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2017/0159 (NLE)

Proposal for a

COUNCIL DECISION

concerning the membership of the EU in the International Rubber Study Group (IRSG)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The International Rubber Study Group (IRSG) is an inter-governmental organisation composed of rubber producing and consuming stakeholders and was established in 1944. It provides a forum for the discussion of matters affecting the supply and demand for natural as well as synthetic rubber. By Council Decision 2002/651/EC of 22 July 2002 the European Community has become a member of the IRSG. The single EU membership to the IRSG dates from 1 July 2011. It has been legally established by Council Decision 2011/664/EU of 12 September 2011 on the signing and provisional application of IRSG's amended Constitution and Rules of Procedure and by Council Decision 2012/283/EU of 24 April 2012 on the conclusion by the EU of IRSG's amended Constitution and Rules of Procedure.

The reasons suggesting the EU to leave the IRSG can be summarised as follows:

During the preparation of the amended IRSG constitution in 2011, the Commission has repeatedly stressed its concern on the limited and declining relevance of IRSG following the withdrawal in 2010-2011 of important member countries (USA, Thailand, Malaysia). IRSG's current membership is representative of only about 10% of the world production and 25% of the world consumption of natural rubber, respectively. This concern is also reflected in the Recommendation of the INTA Committee that preceded the Parliament's consent to Council Decision 2012/283/EU approving the 2011 constitution. INTA stressed that "a strong membership base remains a prerequisite for the long-term viability and effectiveness of the IRSG as an authoritative body" and that the Parliament resolution giving the consent to the Council Decision called on the Commission to "work on the expansion of the membership base of the IRSG".

For those reasons, the Commission has called upon IRSG and its other members as well as industry to encourage non-member governments to join IRSG, and written itself to five governments in 2011. Since 2012, the EU has stressed the need to attract new members at each meeting of the heads of delegations. However, despite repeated efforts by the IRSG Secretariat in the last four years, none of the potential new members that have been approached gave any reliable indication that they would be prepared to join the Group. Therefore, it must be concluded that there are no reasonable perspectives of this situation being reversed.

The tasks of IRSG relate mainly to the generation of statistics on rubber production and trade, as well as a number of projects related to rubber production. In the view of the Commission, those tasks could as well be undertaken by private bodies, and the value-added of the involvement of the European Commission in those processes is limited.

At the same time, it needs to be questioned whether membership in IRSG remains a priority in the context of increasing budget restrictions and new challenges. This concern is reinforced by increasing membership fees, which are the consequence of the reduced number of Member Governments, the depletion of the Group's cash reserves and the evolution of the EUR/SGD exchange rate. For the financial year 2016/17, the EU's contribution to the IRSG's budget amounted to 132,000 EUR and will increase to 135,000 EUR for the next financial year (2017/18); the Legislative Financial Statement underlying Council Decision 2012/283/EU on the conclusion by the European Union of the amended Constitution and Rules of Procedure of the International Rubber Study Group foresaw only annual appropriations of 125,000 EUR.

For these reasons, the EU should withdraw from the International Rubber Study Group.

- **Consistency with existing policy provisions in the policy area**

No other policy provisions at EU level in the area of studying international rubber trade exist.

- **Consistency with other Union policies**

The measure is consistent with the Commission's policy of concentrating on key priorities.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

In consideration of the principle of institutional balance and in light of the fact that this agreement was concluded according to Article 218(6)(a)(v) TFEU, the legal basis for the conclusion of an international agreement providing for the consent of the European Parliament is therefore chosen.

- **Subsidiarity (for non-exclusive competence)**

The EU’s conclusion of IRSG's amended Constitution and Rules of Procedure was based on Article 207(3) and (4) in conjunction with Article 218(6)(a)(v) of the Treaty on the Functioning of the European Union (TFEU). The matter therefore pertains to the area of exclusive competence of the Union.

- **Proportionality**

The withdrawal of the EU is required in order to put an end to annual budgetary expenses that bring limited benefits, below those expected when the European Community has joined the IRSG. It should also help saving scarce human resources currently employed in managing EU's participation to the IRSG. For this reason, the withdrawal of the EU is deemed to be the most suitable measure for achieving this objective and considered proportionate.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

This initiative cannot be rendered public before a decision on the termination of EU's participation to the IRSG is formally taken. Otherwise EU's position vis-à-vis the other members of the IRSG (which would have become aware of this initiative) would be seriously weakened during the relatively long period that would normally elapse between the publication of the initiative and the taking of the decision to withdraw, and even more so in the event that the final decision will be to stay as a member.

- **Impact assessment**

A full-fledged impact assessment is not necessary, since the measure is not likely to have significant economic, environmental or social impacts.

The termination of EU's membership to the IRSG would save the Union over 150,000 EUR in annual contributions, as well as the human and logistical resources needed to manage this membership. A termination of EU's membership would imply that the services such as free access to the IRSG publications would no longer be available. However, it has to be noted that the statistics produced by the IRSG are only occasionally used by the Commission services and, at the level of detail that we require, alternative sources can sometimes be downloaded for free. In any event, the cost of an annual subscription to all IRSG publications does not exceed 8,000 EUR.

A withdrawal decision may contribute to a further decline of IRSG, taking into account that the EU's contribution represents over 12% of the IRSG's total budget (and 23% of the total Member Governments' contribution) and the remaining 8 members are unlikely to be able/willing to cover this financial gap.

The European tyre and rubber industry has in the past manifested itself as a strong demandeur for EU's participation to the IRSG. Recently, the main interest of industry lied in IRSG's involvement in the Sustainable Natural Rubber Initiative and the role the IRSG may play as a facilitator of contacts with official bodies where the large natural rubber producing countries are represented (the Association of Natural Rubber Producing Countries). However, industry has indicated on the occasion of the last annual meeting in Singapore (May 2016), that IRSG’s role as owner/facilitator of the SNR-i will not be acceptable beyond the current pilot phase and that the IRSG should become merely one of the many "stakeholders" of this initiative.

During a period of sharp price increases of natural rubber (mid-2008 to mid-2011) IRSG was considered by industry as a tool for fighting excessive commodity price volatility because IRSG enhances the transparency of market developments and it is the only international organisation where consumers are represented alongside producers; the subsequent developments, however, have proven this argument to be irrelevant given that the largest producers are no longer within the IRSG and that natural rubber prices have declined to less than half of their peak level reached six years ago.

4. BUDGETARY IMPLICATIONS

The termination of EU's membership to the IRSG would save the Union over 150,000 EUR in annual contributions, as well as the human and logistical resources needed to manage this membership. A termination of EU's membership would imply that the services such as free access to the IRSG publications would no longer be available. However, it has to be noted that the statistics produced by the IRSG are only occasionally used by the Commission services and, at the level of detail that we require, alternative sources can sometimes be downloaded for free. In any event, the cost of an annual subscription to all IRSG publications does not exceed 8,000 EUR.

A financial statement has not been included because a withdrawal from the IRSG only reduces budgetary implications. Those reductions are in the order of € 130000 annually but cannot be determined more precisely due to changes in annual contributions and exchange rates between SGD and €.

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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(6)(a)(v) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The International Rubber Study Group (IRSG) was established in 1944 following the termination of the International Rubber Regulation Scheme that had operated from 1934.

(2) The IRSG is an Intergovernmental Organisation with the status of a recognised international body. The object of the Group is to: "… provide a forum for the discussion of problems affecting the production and consumption of, and trade in, natural and synthetic rubbers and to collect and disseminate comprehensive statistical information on the world rubber industry".

(3) The Group's activities are mainly financed by Member Governments' contributions. Of the approved budget, 60 % is to be met by basic contributions as paid in equal amounts by all Member Governments. The balance of 40 % is to be paid by Member Governments in proportion to their production or consumption (whichever is the larger) of new rubber in the calendar year previous to the financial year in question.

(4) By Council Decision 2002/651/EC of 22 July 2002 the European Community has become a member of the IRSG. The single EU membership to the IRSG dates from 1 July 2011. It has been legally established by Council Decision 2011/664/EU of 12 September 2011 on the signing and provisional application of IRSG's amended Constitution and Rules of Procedure and by Council Decision 2012/283/EU of 24 April 2012 on the conclusion by the EU of IRSG's amended Constitution and Rules of Procedure.

(5) According to the IRSG's Rules of Procedure, a "Notice of withdrawal by a Member Government shall be delivered in writing to the Secretary-General by 1 November to be effective on 30 June of the subsequent calendar year and Member Governments giving notice after 1 November shall be liable for the membership contribution for the next ensuing financial year" (Constitution, XVI, 3. Council Decision 2011/664/EU).

(6) The IRSG has been negatively affected by the withdrawal in the past years of important member countries, thus it has become an international organisation of limited and declining relevance. IRSG's current membership is representative of only about 10% of the world production and 25% of the world consumption of natural rubber, respectively.

(7) There are no reasonable perspectives of this situation being reversed.

(8) As a consequence of the reduced number of Member Governments, the depletion of the Group's cash reserves and the evolution of the EUR/SGD exchange rate, the EU's contribution to the IRSG's budget is significant and rising.

(9) The maintenance of a membership to an inter-governmental organisation of limited and declining relevance would be inappropriate and inefficient. The EU should therefore withdraw from the International Rubber Study Group.

HAS ADOPTED THIS DECISION:

Article 1

The European Union hereby withdraws from the International Rubber Study Group.

Article 2

The Commission is hereby authorised to designate the persons empowered to notify in writing the Secretary-General of the International Rubber Study Group of the withdrawal.

Article 3

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

Done at Brussels,

For the Council
The President