying in France for coir mats and matting should be converted into an arrangement for voluntary restraint of exports and that the ceiling should be administered by India. When the multilateral trade negotiations ended and no communication was received from India, the Community sent that country a letter stating :
  - i) that the Community offer still stood, and
  - ii) that the details and implementation of this offer would be discussed again on a bilateral basis in the forthcoming negotiations.
- c) The production and export of coir manufacture is of prime importance to the economy of the State of Kerala in southern India, where approximately 1 million people depend on this trade for their livelihood. On several occasions at meetings of the Joint Committees set up under the Cooperation Agreement between India and the Community, the Indian authorities have requested that the import quotas still in force in France be abolished.

India repeated this request in the multilateral trade negotiations. In view of the statements made in the MTN in favour of the developing countries, the Community would appear to have little choice but to move towards meeting India's requests, especially since coir products are unquestionably developing country products.

However, account should also be taken of the need for the French coir products industry, which at present receives protection, to adjust gradually to a system of liberalization of imports. This industry, which provides work for about 250 people in France, is gradually turning towards the manufacture of more sophisticated articles (rubber-backed carpets and doormats) than those produced by Indian industry. It still needs time to enable it to complete this process of specialization.

d) The assurances to be obtained from India on the supply of coir yarn to Community industry are warranted by the fact that India is the only country in the world at the moment which is able to supply the Community's industries with these products. The European industry - notably its French component - is the leading world user of Indian coir yarn. For a number of years the relevant Indian authorities have applied a policy which would appear to have the effect of increasing the price and the scarcity of exported coir yarn; the introduction of the husk control regulation, which gives the corporate sector a monopoly of the retting of husks, led to the doubling of retted husk prices between 1974 and 1976 and to a 50% rise in the price of exported yarn, according to the European firms affected. At the beginning of this year, the Indian Coir Board decided to increase the price of coir yarn by 50-60%. The European industry has complained several times about this policy, which clearly is making difficult the attempts of cooperation between the Community and Indian industries being made in the Joint Committee or under the present Agreement in force. Apart from the above mentioned price problem, the European industry has on many occasions expressed its serious fears concerning the prospect of a steady supply of yarn and other coir products originating in India, and it would be opportune to take this concern into consideration during the negotiations.

./..

IV. Given the Community's need to continue to regulate trade in coir products for a while and the advisability of doing this, as in the past, by means of measures negotiated with its partner, taking into account the need for the Community to ensure that progress is made towards meeting India's requests in part at least - thus creating the conditions for negotiations to be undertaken with some chance of producing an agreement - and bearing in mind also the need to allow the Community industry in the Member State retaining an import quota for coir mats and matting some time to adjust to the liberalization of imports, it would seem advisable that the two following points should constitute the basis of the Community's approach to the negotiations :

- establishment of a system of voluntary restraint of exports in respect of the region of the Community which at present operates an import quota for this product (coir mats and matting);
- an undertaking to suspend completely all quantitative restrictions on exports for the last two years of the Agreement.

Accordingly, the Commission recommends that the Council adopt the attached draft Decision.

RECOMMENDATION FOR A COUNCIL DECISION

authorizing the Commission to open negotiations with India with a view to the conclusion of an agreement on trade in coir products

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the Recommendation from the Commission,

Whereas the Community offer on generalised tariff preferences stipulates that for coir products the elimination of customs duties will also be included "where special arrangements have been made with the developing exporting countries";

Whereas these "special arrangements" are constituted by an Agreement on trade in coir products negotiated by the European Economic Community with the Republic of India; whereas this Agreement expires on 31 December 1979;

Whereas it is advisable to authorize the opening of negotiations with India with a view to determining the arrangements which shall apply after this date to trade in coir products,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission is hereby authorized to open negotiations with a view to the conclusion of an agreement between the European Economic Community and the Republic of India on trade in coir products.

The Commission shall conduct these negotiations in consultation with the Article 113 Committee and in accordance with the Directives annexed to this Decision.

Done at Brussels,

For the Council  
The President

6

ANNEX

NEGOTIATING DIRECTIVES

1. Agreement to be valid for six years, i.e. until 31 December 1985.

2. Voluntary restraint by India of its exports to France of coir mats and matting (CCT heading No. ex 58.02) until 31 December 1983.

The volume of the ceiling will be calculated on the basis of the national quota currently in force, with an appropriate annual percentage increase.

3. Suspension on 1 January 1984 of all quantitative restrictions in force in the Community.

4. Maintenance of the zero duty tariff suspension currently in force under the GSP.

5. Specific assurances to be given by India as regards supplies of coir yarn to European industry.