

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 434 final

Brussels, 25 July 1975

RECOMMENDATION FOR A COUNCIL DECISION

authorizing the Commission to open negotiations with India
and Bangladesh for the conclusion of agreement on jute products

(submitted to the Council by the Commission)

COM(75) 434 final

EXPLANATORY STATEMENT

1. Two agreements were negotiated in 1973 between the Community on the one hand, and India and Bangladesh, on the other, on trade in jute products. These agreements constitute for these two countries, which are the main suppliers for the Community, the "special measures" contained in the Community's offer on generalised preferences, and provide the means by which the developing countries concerned may benefit from preferences for the products in question.(1).

The main provisions of the present agreements are :

- the autonomous ground by the Community of a progressive suspension of tariffs reaching, by the last year of the agreements (1975) a reduction amounting to between 50 and 60 % according to the products;
- self-restraint at an agreement level by India and Bangladesh on their export of broad jute (categories 4 and 5) and yarn (category 6), suspension of quantitative restrictions which may be in force for the products under restraint as well as a stand-still for the quantitative restrictions applied within the Community to products in categories 1 to 3 (2).
- the setting up of a joint Commission charged in particular with the study of all important economic problems connected with jute.

(1) Thailand also benefits from tariffs preferences for jute products. However, taking into account present levels of Thailand exports, the Community has felt possible to grant preferences without taking measures analogous to those agreed with its principal suppliers. It has nevertheless been agreed with Thailand, in an exchange of letters, that if necessary, this country would join negotiations with the Community.

(2) These last mentioned jute products, that is to say bags and narrow cloth (categories 1 to 3) remain subject to the import regime in force in the Member States : quotas in France, Ireland, United Kingdom and Germany (cloth only in this last Member State) liberalised elsewhere.

2. Since the agreements expire on 31 December 1975, the import régime for these products from 1.1.1976 must be laid down. The Commission feels it appropriate to seek, by the conclusion of new arrangements with India and Bangladesh, a régime which will enable the system set up under the preceding agreements to be continued and, finally the freedom from duty (as envisaged in the Community's offer on GSP) and the progressive removal of quantitative import restrictions. The main reasons for this approach are as follows :

- The Community's offer in tariff preferences provides, for jute products, that "freedom from duty is also envisaged within the framework of special measures to be drawn up with exporting developing countries";
- the Community's jute industry, for which a restructuring and adjustment is in progress, is undergoing a particularly acute crisis and the maintenance of self-restraint measures for some time yet should allow this process to be achieved in an orderly manner and specially the retraining of those employed in the jute industry for other activities or for the achievement of certain very sophisticated modes of production in the jute sector, already largely under way.

3. The negotiations should be engaged taking into account

- the situation in the Community market,
- the experience gained under the agreements in force as well as the policy followed by the Community with regard to developing countries in general and the third countries in question in particular taking account of the importance which jute represents in their economies.

(a) The Community jute industry has experienced since 1972 a fall in production and consumption, and in certain Member States at least, an increase in unemployment and short-time working. Production has in fact fallen off in the period of question by 24 % for yarns and 25 % for cloth and bags. For yarns, the fallen production has been particularly felt in the United Kingdom and Belgium which are the two principal producers amongst the Member States : between 1973 and 1974 in fact, the drop has been 16% in the United Kingdom and 13 % in Belgium. For the cloth industry there has been a general fall in production, although the United Kingdom and Belgium have been especially hard-hit: 21 % in the United Kingdom and 17% in Belgium.

Nevertheless it should be said that the situation of India and Bangladesh on the Community jute market has undeniably deteriorated during the period of application of the agreements (for products under self-restraint exports have diminished between 1973 and 1974 by 75 % for yarns exported by Bangladesh and by 61 % for broad cloth exported by India).

These two countries have furthermore observed on many occasions that the negotiation and conclusion of new agreements would be extremely difficult unless concrete export possibilities which took into account the reality of the market situation were agreed.

4. Taking into account the considerations set out above on the present situation and the long term possibilities of development for the Community jute industry it seems appropriate that a self-restraint régime for the products in question should continue to be maintained; in order to realise this objective within a contractual framework it seems appropriate that the negotiating guidelines be drawn up in the following sense :

- the pursuit of the reduction of tariff barriers within the framework of GSP;
- a growth in self-restraint levels with a more flexible allocation amongst Member States and more adapted to real trade flows.

The Commission recommends that the Council adopt the draft decision annexed hereto.

RECOMMENDATION FOR A COUNCIL DECISION

authorising the Commission to open negotiations with India and Bangladesh for the conclusion of agreement on jute products

THE COUNCIL OF THE EUROPEAN COMMUNITIES

having regard to the Treaty establishing the European Economic Community and especially its Article 113,

having regard to the recommendation of the Commission,

whereas the Community's offer in generalised tariff preferences provides that, for jute products, freedom from duty would also be provided for "within the framework of special measures to be adopted with developing exporting countries";

whereas agreements on trade in jute products which constitute "these special measures" have been negotiated by the European Economic Community with India and Bangladesh, and that these agreements expire on 31 December 1975;

whereas it seems appropriate to authorise the opening of negotiations with India and Bangladesh to establish a régime which will apply after this date to trade in jute products;

HAS DECIDED

Sole Article

The Commission is authorised to open negotiations for the conclusion of an agreement between the European Economic Community and India and Bangladesh on trade in jute products.

The Commission shall lead these negotiations in consultation with the Special Committee established under Article 113 of the Treaty, and in conformity with directives set out in the annexe to the present decision.

Done at Brussels,

For the Council
The President

ANNEX

NEGOTIATING DIRECTIVES

1. Duration of agreement : 4 years until 31.12.1979.
2. Self-restraint by India and Bangladesh of their exports of jute products in categories 4, 5 and 6. Community ceilings will be established on the basis of those agreed for 1975 with an appropriate annual growth rate which will permit a substantial enlargement of present import possibilities.
3. As a counterpart, the Community will pursue, on an autonomous basis, the suspension of customs duties in annual stages so that by 1.1.1980 products in categories 4, 5, and 6 may enter duty free.

Products in categories 1 to 3 which will not be restrained will fall under the general system of preferences from 1.1.1976 : zero duty within the framework of ceilings.

