

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION COMMUNICATION TO THE COUNCIL CONCERNING GUIDELINES FOR A COMMUNITY POSITION IN THE FUTURE WORK ON UNCTAD ON JUTE AND JUTE PRODUCTS

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I. Features of the World Jute Market

(a) Production

Production of jute, an annual crop, (and of kenaf, a fibre closely allied to jute) totals some 3.5 million tons per annum and is heavily concentrated in certain hot, humid regions of Asia : 35 % in India, 25 % each in Bangladesh and China, and a total of 10 % in Thailand, Burma and Nepal. Except in China, jute ^{a/} is entirely produced by small peasant farmers who typically, in the main exporting countries Bangladesh and India, produce a small quantity of jute for their cash needs on a limited part of their holdings as a supplement to their basic subsistence crop, rice. Diversification is thus out of the question, and, despite recent improvement efforts, the productivity of jute cultivation has scarcely changed over the past century. The areas sown to jute each season depend significantly on the relationship between jute and rice prices at sowing time, and on the expected future relationship. Once sown however, jute output in each year depends on the often violent changes in climatic conditions which occur in Bangladesh and neighbouring West Bengal, the main producing state of India. Supply of jute is thus notoriously unstable, the poverty of the producers forces most of them to bring the great bulk of supply to the market in the immediate harvest period (September-November), and prices thus generally move substantially within and between each season.

(b) International Trade

World exports of fibre are dominated by Bangladesh (about 400,000 tons of jute per annum in recent years) and Thailand (about 100,000 tons of kenaf), while world exports of jute manufactures are chiefly provided by India and Bangladesh (about 500,000 tons each). In recent years, Bangladesh has earned some \$ 300-400 million per annum from its exports of jute and jute goods or over 70 % of its total export earnings, while

^{a/} Where relevant, the word jute is employed throughout this document to refer to kenaf as well.

India has earned about \$ 200-250 million. This represents only some 10 % of India's export earnings, but jute remains of critical importance to the city of Calcutta and the western states of India, as well as to Nepal (85 % of export earnings). China is virtually self-sufficient, while India consumes more than half its output domestically.

With much of the growth in demand concentrated in India and China, trade in jute and jute goods has declined over the past 15 years, with fibre exports falling by nearly 3 % per annum, and goods exports by over 1 % per annum for the period as a whole. On the import side, the EEC is the largest importer of fibre (200,000 tons falling to 100,000 in recent years), but purchases are spread widely throughout the world, the next largest importers being Pakistan and Japan with only some 45,000 and 25,000 tons respectively. Imports of jute goods are dominated by the USA (275,000 tons) and the EEC (imports 80,000 - 120,000 tons in recent years, exports 15 - 20,000 tons, net imports 65,000 - 100,000 tons), followed by Australia, Japan and E. Europe. But again, there is a very wide spread of imports throughout the world, a characteristic of the jute market which has considerable implications for any future international agreement on jute, given the importance of developing and centrally-planned importers, and the relative unimportance of the EEC, USA and Japan.

The fall in consumption in the Community has been particularly marked, consumption of imported fibre falling steadily and steeply from about 400,000 tons in 1965 to less than 100,000 in 1978. Net trade in goods of the Community rose in the same period from about 75,000 to over 100,000 tons. As a consequence, the Community now takes about 30 % of the much reduced world imports of fibre, 11 % of world net imports of goods, and about 16 % of total fibre and goods imports. The USA (19 %), Australia (5 %) and Japan (5 %) together take no more than a further 30 %, so that, in total, developed countries are responsible for only about 50 % of world imports. The USSR and E. Europe take about another 15 %, and developing countries the remaining 33 % (Asia 18%, Africa 12%, Latin America 3%).

(c) Competition from Synthetics and Other Substitutes

Utilization of jute in the Community and other developed regions reached a peak as early as the mid-1950's, after which date bulk handling,

paper sacks and other substitute techniques and materials began to make inroads into its markets. Between the mid-1960's and 1973 world demand grew only slowly, and actually declined in all developed areas. Displacement by a new synthetic, polypropylene, began in the late 1960's, and quickly became a major threat to jute on international markets.

Although export prices of jute fibre increased only slightly during the 1960's and early 1970's, prices of jute products moved steadily upwards and their competitiveness vis-à-vis synthetics deteriorated sharply. Costs and prices of polypropylene declined with economies of scale from expanding output and with advances in technology, and the cost of conversion into yarns and fabrics was also rapidly reduced. As a result, by 1970 most polypropylene products were cheaper than the jute goods they were designed to displace. Following the 1973 oil crisis, prices of polypropylene rose sharply for the first time, but those of their products remained remarkably stable, partly because of the relatively small role which the polypropylene price plays in the cost of the final product and partly because manufacturers opted to reduce profit margins so as to retain their competitive position. This policy allowed synthetics to maintain their advantage until early 1976, when prices of jute fibre and goods fell below those of competing synthetics for the first time in a decade. This advantage was maintained only briefly. An increase in jute prices coincided with a sharp fall in polypropylene prices, and a severe deterioration in jute's competitive position took place in 1977/78. Although the situation appears to have improved during 1978/79 - polypropylene prices have risen from the rock bottom levels reached in late 1977 and those of jute have eased with the increased new crop - it remains to be seen whether prices of jute can maintain their competitiveness on markets that are likely to remain under pressure from overcapacity in synthetics well into the next decade.

(d) Prices

Export prices of jute fibre officially quoted in £ sterling have remained relatively stable in recent years, though annual averages mask substantial month-to-month variations as well as the impact of the decline until recently in the £ sterling, viz. :

Average annual prices of Bangladesh White D grade jute, fob Chittagong/Chalna

<u>July-June seasons</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
in £ sterling per long ton	185	159	177	197
in U.S. \$ per long ton	435	316	304	361

Nominal export prices in £ sterling have in fact been kept reasonably stable over the past decade and a half, except during the two Indo-Pakistan wars, by virtue of the informal price agreement in the FAO Intergovernmental Group on Jute, under which Bangladesh has endeavoured to maintain its export prices within a range agreed each season with the main importing countries (incl. EEC).

II. Discussions on Jute within the UNCTAD Integrated Programme for Commodities

1. Resolution 93(IV) adopted at the Fourth UNCTAD in Nairobi in May 1976 lists the objectives, the commodities, the international measures, follow-up procedures and timetable for implementation of the Integrated Programme for Commodities. Among the 18 commodities identified by the Resolution, and included in the "hard core" of 10 products considered suitable for buffer stock arrangements, are jute and jute products. Jute has in fact been the subject of international discussion for some 15 years within the FAO Intergovernmental Group on Jute and Allied Fibres, which has, as stated, provided the forum for a fairly successful informal international stabilization arrangement on jute prices over the past 12 years.

2. In accordance with Resolution 93(IV) a First Preparatory Meeting on Jute and Jute Products was convened by the Secretary-General of UNCTAD in Geneva on 25-29 October 1976. This was followed by seven further meetings, also in Geneva:

2nd Preparatory Meeting (at expert level)	31 January - 4 February 1977
3rd Preparatory Meeting (at expert level)	4-7 April 1977
4th Preparatory Meeting	11-15 July 1977
1st session, Intergovernmental Working Group	16-20 January 1978
2nd session, Intergovernmental Working Group	10-14 April 1978
5th Preparatory Meeting	24-28 July 1978
6th Preparatory Meeting	23-27 April 1979

3. From the 1st Preparatory Meeting, producers (India, Bangladesh) sought a stabilization of prices and export earnings in real terms, and an improvement in the competitiveness of jute, through an agreement comprising an international buffer stock and action to "harmonize" production of synthetics with the natural product. From the outset also, consumers emphasized their doubts about a buffer-stock agreement and "harmonization", stressing instead the urgent need for improved research, development and market promotion. Nonetheless, they agreed on an action programme based on Resolution 93(IV), and further studies by the FAO and UNCTAD secretariats, while indicating that the main action on stabilization should be an improvement of the FAO price arrangements.

4. The 2nd Preparatory Meeting discussed at length the pro's and con's of an international buffer stock scheme, based mainly on a series of searching questions posed by the EEC and the USA, which served to indicate the very considerable doubts which the major consuming countries had about the likely viability or efficiency of a scheme comprising a single international buffer stock, and their preference for an improved FAO arrangement.

5. At the 3rd Preparatory Meeting a wide variety of other stabilization measures was examined, including supply management and rationalization, multilateral commitments, coordination of national stocks, improvements in information and consultation, but without significant progress being achieved. Some emphasis was given for the first time to the importance of research, development and promotion, which were agreed to be desirable elements of a jute arrangement, and a number of objectives were also agreed. Some initial definitions and objectives for future programmes of cost reduction in agriculture and, possibly, industry were also established.

6. The 4th Preparatory Meeting, taking note of the discussions so far held, decided to set up a Working Group to make recommendations for a possible jute arrangement. It was also able to reach agreement on measures for information exchange and consultations on the synthetics problem to be incorporated into any future arrangement. This represented the maximum that consuming countries could go in the direction of any form of 'harmonization', and effectively defused the issue for the time being.

7. The 1st Working Group held a further lengthy and technical, but largely fruitless, discussion of price stabilization and buffer stocking based mainly on an UNCTAD study of the functioning of the FAO indicative price system and the costs of buffer stocking to Bangladesh implied by that country's adherence in certain market conditions to the FAO recommendations. Concerned at the continued emphasis on the subject of stabilization above all else after over a year of discussions, the EEC submitted a proposal designed to allow work to begin on the preparation of initial programmes in the fields of research, development and promotion. This was not supported by the producers, who insisted on progress being made on the stabilization issue.

8. However, at the 2nd Working Group secretariat studies along the lines proposed by EEC were finally launched. In addition the scope of future cost reduction work, as being only "evaluation and coordination" of programmes was agreed, and a first discussion held on possible future institutional arrangements. Discussions on stabilization continued, however, and were marked by an informal EEC proposal to study a possible scheme for international financial support only for that part of national stocks related to improved stability in international trade in fibre. The continuing refusal of consumers even to consider stabilization schemes for goods became a source of great difficulty for the delegation of India.

9. At the 5th Preparatory Meeting, the impetus for work on stabilization at last petered out when yet another UNCTAD study, this time on national stocking schemes along the lines proposed by EEC, failed to convince any consumer delegations, except some EEC states, of the likely viability of such a proposal. At the same time, work on research, development and promotion project preparation, as proposed by the UNCTAD, FAO and ITC secretariats, was strongly endorsed.

10. The most recent 6th Preparatory Meeting took place shortly after an important meeting of producing countries in Kathmandu, Nepal, at which the latter radically revised their positions by deciding that they would be prepared to negotiate an agreement for research, development, promotion, etc. without waiting for sufficient progress to be made on stabilization,

provided that subject would be kept under discussion. As a consequence, a fruitful eighth meeting was held at which for the first time the questions of financing, criteria for projects and possible institutional structure were fully discussed. Despite several important divergences of view on a number of key issues (especially on financing, the definition of work under cost reduction, and the possible future role of the FAO Group, see Annex I below), the Meeting could agree to move beyond the preparatory phase of meetings, and requested the UNCTAD Secretariat to begin to prepare draft articles for a possible Agreement on research and development, etc. Concerning the question of financing, consideration has also been given to the possibilities, in relation to the evolution of negotiations underway, for the creation of a Common Fund, offered in this framework by the Second Window.

III. Guidelines for a Community Position

1. A Post-Preparatory Meeting on Jute is now expected in November 1979 (1) for a first discussion of the draft articles, and examination of other outstanding matters (see Annex I below). The Post-Preparatory Meeting is likely to have to take a decision whether or not to request the convening of a negotiating conference aimed either at concluding a formal intergovernmental commodity agreement, or of some other more limited form of intergovernmental arrangement.

The present document is intended to propose guidelines for an EEC position for this forthcoming Post-Preparatory Meeting. It is to be emphasized however that, at this stage, no directive for actual negotiations is required or being asked for. The EEC will not indeed need to adopt such a directive unless the Post-Preparatory Meeting agrees to proceed to negotiations, although it is legitimate to anticipate that it will recommend this. In that case the Commission will submit proposals for the establishment of such a directive at an appropriate time.

The adoption of any given position at this stage of the work is obviously without prejudice to :

(a) continued examination of the financial and technical problems involved, which in any case will have to be further studied by the Community before a negotiating conference is called. In this connection the following may be cited as examples of some

outstanding problems, on the assumption of a draft agreement focussed on research, development and promotion activities : the basic voting rights and formula for sharing financial contributions given that so many consumers are developing countries and one major producer is a least-developed country; whether a future Jute Organisation should have its own fund(s) for programme financing; the linkage with the Common Fund (2nd Window); the relationship of project financing to programme financing including related questions of indicative targets, replenishments and pledging; whether such an Organization should be independent or linked to an existing institution; the definition and scope of work under "cost reduction"; the definition and role of agreed criteria for evaluating projects for which the Organization might seek finance;

- (b) the final solutions to be given to many of the above problems. These will for the most part have to be dealt with in the negotiations themselves.

2. There are already a number of general considerations on which a Community position could be based :

- (a) the Community's repeatedly stated wish to contribute to the action programme on the establishment of a new international economic order, and more specifically of the UNCTAD's Integrated Programme for Commodities;
- (b) the Community's objective as stated on many occasions in international fora, particularly in the context of CIEC and UNCTAD, to conclude in appropriate cases international agreements between producers and consumers taking account of the particular characteristics of individual commodity markets;
- (c) among the commodities listed in Resolution 93(IV), jute is the first one for which the preparatory work called for in that Resolution has shown that an agreement based on research, development and promotion appears possible. It will therefore constitute a further test case (following rubber) for the implementation of the Integrated Programme;

(d) the situation of the two or three main producer countries concerned (India, Bangladesh and Thailand), their major political role in South and South East Asia, and their economic and demographic significance in the Group of 77 - over 800 million people in the three countries producing 85-90% of world jute supply (excluding China), the fact that the EEC has concluded with India and Bangladesh Commercial Cooperation Agreements and specific sectorial agreements on jute, and the role of the EEC in importation, production and consumption of jute and/or jute products. All these factors must be of great interest to the Community and to other industrialised consumers, particularly the United States and Japan.

3. The Community should therefore be able to accept recommendations opening the way to negotiations for a possible international agreement on jute. At this stage of Community thinking and in the light of the previous international discussions summarized in Section II above, the Commission considers, subject to the observations made in paragraph III.1 above, that the negotiations should be principally concerned with international research, development and promotion systems; these would appear to represent the best possible international solutions in the case of jute.

IV. Proposals

1. It is therefore proposed that the Community should be prepared to accept as the outcome of the work of the Post-Preparatory Meeting on Jute and Jute Products conclusions and recommendations along the following lines :

- (i) A recommendation to convene negotiations for a possible formal inter-governmental commodity agreement between jute producing and consuming countries with the primary objective of improving the competitiveness of jute and jute products.
- (ii) The principal elements of such an agreement should be the formulation, coordination and implementation of programmes and projects on research, development and market promotion for jute and jute products.
- (iii) Insofar as cost reduction programmes and projects can be separately defined, the emphasis should be on agriculture rather than industry and the scope of work under the agreement limited to evaluation and coordination of such programmes and projects.

- (iv) In connection with (ii) and (iii) above, there should be agreement on a set of criteria, whose precise role in evaluating projects to be formulated, coordinated or implemented by the possible Jute Agreement remains to be defined.
- (v) Participation on the consumers' side in the possible Jute Organisation should not be confined to a few developed countries such as EEC, USA and Japan, but should include also E. European and developing consumers (this is particularly because one criterion for possible financing from the 2nd Window of the Common Fund may well be that projects or programmes be endorsed by a producer/consumer body representing the bulk of world trade in a given commodity).
- (vi) Other elements of a possible agreement should be :
- regular exchange of information and consultations on competition between jute and synthetics;
 - market intelligence activities;
 - continued discussion of stabilization issues relating to jute fibre for export and jute goods for export;
 - continued discussion of other important issues relating to jute, taking into account the competence and responsibilities of existing fora.

2. Apart from the above points, it is recognised that a number of other important aspects of a possible agreement still require considerable further examination and may only be settled if negotiations take place. These include inter alia :

- (a) The institutional framework of the possible Jute Organization, i.e. whether it should be a completely separate legal entity, as the producers wish, or attached to an existing body such as the FAO Intergovernmental Group on Jute (this question will have to be discussed in the light of the study on the subject to be presented to the Post-Preparatory Meeting by the UNCTAD and FAO secretariats).
- (b) Methods of financing. On this key point, producers have already conceded that financing of projects or programmes should be on a voluntary basis. They are however seeking

a system for the administrative budget which would require developed consumers to pay a disproportionate share. Moreover, despite their agreement on the voluntary nature of the financing for certain programmes and projects under an eventual Jute Organization, they wish it to be endowed with its own fund or funds, and that the principles of indicative financial targets, replenishments and pledging be incorporated into an eventual agreement.

- (c) The internal organizational structure and the decision-making (voting) procedures within the Council established to implement any Agreement.

AGREED CONCLUSIONS OF THE SIXTH
PREPARATORY MEETING ON JUTE AND JUTE PRODUCTS

1. The Sixth Preparatory Meeting, agreeing that work has progressed beyond the stage of preparatory meetings, and acknowledging the need to proceed to a negotiating stage as soon as possible, decided that the next meeting, which would take the form of a post-preparatory meeting, should, inter alia, begin work on the basis of draft articles which would constitute an international agreement on jute and jute products.

2. The Meeting agreed that the agreement should provide for the establishment of an International Jute Organization 1/ with the following functions :

(a) Research and development

The formulation, co-ordination and implementation of a programme on research and development, on a continuing basis.

Commentary

In this connexion, the Meeting agreed that the projects drawn up by the FAO and set out in documents TD/B/IPC/JUTE/16 and 19 should be subjected to evaluation and formal approval by Governments in order to form a basis for a decision by the Jute Organization on its initial programme in this field.

(b) Market promotion

The formulation, co-ordination and implementation of a programme on market promotion, on a continuing basis.

Commentary

The same commentary applies as in (a) above with reference to the ITC and document JUTE 17.

(c) Cost reduction

The evaluation and co-ordination of programmes aimed at cost reduction of jute and jute products.

Commentary

Regarding cost reduction, although some discussions took place, it was clear that different views remained on both the definition of cost reduction and the role which a jute organization would play in this area. Some delegations continued to interpret cost reduction as covering a whole range of projects including the modernization of plant and equipment and capital investment. These delegations clarified that in their view the

1/ This term is without prejudice to the institutional structure that may be agreed.

content of the term "cost reduction" meant "improvement in productivity and processing efficiency". Other delegations continued to believe that cost reduction should be defined more in terms of improvement in processes. The Meeting agreed that detailed work on definitions still had to be carried out.

Some delegations believed that the role of a Jute Organization in this area be limited to the evaluation and co-ordination of programmes as agreed at the second session of the Working Group. Other delegations interpreted a Jute Organization's co-ordinating function as including the acceptance of responsibility for ensuring implementation of the programmes. It was recognized that further consensus on this issue was needed.

(d) Competition with synthetics

Provision for regular exchange of information and consultations on competition between jute and synthetics, in accordance with the recommendation of the Fourth Preparatory Meeting.

(e) Market intelligence

The facilitation of the further collation and dissemination of information relating to jute and jute products.

(f) Stabilization

In case agreement on stabilization is not reached by the time the negotiation of the agreement is concluded, provision for the continuing consideration of the questions of stabilization of prices and supplies of jute and jute products with a view to arriving at an expeditious solution agreed by both producers and consumers, taking into account the possibility of making full use of the Common Fund when established, in accordance with the principles on which the Fund will be based.

(g) Other functions

Arrangement for continuing consideration of other relevant important issues concerning jute and jute products.

3. Criteria

It was agreed that the Organization would need to take its decisions, reflecting producer/consumer approval, on projects on the basis of agreed criteria. There was a difference of view on the question of when these criteria should be agreed. Some delegations wished to do so before the establishment of the Organization, with a view to providing guidelines for, and expediting decisions by the Organization. In this connexion, the U.S.A. and E.E.C. suggested the criteria which are reproduced in Annex A. Other delegations felt that the question of criteria was connected with the autonomy of the Organization, and that this question could appropriately be discussed alongside the institutional arrangement. They also felt that this might not cause further delay, since in any case the decision on projects would have to be taken by the Organization. It was agreed that this issue should be examined further at the next meeting.

4. Finance

(a) The Meeting agreed that the Jute Organization would have an administrative budget to which its member governments would contribute. Some delegations proposed that these contributions should be divided equally between producers and consumers on a scale reflecting trade shares in jute and jute products; others proposed apportionment on the basis of capacity to pay, UN formula, etc. It was recognized that the basis remained to be discussed at the next meeting.

(b) The Meeting agreed that the Jute Organization should mobilize funds from all possible sources to finance its agreed projects and programmes. It anticipated that the Second Window of the Common Fund would be an important source of finance. Other sources could include international financial institutions, direct voluntary government contributions, and contributions from private sources (e.g., the trade and industry). If the jute agreement came into effect before the Common Fund, the Meeting recognized that these other sources would have to act as the sole source for this interim period. The Meeting agreed that any direct government contributions to assist the implementation of the projects and programmes would be given on a voluntary basis.

(c) The Meeting agreed that a system of programme and project funding should be sufficiently flexible to include direct contributions to agreed projects and contributions to agreed programmes. Any financial mechanism should seek to provide assurance of the funds that would be forthcoming for the agreed programmes and projects. To this end the questions of the establishment of indicative targets, replenishments and pledging should be considered at the next meeting.

There was a difference of views over what role a Jute Organization would play in the management of funds to finance projects or programmes. Some delegations believed that a Jute Organization would serve as a channel for funds, and would locate sources of finance for agreed projects or programmes. Other delegations believed that the Jute Organization should maintain its own fund, replenished by regular contributions from governments, from which it would disburse funds to projects of its choosing. The Meeting recognized that it would be necessary to discuss this issue further and reach consensus, hopefully at the next meeting.

5. Institutional structure

(a) Different views were expressed as to whether, on the one hand, the Organization should be a completely independent legal entity, or whether, on the other hand, it should be linked to an existing international organization. Some delegations believed that the latter possibility needed to be explored before a decision on institutional structure could be taken. The Meeting recognized that this question should be resolved, if possible, at the next meeting.

(b) Some delegations considered that the Jute Organization would contain a Council as the Organization's policy-making body, comprising all the participants in the agreement, with other subordinate committees, as appropriate, dealing with the different fields of agreed activities, as well as other related matters for fulfilling the agreed objectives of the agreement. They also considered that the Jute Council would need a small secretariat staff accountable to it.

(c) The Meeting agreed that the question of institutional structure would be considered further at the next meeting.

(d) The Meeting expressed the hope that the Organization would be joined by a substantial number of producers and consumers covering respectively the bulk of world exports and imports in jute and jute products. This, in any case, might be required by the Common Fund. Second Window.

6. Follow-up action

(a) The Meeting requested the UNCTAD secretariat to undertake preparation of draft articles of an international agreement on jute and jute products, embodying the agreed conclusions of this and previous meetings for an arrangement or agreement and with alternative formulations by Governments on points not yet agreed, so that the next Meeting could begin work on the basis of these draft articles.

(b) The Meeting discussed the question of linking the Jute Organization with an existing international institution such as FAO. Though some delegations affirmed that in their view, the Jute Organization should be a completely independent organization, some other delegations felt that the possibility of linking should be examined. In this connection, the Meeting recognized that the secretariats of FAO and UNCTAD were already examining the issues relating to, and the possibilities of, linking commodity organizations with varying degrees of autonomy, to an existing international institution. The Meeting asked that jute be specifically included in this examination, and requested that the study be circulated to participants in the jute meeting as early as possible. Some of the delegations wishing to examine such a link drew up a list of considerations, listed in Annex B, which they believed the secretariats should take into account in their work.

(c) Taking note of the fact that UNIDO had not undertaken the work on the projects for cost reduction in industry, the Meeting requested the UNCTAD secretariat to take appropriate action for the preparation of a programme of priority projects including estimated costs in accordance with the conclusions of the Fifth Preparatory Meeting. Some delegations recommended that, in carrying out this work, the UNCTAD secretariat should take note of the criteria set out in Annex A. If major problems were encountered, the Secretariat was requested to consult with governments as far as possible through their missions in Geneva.

(d) The Meeting requested the Secretary-General of UNCTAD to convene a post-preparatory meeting not earlier than four weeks after the draft Articles and the study referred to in (b) above have both been circulated.

ANNEX A to ANNEX I

Criteria proposed by the representatives of the
United States of America and EEC

All projects should meet each of the following criteria. They should :

- (1) Yield benefits to the jute economy as a whole and be relevant to all producing member countries;
- (2) Be related to the maintenance or expansion of international trade;
- (3) Offer reasonable prospects for positive economic returns in relation to costs, and be of reasonable size in relation to the international jute economy;
- (4) Be market-oriented and designed to find methods of improving the competitiveness of jute.

ANNEX B to ANNEX I

In connexion with the study requested in para. 6(b) the representatives of USA and EEC recommended that the following be considered :

- (a) The expertise of existing international institutions in the field of jute and how a jute organization with a range of functions such as delineated above might relate to them;
- (b) Alternative types of linkage, the legal and constitutional requirements of these linkages, and the implications such alternative types of linkage would have for existing international institutions;
- (c) Ways in which a jute organization could use staff and facilities of existing international institutions;
- (d) What financial links would be possible; i.e. both for administrative and programme expenses; and
- (e) Possible financial and other savings which might result from such linkages.

Within this framework consideration should also be given whether, and, if possible, by what changes in its legal and structural aspects, the existing FAO Intergovernmental Group on Jute could be utilized to form the nucleus of the proposed new Jute Organization.

When conducting the study, the secretariats should take account of the status of discussions on the Common Fund, particularly with a view to ensuring that any commodity organization for jute could make maximum use of financing from this Fund.

BASIC STATISTICS ON JUTE AND ALLIED FIBRES

	<u>1972-74</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
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— 000 tonnes —

PRODUCTION

India	1.176	1.064	1.276	1.282
Bangladesh	1.010	787	851	997
China a/	692	810	870	880
Thailand	427	308	183	240
Nepal	51	41	45	56
Burma	72	37	28	55

EXPORTS

Bangladesh	(fibre)	425	425	412	301
	(goods)	417	446	475	522
India	(goods)	600	479	426	510 a/
Thailand	(fibre)	236	141	90	78
	(goods) b/	73	78	67	80 a/

IMPORTS

USA	(goods)	422	290	275	250 a/
Japan	(goods)	66	42	47	56
	(fibre)	58	26	30	25
Australia	(goods)	54	63	68	65 a/
Pakistan	(goods)	86	40	45	45 a/

EEC NET POSITION

imports of fibre	270	193	181	127
imports of goods b/	70	60	81	112
TOTAL IMPORTS	340	253	262	239
exports of goods b/	21	15	20	17
NET IMPORTS	319	238	242	222

a/ Partly estimated

Source : FAO documents

b/ Calendar year of first year shown (Source EEC)