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GENERAL AGREEMENT ON TARIFFS AND TRADE

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WORKING PARTY ON THE ASSOCIATION OF OVERSEAS TERRITORIES WITH THE EUROPEAN ECONOMIC COMMUNITY

COMMODITY NOTE: NATURAL RUBBER

Submitted by the Ceylon Delegation

[No attempt has been made in this paper to include detailed statistics of production, consumption, exports, imports etc., as they are readily available in publications of the International Rubber Study Group, the OEEC and other organizations].

Natural rubber is one of the three major export products of Ceylon. Exports to the markets of the Six during the period 1954 to 1956 represented about 20 per cent of her total exports of rubber. Total new supply of rubber into the Six was about 360,000 tons in 1956 of which 25,303 tons originated from the Associated Overseas Territories. The major part of the Six's requirements of natural rubber comes from Malaya and Indonesia.

The duty on crude rubber and latex in the Common Tariff of the Six is not yet known but this item appears in List B of the Rome Treaty as one of the tariff headings on which the duty shall not exceed 3 per cent. Natural rubber has traditionally entered the markets of the world, including the markets of the Six, free of import duty and other restrictions, in view of its vital importance as a raw material for industry. It is difficult to understand why this commodity has been included in List B, instead of continuing to remain free of duty as would be reasonable to expect.

If a duty is levied, however small, on imports into the Six from third countries, an effective preferential system in favour of the overseas territories, who enjoy duty-free entry, would be created. These territories will enjoy a price higher than that paid to outside producers by the extent of the tariff preference. This would stimulate, artificially, the production in the overseas territories of rubber for export to the Six. The rapid increase in exports from the Belgian Congo in the post-war period lends credence to this view. The result would be the displacement of supplies from third countries who would consequently have to find other markets for their products.

This would accelerate the downward trend in world prices with further adverse effects on underdeveloped countries whose economies are geared to natural rubber production. In the case of Ceylon, where costs of production of rubber are high, and where in fact, profits to the producer are marginal at current world prices, the double burden of a tariff barrier in the Six and the decline in world prices, would have serious consequences.

It may be argued that consumption in the Six will increase following the increase in economic activity and standards of living that is expected to arise from the Common Market, but the fact is that third countries would be relegated to the position of third suppliers instead of enjoying the normal benefits of any increase in consumption.

The Government of Ceylon attaches great importance to the continued duty-free treatment of this commodity. An assurance to this effect by the Six would be greatly appreciated.

It is noted that rubber does not appear in the list of items (in Annex II) to which the agricultural provisions of the Rome Treaty will be applied.