



Brussels, 5.10.2012  
COM(2012) 575 final

2012/0277 (NLE)

Proposal for a

**COUNCIL DECISION**

**on the position to be taken by the European Union within the International Jute Study Group as regards the negotiation of new Terms of Reference beyond 2014**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

The International Jute Study Group (IJSG) was established under the aegis of United Nations Conference on Trade and Development (UNCTAD) and entered into force in 2002. The Agreement establishing the IJSG was accepted by the European Community on 15 April 2002 by Council Decision 2002/312/EC<sup>1</sup>. The IJSG is an intergovernmental body set up to function as the International Commodity Board (ICB) for Jute, Kenaf and Allied Fibres. Its mandate is to promote sustainable development of the global jute sector incorporating a large role for the private sector and focusing on development of new usage, commercialization and poverty alleviation.

As the Terms of Reference of the current Agreement come to an end in April 2014, the question of its renewal, through negotiation of new Terms of Reference for the IJSG, has been discussed in the IJSG Council meetings in 2011 and 2012. It will again be addressed at the next IJSG Council meeting, to be held in November 2012, and a formal decision on opening negotiations under the aegis of UNCTAD should be taken on this occasion.

In its present and likely future form, the Commission considers that the IJSG does not bring any significant added value for the EU. In commercial terms EU imports of jute and kenaf products amount to approximately €80 million per year. Moreover, the IJSG does not provide market analysis or trade statistics as the organisation entirely relies on the data provided by the FAO Intergovernmental Group on Jute (IGG/JU). Although the private sector is represented within the IJSG by some 150 companies, only 3 of them come from the EU.

From a development policy perspective, the IJSG has a mandate to alleviate poverty, and as such, it is in line with the development objectives of the EU. However, an independent evaluation carried out in 2010 showed that the 15 development projects initiated by the IJSG over the last 10 years have had a limited impact on poverty reduction. In this context, the Commission considers that the EU can better address poverty alleviation through its bilateral programmes (i.e. in Bangladesh and India, which account for 96% of Jute production) rather than by supporting the work of the IJSG.

The main problem of the IJSG is its low representation. Indeed, following the withdrawal of Switzerland in 2010, the IJSG can only count India, Bangladesh as well as the EU and its 27 Member States among its members. Morocco which had shown interest in joining the IJSG is deferring its adhesion following the recent election of a new government. Other major importing countries like the USA, Canada and Turkey are not member of the IJSG. As such, the IJSG could be considered as a regional organisation rather than an international organisation.

In light of the above, the Commission does not recommend to open negotiations for the renewal of the IJSG Terms of Reference.

In order to continue to support the jute sector, the Commission recommends to focus on the existing Intergovernmental Group on Jute, Kenaf and Allied Fibres (IGG/JU), managed by FAO with a view to transforming this group into an International Commodity Board. The main reasons are the following:

- In the Communication "Agricultural Commodity Chains, Dependence and Poverty"<sup>2</sup> the Commission considers that the value chain approach is key to ensure

---

<sup>1</sup> OJ L 112, 27.4.2002, p. 34.

<sup>2</sup> COM(2004)89

participation and improve revenue of smallholders. Since 2005, the Commodities and Trade Division of FAO has developed a comprehensive expertise in the value chain approach and has already applied it to other commodities like Hard Fibres.

- Being already responsible for the IGG on Hard Fibres<sup>3</sup>, FAO could easily exploit commonalities and synergies which exist between Jute and Hard Fibres.
- If the IJSG ceases to exist, the IGG/JU could be designated as an International Commodity Board. Under this status, it will be entrusted to initiate and monitor projects and to mobilize significant resources from the Common Fund for Commodities but also from FAO members or other donors.
- As regards participation, IGGs are open to all Member Nations of the UN and do not require any lengthy process of ratification. Moreover, it has been proven that granting the activity of development projects to an IGG has a greater impact on the work of the Group and on the participation of developing countries.
- Reducing poverty and improving food security are the main objectives of FAO. Considering, on the one hand, its extensive experience in advising governments and in analysing/drafting policies, and on the other hand, its experience at field level, particularly within small holder farmers and entrepreneurs, it appears that FAO is well placed to steer policies towards poverty reduction and to integrate poor communities concerns into national policies. As a member of the FAO, the EU is well placed to ensure that its objectives are well taken on board.

## **2. EXISTING PROVISION IN THE AREA OF THE PROPOSAL**

The Community has accepted the Agreement establishing the International Jute Study Group on 15 April 2002 on the basis of Council Decision 2002/312/EC.

## **3. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS**

At the Council Working Group on Commodities (PROBA) of 14 June 2012, Member States expressed support for not opening negotiations for the renewal of the IJSG.

## **4. LEGAL ELEMENTS OF THE PROPOSAL**

- Legal basis

Article 207 (3) and (4) and Article 218 (9) of the Treaty on the Functioning of the European Union

- Subsidiarity

The proposal falls under exclusive competence.

- Proportionality

Not applicable

- Choice of instrument

Proposed instrument: Council Decision.

---

<sup>3</sup> The IGG on Hard Fibres has the status of International Commodity Board as there is no international organisation dealing with this commodity

## **5. BUDGETARY IMPLICATION**

The annual contribution to the IJSG administrative budget amounts to €10,000 (on July 2012). Focusing on FAO-IGG/JU will not have any financial implication, as the running costs of the FAO-IGG are covered by the regular budget of FAO. The EU will in fact save €10,000.

### **Conclusion**

In view of the above, the Commission proposes that the Council establish the following position on behalf of the European Union, and authorise the Commission accordingly to oppose the opening of negotiations for the renewal of the IJSG Terms of Reference.

Proposal for a

## COUNCIL DECISION

**on the position to be taken by the European Union within the International Jute Study Group as regards the negotiation of new Terms of Reference beyond 2014**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(3) and (4), in conjunction with Article 218(9) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The Agreement establishing the Terms of Reference of the International Jute Study Group, 2001 was accepted on behalf of the European Community on 15 April 2002 by Council Decision 2002/312/EC<sup>4</sup>.
- (2) The current Terms of Reference expires on 30 April 2014 and the question of opening negotiations for the renewal of these Terms of Reference will be discussed in the 15th session of the International Jute Study Group Council meeting in November 2012.
- (3) Renewal of the abovementioned Agreement is not in the interest of the Union

HAS ADOPTED THIS DECISION:

### *Article 1*

The position of the Union within the International Jute Study Group shall be to vote against opening negotiations for the renewal of the Terms of Reference beyond 2014.

### *Article 2*

The Commission is hereby authorised to express this position within the International Jute Study Group Council meetings.

### *Article 3*

This Decision shall enter into force on the day of its adoption.

Done at Brussels,

*For the Council  
The President*

---

<sup>4</sup> OJ L 112, 27.4.2002, p. 34