

24 March 1960

Committee III - Expansion of TradeDraft ReportJUTE MANUFACTURES

The Committee, in conducting its further examination of the points raised in the second report of the Committee in relation to this commodity, had in mind that the expansion of exports of jute manufactures was of vital interest particularly for two less-developed countries, India and Pakistan, which together accounted for about two-thirds of total world output of jute manufactures. Both countries depended for a large part of their foreign exchange earnings on the export of this group of products; in the case of India, jute manufactures had, for example, in 1959 been the most important single source of export income, accounting for about one-fifth of total export receipts, and both countries urgently needed to expand their export earnings to sustain their present development efforts.

In the discussion of the export prospects for jute manufactures, it was pointed out that, although a jute industry had only recently been established in Pakistan while the Indian jute industry had been an important exporter of these products for some considerable time, both countries at their present stage of economic development were, for a number of reasons, especially well fitted to the production of jute manufactures. It was also pointed out that despite the predominance of India and Pakistan in the production of jute manufactures, established manufacturing concerns in continental Western Europe had over the last decades approximately maintained their relative share in a fairly stable total world production. Jute manufacturers in industrial countries had been able to retain their important position partly by specializing and developing those kinds of jute goods, such as special qualities of hessian cloth, burlap for the manufacture of linoleum and canvas, etc., which met the particular needs of highly developed industrial economies. The overwhelming proportion of Indian jute manufactures, about 96 per cent,

was concentrated on the other hand on hessian cloth of standard qualities and sacking. The relatively higher unit values of many jute manufactures originating in industrial countries, when sold under competitive conditions in unrestricted export markets, indicated that it would be to the advantage of producing countries to concentrate their production on goods for which they had a competitive advantage. For example, in Dundee, the centre of the jute industry in the United Kingdom where the re-organization and modernization of the jute industry was underway, there had been considerable productivity increases.

The efforts of the less-developed countries to modernize their industries and to expand their exports of those goods for the production of which they appeared to be particularly well suited was restricted, however, by a combination of trade and other measures in many important markets. It was pointed out that duties of 30 per cent and more on jute manufactures, particularly sacks and bags, were not uncommon and were often operated in conjunction with quantitative restrictions on imports. Quantitative restrictions were not only widespread and in many instances severe, but the effect on the trade of less-developed countries was still more harmful because of the discriminatory application of these restrictions by certain countries. Members of the Committee welcomed in this connexion the announcement by the Government of the Federation of Rhodesia and Nyasaland that the import of jute yarns had been decontrolled and that the remaining import restrictions on jute manufactures would be removed in the near future. The Federation of Rhodesia and Nyasaland had also suspended the duty on hessian and sacking cloth, and on hessian bags. In the further discussion on obstacles to the expansion of exports of jute manufactures, reference was made to the cumulative effect of levies on a product, such as the combination of duties, internal taxes, etc., especially in cases where the incidence of the latter was less on substitutes for jute products, which tended to discourage the use of jute manufactures. The use of drawbacks on import duties granted by some countries for the packing of certain export products also appeared to be a clear indication

that these countries realized that the tariff protection given to the domestic jute industry was an extra cost which added to the price ultimately paid by the consumer. The Committee welcomed the reduction, since the Committee's last meeting, from 30 per cent to 20 per cent on jute goods imported into the United Kingdom from India and Pakistan by the Jute Control and the further measures which the United Kingdom Government was taking to re-organize and modernize the United Kingdom jute industry with a view to the eventual abolition of State trading now applied for a number of social considerations to the imports of certain jute products.