

ETRMA – European Tyre & Rubber Manufacturers' Association would like to express its gratitude to the European Commission for organising this consultation. This contribution focuses to an important raw material issue.

Highlights:

- ➔ FTA with Malaysia welcome
- ➔ Malaysia is a contracting party to UNECE 1958 Agreement – we must ensure that there is actually regulatory convergence with the country
- ➔ Malaysia is also a member of *International Rubber Consortium Ltd.* which might pose threats to European industry
- ➔ Chapter on raw materials must be included in the FTA and close attention to Natural Rubber trade must be paid when negotiating it

ETRMA fully supports the multilateral liberalisation of trade through the WTO which it believes is fundamental in improving both the competitiveness of European Industries and market access to third countries. Global agreements provide the most optimal framework but when no further progress can be obtained through this route, ETRMA supports that a regional or bilateral approach would be chosen. Regarding regional/bilateral agreements – ideally Free Trade Agreement – priorities should be set on cooperation and efforts to enhance market access in particularly with emerging countries with high growth rate and tendency to protectionist policies.

ETRMA welcomes the recently launched FTA negotiations with Malaysia. Tyre trade between Malaysia and the EU is working satisfactorily as Malaysia is one of the contracting parties of UNECE 1958 and 1998 Agreements since 2004. However, regarding vital raw material to our sector, Natural Rubber (NR), Malaysia plays a significant role and this has to be taken into account when negotiating the FTA.

- European Tyre and Rubber Industry is **import dependent** on NR, there is no domestic production of it. The EU is the 2nd biggest consumer of NR (1.4 million tonnes in 2008) after China (2.9 million tonnes). At global level, the tyre industry consumes around 70 % of the NR production. The remaining consumption is mainly destined to the general rubber goods made for the automobile, construction, and pharmaceutical industries in particular.
- The NR production is dominated by Indonesia, Malaysia and Thailand, which account for close to 70% of global production and 85% of global exports.
- These three countries created, in 2004, *International Rubber Consortium Ltd.* (www.irco.biz), a cartel to carry out strategic market operation with two objectives:
 - To achieve long term price trend stabilized and remunerative to the farmers;
 - To maintain a supply-demand balance to ensure adequate supply of NR in the market at fair prices.

- ETRMA remains concerned about the large power exercised by major NR producers which sit in the same organization. IRCO has primarily expressed the position that it will shore up natural rubber prices by regulating supply and implementing export control if necessary. We naturally believe this is a threat for the EU industry relying on natural rubber.

Bangkok Post, Oct 18, 2009: "the 'cartel' agreed to cut supply as a way to curb and shore up rubber prices that have fallen sharply over the last few weeks...IRCO agreed on 4 measures: jointly reducing plantation areas, felling old trees, reducing the frequency of tree tapping and asking businesses to refrain from selling rubber at cheap prices."

- The increase of raw materials prices for the Tyre Industry has been over 60 % compared to the level of 2002. Over these years oil prices have nearly tripled and NR prices have increased by nearly 400 %, driven by lower production at rubber plantations in South East Asia and higher demand from China. The ever increasing demand for NR in China sets the context against which our raw material policy must be brought into FTAs, especially those made with ASEAN region countries.

For these reasons, and totally in line with the recently published new trade policy communication "Trade, Growth and World Affairs", **ETRMA insists that the EU-Malaysia FTA includes a chapter on raw materials and that close attention to Natural Rubber trade is paid when negotiating it.**

For further contact:

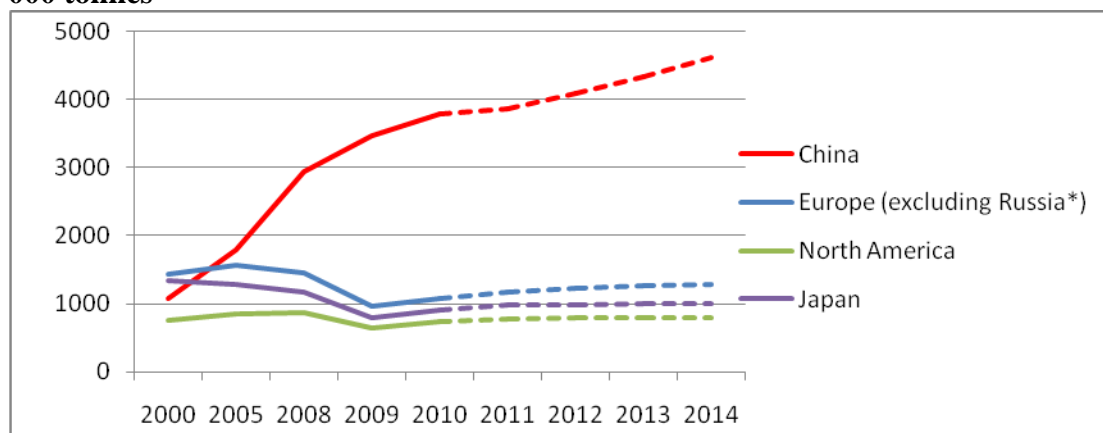
Fazilet Cinaralp
Secretary General, f.cinaralp@etrma.org

Jarmo Sunnari
Assistant to the Secretary General, j.sunnari@etrma.org

+32 2 218 49 40

Natural Rubber consumption of certain countries/regions 2000 – 2014

000 tonnes



Source: IRSG

*) In 2000 and 2005, the figures of Europe include Russia and CIS countries.