



EUROPEAN PARLIAMENT

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**A7-0060/2012**

9.3.2012

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## **RECOMMENDATION**

on the draft Council decision on the conclusion by the European Union of the amended Constitution and Rules of Procedure of the International Rubber Study Group  
(13123/2011 – C7-0332/2011 – 2011/0116(NLE))

Committee on International Trade

Rapporteur: Vital Moreira

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the draft Council decision on the conclusion by the European Union of the amended Constitution and Rules of Procedure of the International Rubber Study Group (13123/2011 – C7-0332/2011 – 2011/0116(NLE))**

### **(Consent)**

*The European Parliament,*

- having regard to the draft Council decision (13123/2011),
  - having regard to the amended Constitution and Rules of Procedure of the International Rubber Study Group (13350/2011),
  - having regard to the request for consent submitted by the Council in accordance with Article 207(3) and (4) and Article 218(6), second subparagraph, point (a)(v), of the Treaty on the Functioning of the European Union (C7-0332/2011),
  - having regard to Rules 81 and 90(7) of its Rules of Procedure,
  - having regard to the recommendation of the Committee on International Trade (A7-0060/2012),
1. Consents to the conclusion of the amended Constitution and Rules of Procedure of the International Rubber Study Group;
  2. Calls on the Commission to work on the expansion of the membership base of the International Rubber Study Group, in particular by engaging with main rubber producing and consuming countries, to closely monitor the workings of the Group, and to report back to the Parliament on any relevant developments within two years of the entry into force of the Group's amended Constitution and Rules of Procedure;
  3. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States as well as to the International Rubber Study Group.

## **EXPLANATORY STATEMENT**

### **Introduction**

In October 2011, the European Parliament was asked to give its consent to Council's conclusion on behalf of the European Union of the amended Constitution and Rules of Procedure of the International Rubber Study Group (IRSG). As your Rapporteur for this file, I convened a number of relevant stakeholders for an exchange of views that took place in the INTA Committee meeting of December 20, 2011.

Following this informed debate, I hereby share my analysis and conclusions on this file.

### **The IRSG<sup>1</sup>**

The IRSG is an intergovernmental organization first established in 1944 in the United Kingdom and relocated in 2008 in Singapore. It offers a platform for discussion between rubber producing and consuming countries on all aspects of the rubber supply chain.

Membership of the IRSG is open to governments. Currently 9 countries plus the European Union are contributing members: Republic of Cameroon, Cote d'Ivoire, India, Japan, Malaysia, Nigeria, Russian Federation, Singapore and Sri Lanka. Some 120 industry representatives are members through a Panel of Associates.

The IRSG aims to collect and disseminate comprehensive statistical information on the world rubber industry. This activity is widely acknowledged as a fundamental for improving transparency in rubber markets and market trends, a condition to better understand and eventually tame price volatility for this commodity.

### **Recent changes in the membership base**

The IRSG's composition has undergone a number of changes. First of all, the European Union, the world's second biggest consumer of natural rubber, became a member of the IRSG in 2002. Consequently, individual EU Member States that were members in the IRSG withdrew from the Group.

The United States, the third biggest consumer, and Thailand, the main rubber producer, pulled out of the IRSG mid-2011, and Malaysia has indicated plans to follow suit in mid-2012.

The amended Constitution and Rules of Procedure, approved by the Group on 14 July 2011, take stock of these changes and clarify the particular legal status of the European Union within the Group; confirm its new Headquarters; and realign the organisational structure, budget<sup>2</sup> contributions and decision-making procedures.

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<sup>1</sup> <http://www.rubberstudy.com/default.aspx>

<sup>2</sup> The IRSG' annual budget is around 1.6 million Singapore Dollars. For budget year 2012/2013 government contributions are at 740.000 SGD, industry membership fees and IRSG publication sales at 525.000 SGD. The EU contribution amounts to 153.000 SGD (around 90.000 € at exchange rates of the time of writing) which is less than the previous combined contributions by the Commission and individual Member States

It is worth noting that Thailand, Malaysia and Indonesia (also not a member of the IRSG) account for almost two thirds of the total world rubber production. China, the number one consumer (around one-third) of world rubber also does not participate in the IRSG.

While the European Union's participation in the IRSG is an extremely welcome development, the fact that some of the world's largest rubber producing and consuming countries are not members of the IRSG weakens the authority of this organization and calls into question its purpose, its credibility and its representativeness.

### **Recent market developments**

In the past few years, major price rises and high volatility have impacted a number of commodities, including natural rubber. Analysis has demonstrated that, at the origin of these developments, are: rising demand, particularly from China; constrained short-term supply; few rubber trees planted; heavy rains in the major producing countries. These factors combined have placed the world supply of rubber under pressure.

A further specificity of the natural rubber market is the trading culture. While over 90% of purchases are made by physical long-term contracts, the financial market - especially the derivatives market - serves for price reference. While there is no evidence that the financialization would have unduly influenced price development, the natural rubber sector has a clear interest in increasing market transparency. It is worth noting the recent regulatory work undertaken by the EU and the G20 conclusions<sup>1</sup> that establish necessary models for market transparency and to fight market abuse.

For the European Union, who is dependent on imports and, at the same time, the world's second largest consumer of natural rubber, it is key to ensure fair, predictable and affordable access to this commodity.

### **Conclusions**

While noting that the IRSG's membership has been weakened by recent developments, your rapporteur also notes that the IRSG is the only inclusive platform grouping both rubber producing and consuming countries. Furthermore, the IRSG still is, in spite of its shortcomings, the most appropriate body to work on increasing the transparency lacking on the physical market and that is badly needed to ensure fair, predictable and affordable access to rubber all around the world.

Further, your rapporteur believes that the revision of the Constitution and Rules of Procedure of the IRSG can also provide an impetus for relaunching the Group as an essential multi-stakeholder forum.

As such, your rapporteur recommends that Parliament gives its consent to the draft Council

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<sup>1</sup> G20 Cannes Summit final declaration: <http://www.g20-g8.com/g8-g20/g20/english/for-the-press/news-releases/cannes-summit-final-declaration.1557.html>

Decision on the conclusion by the European Union of the amended Constitution and Rules of Procedure of the International Rubber Study Group.

Nevertheless, your rapporteur insists that the Commission makes all efforts possible to increase the membership of this Group, in particular by engaging with main rubber producing and consuming countries. A strong membership base remains a prerequisite for the long-term viability and effectiveness of the IRSG as an authoritative body.

In addition, your rapporteur notes that the Group has potential to serve as a model for other strategic commodities, provided its mandate can be broadened to better tackle in particular the challenge of provision of timely and reliable market data and transparency. Other welcome elements of the "reinvented" IRSG would be, through its extended mandate and work programme, a new focus on sustainability of the industry and the development of quality standards as well as of alternative rubbers.

## RESULT OF FINAL VOTE IN COMMITTEE

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|---|---|
| <b>Date adopted</b>   | 1.3.2012  |
| <b>Result of final vote</b>                                       | +: 26<br>-: 0<br>0: 0   |
| <b>Members present for the final vote</b>                         | Laima Liucija Andrikienė, Kader Arif, Maria Badia i Cutchet, David Campbell Bannerman, Daniel Caspary, Christofer Fjellner, Yannick Jadot, Metin Kazak, Bernd Lange, David Martin, Vital Moreira, Godelieve Quisthoudt-Rowohl, Helmut Scholz, Peter Šťastný, Robert Sturdy, Gianluca Susta, Keith Taylor, Iuliu Winkler, Jan Zahradil, Paweł Zalewski |
| <b>Substitute(s) present for the final vote</b>                   | Josefa Andrés Barea, Silvana Koch-Mehrin, Elisabeth Köstinger, Marietje Schaake, Pablo Zalba Bidegain   |
| <b>Substitute(s) under Rule 187(2) present for the final vote</b> | Jürgen Klute  |