ANRPC NEWS

A newsletter of the
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FROM THE SECRETARY-GENERAL'S DESK

First of all, I would like to express my sincere gratitude to Member Countries for giving me a chance to be the Secretary General of the Association. I recently retired from the Civil Service of the Royal Thai Government after serving in 3 ministries for 38 years. I started my career as an Economist in the Ministry of Commerce and subsequently held several important positions including the position of Deputy Director General of the Office of Industrial Economics in the Ministry of Industry. Before my retirement, I was also the Inspector General at the Ministry of Industry and then transferred to the same position at the Ministry of Agriculture and Cooperative

Based on my education background, I got a bachelor degree of Economics with honours, and diploma in Economic Development as well as diploma in Public Administration and Public Laws. I was training abroad in several subjects for example small industry, productivity, global economy, and market research. Moreover, I love to enjoy challenging jobs. Therefore, I hope with my vast experience in planning, policy formulation and administration will guide the Association's objectives. Furthermore, I will back up all of member countries as far as I can do with my heart.

As a member of ANRPC, my priorities will be strengthening the membership of the Association, promoting further cooperation among member governments and providing policy linked information and also advisory services to the member countries. Hence, I expect that the member countries will obtain the advantage from my work and it would be a successful work unless with the kind support and stronger cooperation from the member countries. I do expect the whole hearted and warm support of the new member, China, for the successful functioning of the Secretariat

At last but not least, I wish that the Secretariat would be the resources and expertise for the member countries. Here, I would like to take this opportunity to thank both of former and present of ANRPC's staff for contributed as a useful article.

Suchada Varaphorn

NEWS FROM ANRPC

People's Republic of China Joins ANRPC

The Government of People's Republic of China (PRC) has become the ninth member of the ANRPC. The PRC deposited its instrument of Accession by the Honourable Sun Zhengcai, Minister of Agriculture of the PRC on 25th June 2007. We are very happy to welcome the PRC to the ANRPC family. We are sure that the increase

C O N T E N T S

Suchada Varaphorn – Secretary-General, Jom Jacob – Senior Economist, Toms Joseph and S. Veeraputhran – Economists

in the membership will strengthen the Association and will further promote the interests of other NR producers. It will also provide a conduit for facilitating technical co-operation to support the natural rubber (NR) industry of the PRC.

ACCEPTANCE / ACCESSION OF THE MEMBER COUNTRIES TO THE ANRPC

1.	Sri Lanka	– 12th September 1968
2.	Indonesia	– 17th June 1969
3.	Thailand	– 9th January 1970
4.	Malaysia	– 8th April 1970
5.	Vietnam	– 14th May 1970
6.	Singapore	– 5th June 1975
7.	India	– 11th August 1975
8.	Papua New Guinea	– 6th November 1975
9	People's Republic of China	– 25th June 2007

ANRPC MEETINGS/CONFERENCES 2007

1. First Meeting of Information and Statistics Committee is scheduled for 19-20, November, Kuching, Sarawak, Malaysia.

2. First Meeting of Industry Matters Committee is scheduled for 20-21, November, Kuching, Sarawak, Malaysia.

3. Thirty-third Meeting of the ANRPC Executive Committee is scheduled for 22nd November, Kuching, Sarawak, Malaysia.

4. Thirtieth Session of the ANRPC Assembly is scheduled for 23rd and 24th November, Kuching, Sarawak, Malaysia.

NEWS FROM ANRPC MEMBER COUNTRIES

CHINA

China expands rubber plantation in Southeast Asia

China is planning to invest in natural rubber(NR) plantation in Southeast Asian countries as it expects fall in domestic production but growth in domestic demand in future. The China Rubber Industry Association predicts that China will need to import 2.1 million tonnes of NR in 2010 when the domestic consumption reaches 3.18 million tonnes. By 2010, the production is expected to record 780,000 tonnes from the current level of 600,000 tonnes. Against this background, the Yunnan Natural Rubber company will invest 10 million yuan ($1.29 million) for the initial phase of rubber plantation in Laos in an area of 66,700 hectares. When the company is in talks with Vietnam to develop rubber plantation in an area of 50 hectare, it has already started tapping of rubber in 333 hectares in Myanmar. China Hainan Rubber Industry Group Co. Ltd, the country's largest rubber producer, is also planning to develop 60,000 hectare of rubber plantation in Combodia.

Source: *Malaysian Rubber Digest,* March 2007

China's NR import still at higher side

China, the world's largest NR consumer, consumes more that one fifth of its NR production. In the first two months of 2007 alone the import of NR was 250,000 tonnes registering an increase of 14 per cent compared to that in the same period in the previous year. In the case of synthetic rubber, the import increased by 22.2 per cent to 108,500 tonnes in January 2007 compared to the same period in the last year. In 2006, the total import of NR increased by 14 per cent to 1.61 million tonnes mainly owing to growing domestic demand, growth of car tyre sector at double digit level for several years and insufficient production of NR (600,000) to meet the growing internal demand. On an average, China imports 1.8 million to 2 million tonnes of NR annually.

Source: *Malaysian Rubber Digest,* February and March 2007

INDIA

India retains top slot in NR productivity

India has retained the No 1 position in the productivity of NR in the world. Thailand was in the top slot in 2005 with the productivity of 1,736 kg of NR per hectare per year. Although its productivity increased to 1,799 kg per hectare per year in 2006, it lost its number one position as India's productivity increased from 1,727 kg per hectare per year in 2005 to 1,879 kg per hectare per year in 2006. Productivity is estimated by dividing the production by tapped area. India had been at the top in the rubber productivity till 2004.

Source: *Indian/International Rubber Journal,* June 2007

Rubber prices in India set to soar further

Traders based in Kerala held the view that the delivery pressure in the market led to panic selling from March onwards when stocks were sold at a lower price besides delayed tapping due to adverse weather conditions caused a loss of 40,000 to 50,000 tonnes of rubber. Therefore, they expected a hike in price to Rs.100 per kg after mid June. In supplement to this, Ottawa based NR traders also said that, as the stocks have already been exhausted the growing demand from tyre manufacturers would move up the prices. However, the Director General of Automotive Tyre Manufactures Association (ATMA), Mr. Raveendran, was of the view that, there could be a five per cent increase in demand, but the supply was tight as growers hold back their stocks on the anticipation of higher prices. Therefore, if domestic stocks are not sufficient, Mr. Raveendran said, the tyre manufacturers would go for larger imports of NR during this year as against 88,000 tonnes of import made during the last year.

Source: *Indian/International Rubber Journal*, June 2007

Growers demand ban on futures trading in NR

The natural rubber growers and traders demanded the ban on futures trading on the ground that, they are forced to face the vagaries of the price fluctuations leading to loss of remunerative farm gate prices due to speculative trading by big players in Mumbai, Delhi and other cities. The high volatility in rubber futures prices is largely the result of speculative trading by a few major players, which has affected the supply chain severely accompanied by the absence of participation of small growers in futures trading. Therefore, the Rubber Board, India, has asked the Forward Market Commission (FMC), India, to monitor the rubber futures prices that its fluctuation does not go beyond 2 per cent as it is severely affecting the physical rubber prices. Subsequently, natural rubber is also included while formulating the Abijith Sen Committee to study the impact of futures market on essential commodities. It is warranted on the concern that the physical delivery of rubber is on the lower side in the futures market.

Source: *Indian/International Rubber Journal*, June 2007

Indian rubber planters concern of Thai free-trade pact

It is reported that Indian rubber planters will oppose any move to cut the duty on imports from Thailand, the world's largest rubber producer, as part of negotiations of tree-trade agreement. Producers are worried that a free-trade pact with Thailand would result in reduction in import duty to 5 per cent or even abolished, from the current rate of 20 per cent. Domestic rubber growers anticipate that the lower import duties would lead to surge in import of NR which may affect the domestic price and hence the market.

Source: *Malaysian Rubber Digest,* April 2007

INDONESIA

Indonesian economy grew by 6.3 per cent in second quarter

The Central Statistics Agency reported that Indonesian economy grew by 6.3 per cent in the second quarter of 2007 compared to the same period a year ago driven by stronger exports, investment and consumption. On a quarterly basis, the economy expanded by 2.4 per cent to achieve the gross domestic product (GDP) of Rp 962.5 trillion (US$106.9 billion), as the government spending paced up from the first quarter in providing a boost. The latest GDP growth figures illustrate that Indonesia's economy has expanded by 6.1 per cent until the first half of this year. The government has envisaged 6.1 per cent growth for the second quarter of 2007, but is expecting 6.3 per cent for the entire year.

Source: www.thejakartapost.com

Larger area under rubber but low yield in Indonesia

Despite the fact that Indonesia's rubber plantations cover the largest area in the world with around 3.3 million hectares, the country is behind Thailand in terms of production largely due its low productivity. The reasons attributed to such a phenomena are; most of the rubber plantations are owned or managed by tappers who lack not only capital but the technology needed to boost the production and quality as well have directly impacted on the productivity. The use of low yielding clones and the presence of old and uneconomic rubber tree also reflect the reasons for lower productivity. About 85 per cent of the 3.3 million hectares of area under rubber are operated by smallholder tappers. The productivity of smallholder plantations varies from 600 kg to 800 kg per hectare per year, as compared to 1,300 kg from estates.

Source: *Jakarta Post,* 14th June 2007

Indonesia to produce 2.4 million tonnes of rubber in 2007

Indonesia is expected to produce 2.4 million tonnes of rubber during the current year compared to 2 million tonnes in 2004. The Director of the Rubber Research Centre, Mr. Chairil Anwar, said that, Indonesia whose rubber plantations cover an area of around 3 million hectares witnessed a 5-7 per cent increase in its rubber output in each of the past three years. Meanwhile, Thailand, which has around 2 million hectares of rubber plantations produces an estimated 3 million tonnes of rubber per year, making it the world's largest NR producer. Data from the Indonesian Plantation Research show that Indonesia realised more than US$3.9 billion by exporting rubber and rubber-based products in 2006 compared to US$3.51 billion a year earlier. In order to raise the country's rubber output, the government is planning to rejuvenate 300 thousand hectares of rubber plantations by 2010 with a view to becoming the world's largest producer of rubber and rubber based products by 2020-2025.

Source: *Indian/International Rubber Journal*, June 2007

Export target may not be achieved

Indonesia's target to increase the export of rubber by 60 per cent to US$9.4 billion is not expected to be able to meet the target due to the implementation of VAT and issues concerning black carbon anti-dumping, the Executive Director of the Association of Rubber Companies (Gapkindo) Suharto Honggokusumo, said. He revealed that the implementation of VAT to all kinds of rubber had been affecting the competitiveness of both the prices and rubber products not only in the domestic but in the overseas markets as well. He is of the view that VAT to all types of rubber actually had been eliminated with the issuance of the Government Regulation No 7/2007 on primary commodities. Therefore, Gapkindo has asked for the elimination of VAT, especially on three types of rubber, namely slab, wind sheet, and thick latex on the ground that these three commodities are primary products that still need further process to have value added. It is also reported that amidst the high domestic rubber price, the application of 10 per cent VAT made the rubber derivative industries to choose imported products.

Suharto expressed the concern that the elimination of time limit for the application of black carbon anti-dumping custom tariff to India, South Korea and Thailand from April 28 to September 6, 2009 will undermine the performance of the rubber sector in the country. That, the domestic rubber downstream industry had their black carbon purchasing cost increased from 5 per cent to 17 per cent making their export product prices more expensive.

Source: *Malaysian Rubber Digest,* May 2007

MALAYSIA

Malaysia's growth may slow down slightly in 2007, says IMF

The International Monetary Fund (IMF) predicts that Malaysia's economic growth is likely to ease slightly to 5.5 per cent in 2007, from about 5.9 per cent in 2006. The IMF has urged Malaysia to expand its sources of growth in the face of more competition from its Asian neighbours. The fund said that Malaysia's currency, the ringgit, had shown greater flexibility but was strengthening against the US dollar by 7 per cent in 2006. Similar to other Asian countries, Malaysian economy also relies heavily on exports. But, a rising currency would make exports more expensive in the world markets and reduce the value of exports earnings when they are repatriated. A US Treasury currency report also said that, economic imbalances exits due to increased flexibility in Malaysian currency regime and the country's large and growing current account surplus.

Source: *Malaysian Rubber Digest,* March 2007

Aid for replanting rubber

The Deputy Prime Minister of Malaysia said in a recent statement that, under the Ninth Malaysian Plan the government has set aside an additional RM374 million to enable 319,000 rubber smallholders to undertake replanting programmes. While 95,000 hectare will be replanted with oil palm or other crops, about 100,000 hectare will remain under rubber cultivation. In this regard, the government has decided to increase the replanting aid for those rubber smallholders who want replanting of rubber. Under the Ninth Malaysian Plan, 2,000 hectare of idle land is proposed to be planted each year.

Source: *New Straits Times,* 24th April 2007

Rubber production in Malaysia up by 9.3 per cent in June 2007

The Statistics Department of Malaysia reported that the natural rubber production in the country rose by 9.3 percent to 97,717 tonnes in June 2007 compared to the previous month. Of the total production, the smallholding sector contributed 94.3 percent while the rest by the estate sector. However, the total production in the first six months of this year declined to 3.5 percent to 589,379 tonnes when compared to the same period in the last year. Domestic consumption of natural rubber in June 2007 amounted to 35,057 tonnes, up by 2.5 per cent compared to the previous month. The major consuming sectors were rubber gloves (65.2%), rubber thread (12.6 %) and tyre and tubes (11.6 %). The total consumption of these three industries constituted 89.4 percent of the overall domestic consumption of natural rubber.

Source: www.bernama.com

Malaysian plantation workers getting wage hike

Under the new agreement between the National Union for Plantation Workers (NUPW) and the Malaysian Agriculture Producers Association (MAPA), the rubber tappers and plantation workers have been offered a basic pay hike of 8-9 per cent (including wage arrears for 17 months) with effect from 1st June 2007 to 31 May 2010. Apart from this, the rubber tappers and field workers will also enjoy higher rates of productivity linked incentives and other payments like shift and housing allowances. These increments will allow a rubber tapper to earn up to RM1,500 a month and the lowest paid field worker will get the basic wage between RM 500-600 a month as against RM 450 paid earlier.

Source: *New Straits Times*, 31st May 2007

Modern method for market information

Recently, the Malaysian Rubber Board (MRB) organised the "Night with the Industry" in Kuala Lumpur. In this event the Minister of Plantation Industries and Commodities, YB Datuk Peter Chin Fah Kui officially announced the launching of Short Messaging Services or SMS Project to obtain the natural rubber prices and their trends. It is stated that, for many years the daily rubber prices were available mainly through two channels; the local newspapers and the radio. But, now rubber prices can be accessed through SMS. The SMS service is an interactive service provided by the MRB whereby the daily average noon and 5 pm rubber prices can be accessed by any party subscribing the service. The MRB sources reported that this mechanism has proven to be a more effective, efficient and extremely cost effective mode of information dissemination among business community and their customers.

Source: www.lgm.gov.my

THAILAND

El Niño, a cause of concern in Thai rubber plantations

El Niño, the ocean-atmosphere phenomenon that does so much to shape the course of the world's weather, has given a particular cause of concern for farmers in Thailand. The Meteorological Department in Bangkok has announced that the cool, dry season lasted unusually for a long time, beyond its normal November to January range. The worry was that, El Niño would eventually deliver a superheated hot season usually from February to April. Though the effects were not as severe as those of the catastrophe in 1997-98 it was expected that El Niño would likely to have an impact on agriculture in Thailand and beyond. The concern of rubber planters in Thailand was that the latex output obtained from rubber trees (a major export commodity) is very much dependent on rainfall. Drought means lower production, hence affects the natural rubber production *vis-à-vis* the industry. In an effort to defend such a drought the Thai government has earmarked $6.9 million to this endeavour.

Source: www.cabiblog.typepad.com, February 23, 2007

Modern methods to stabilise commodity prices

The Ministry of Commerce, Thailand, has introduced modern trade methods as another marketing mechanism to stabilise commodity prices. Some of the modern strategies to be applied this year include electronic trading, the Agricultural Futures Exchange of Thailand (AFET), zoning for central agricultural markets, forward auctions and farm outlet operations. These methods have been introduced to reduce the billions of baht spent on price intervention programmes and lose due to corruption.

The Director-General of the International Trade Development, Ministry of Commerce, said, the modern methods would allow farmers to quote prices for the crops instead of trading through middlemen. Trading on AFET will allow farmers to check the demand for key farm crops, which will assist them in their management. It is stated that without intervention, by using the new channel farmers can get a better idea of the real prices and competitive level of their crops. The strategy is expected to reduce the market distortion which results from intervention programmes.

Source: *Malaysian Reader Digest,* February 2007

VIETNAM

New development plan for Vietnam's NR industry

Natural rubber (NR) is the second crop in Vietnam in terms of area under rubber cultivation (510,000 hectare in 2006) among the major perennial crops. The production of NR has been increasing annually from 11 to 15 per cent during the past three years. Since 2005, NR has also become the second largest exporting agricultural commodity followed by rice and coffee. The export of NR in Vietnam, including NR imported from neighbouring countries, amounted to 707,900 tonnes in 2006, aggregating approximately US$1.3 billion, which is 60 per cent higher than that in 2005. In view of the favourable rubber market and consistent increase in demand for NR, the government has targeted the expansion of area under rubber cultivation from 500,000 hectares in 2006 to one million hectares by 2015 in Vietnam besides 200,000 hectares in Laos and Cambodia. With the expansion of area and productivity of rubber, Vietnam expects to achieve1.5 million tonnes of NR and over 1.5 million cubic meter of rubber wood by 2020.

Source: *Vietnam Rubber Association,* 3rd May 2007

Diversified developmental stategies for Vietnam's NR sector

Multi-sector development is perceived as the new way forward for the Vietnam Rubber Group (VRG) as it is becoming a pioneer in the agricultural sector changing its operations in the agro-industry and service sectors. In addition to latex processing, VRG is striving to achieve the annual output of 3 million sets of auto tyres and 700 km of conveyer belt besides stepping up the production of rubber materials in other industries. Last year, the group invested over 400 billion VND (25 million USD) in the Ben Thanh Rubber Conveyer Belt Factory in Ho Chi Minh City's Cu Chi district and a wood processing factory in central Quang Tri province. Their products are also used in cement and coal sectors as prices are two or three times cheaper than the imported materials. This group assures cooperation with the Da Nang Rubber Company, the Southern Rubber Company and India's Aboll Company to invest in tyre production and raise the capacity of its four existing wood processing factories. The group is also planning to build a new 50,000 cu.m wood processing plant in the southern province of Binh Phuoc.

In order to address the problem of availability of land for rubber plantation, the VRG affiliates have targeted rubber cultivation and processing in countries like Laos and Cambodia as these two countries offer not only more suitable land but climatic conditions as well for the rubber cultivation. Much of the interests in favour of rubber have been developed recently as latex is one of the country's key export items with a turnover of nearly 1.3 billion USD in 2006 and the rubber plantation has made remarkable contributions to forest coverage, prevention of land erosion and poverty reduction in many of the localities. Vietnam is now the world's sixth largest rubber producer and fourth exporter (after Thailand, Indonesia and Malaysia), with a total area of 450,000 hectare and an annual output of 400,000 tonnes. China is the largest importer of Vietnam's rubber.

Source: www.vnanet.vn

Vietnam's rubber export to increase

Vietnam will intensify its rubber export to Europe, especially to Eastern Europe, including Russia and the Republic of Czech in the current year. It is expected to export 750,000 tonnes of rubber in 2007. Vietnam is aiming 60 per cent of its total rubber to be exported to China this year, down from the proportion of 65 per cent last year. Vietnam had exported 697,000 tonnes of NR mainly to China, South Korea, Japan, Germany and the United States, accounting nearly US$1.3 billion in 2006 as against 18.7 per cent and 58.3 per cent respectively in 2004 and 2005.

Source: *Rubber India,* April 2007

Vietnam to join ITRC

Vietnam has officially submitted the application to join the International Tripartite Rubber Council (ITRC), based in Bangkok, Thailand. The ITRC was set up in 2001 by the world's major NR producing countries – Thailand, Indonesia and Malaysia, with a view to managing the NR supply from member countries to ensure price stability. Vietnam's intention to join the ITRC reveals its proposed planning of expansion of NR output significantly in the coming years. Soaring demand for NR and stronger prices for the commodity have fuelled a dramatic increase in Vietnam's NR output, which soared 24 per cent in 2006.

Source: *Malaysian Rubber Digest,* April, 2007

RUBBER INDUSTRY NEWS

CHINA

Hankook made 100 million unit tyres in China

Hankook Tire has made the record in manufacturing 100 million units of tyre at its China Jiang Factory in Zhejiang Province. The sources of the company reported that this development highlights the rapid development of China's tyre industry. According to National Bureau of Statistics of China, total tyre production in China was 433 million units in 2006, constituting an increase of 15 per cent when compared to the last year. As one of the major global tyre players in the China market, Hankook has contributed to this growth with the expansion of its production capacity. With the constant expansion of its core production base in Jiaxing Factory, Hankook now has an annual production capacity of 28 million units.

Source: *Indian/International Rubber Journal,* June 2007

China, world's largest consumer market in 10 years

According to the Asia Business Monitor 2007, published by United Parcel Service (UPS), 92 per cent of the small and medium sized enterprises (SMEs) in the Asia Pacific region believe that China will become the world's largest consumer market in the next 10 years as it keeps up potential economic growth. The report says that, 71 per cent of the Chinese SMEs will become more competitive and 74 per cent of them will remain upbeat about the growth of trade volume within the Asia pacific Region.

Source: *Malaysian Rubber Digest,* April 2007

INDIA

CEAT introduces Greenfield facility

Mumbai based tyre manufacturer in India, Ceat Tyres, will be setting up a Greenfield facility primarily for the production of truck and bus radials. This facility will further be used to manufacture car and tractor and speciality tyres such as off-the roads tyres and mining tyres with an estimated cost of Rs 45-60 million. The company is also aiming a hike in the production capacity of truck and bus tyre at its plants in Bhandup and Nashik from 150,000 units to 175,000 units per year. The company is also planning a hike in the production of car radials from 60,000 units to 100,000 units in a period of 12 months.

Source: *Rubber India,* January 2007

Volkswagen - Apollo tyres targeting the market

Indian based Apollo Tyres is in talks with German car major Volkswagen for supplying tyres to the proposed small car that it will launch in the next two years. Apollo's new passenger and truck-bus radial factory, which is scheduled to come up in Tamil Nadu in the next five years, will make the company self-sufficient to cater to the demand from Volkswagen and the open market as well.

Source: *Rubber India,* January 2007

MRF on Expansion

The leading tyre manufacturer in India, MRF, has the proposal of Rs 5,000-6,000 million capacity expansion. The expansion plan is in view of the surge in demand for truck and light commercial vehicle tyres in both the domestic and export markets. Accordingly, the capacity for radial tyres at the Puducherry unit will go up to 400,000 units from the current 300,000 units a year. At Medak, the capacity for trucks and light commercial vehicles will rise to 100,000 units from the present 80,000 units. In Arakonam, the two-wheeler tyre capacity will be increased to 600,000 units from the current 500,000 units.

Source: *Rubber Asia,* January-February 2007

Apollo introduces branded retreaded tyres

Apollo Tyres has commenced to produce India's first branded retreaded tyre-DuraTyre in its Greenfield manufacturing unit in Kundli, Haryana. The company is targeting a four-fold increase in its production by the end of this year and a turnover of Rs 5 billion from DuraTyre in the next three years. It is a hassle-free, ready-made product for customers looking at retreading as an option. The company is planning to set up four to five similar facilities at locations close to large transportation hubs to ensure proximity to the commercial vehicle customers. Currently, retreading is a low-technology, small-scale operation, offering no warranties on the product. Apollo is looking to change all that with branded, high-technology, warranty product, which gives a performance comparable to a new tyre. The Kundli plant has an automated facility, using mono-rails to transport the tyres, ensuring minimal human contact. Each casing will be put through a scanning process to ensure that DuraTyres are manufactured with only the best quality casings.

Source: *Media Release,* 13th April 2007

Vibracoustic Opens JV Plant in India

Sigma Vibracoustic India Pvt Ltd has opened a third factory in India under a joint venture with Sigma Corp. of India to make anti-vibration components for the vehicle industry at an estimated cost of Rs. 750 million. The joint venture (JV) company will continue to operate a two-factory facility in Chandigarh City. Currently, the JV exports around 75 per cent of the production of anti-vibration components of engine mounts, bushings, tuned dampers and hydromounts. The new plant has the state-of-the-art equipment for metal treatments, vulcanization and testing. It has been specially designed in line with global safety norms.

Source: *European Rubber Journal*, May/June 2007

Booming preferences for Chinese radials

India has been showing a preference for Chinese radial tyres for being used in conventional double or three-axle trucks and buses. This has led to a quantum jump in the import of Chinese truck/bus radial tyres in the country. The import of radial tyres has overtaken import of regular cross-ply tyres within nine months till last May. Truck owners are replacing rear cross-ply tyres as it costs Rs. 24,000 a pair, with Chinese radials costing about Rs. 21,000 a pair. On the other hand, Indian radials cost approximately Rs. 28,000 a pair. The price of Chinese cross-ply rear (Lug) tyres is Rs. 17,000 a pair. Apart from the cost benefits, the better mileage offered is a major incentive for using Chinese radials. Imported radial varieties now marketed by global majors, Machelin and Bridgestone, cost roughly Rs. 30,000 a pair.

Source: *Rubber Asia,* May-June 2007

INDONESIA

Production of sports utility vehicle to increase in Indonesia

Despite a slow start in the year, the automotive industry in Indonesia is still optimistic that the sales will exceed the targeted growth of 20 per cent during the current year on account of the doubling of sports utility vehicle (SUV) market. An SUV is a passenger vehicle that combines the towing capacity of a pickup truck with the capacity to carry five people plus luggage. Currently, only two classes of SUV are sold in Indonesia- the mid-range class, with prices ranging from Rp 150 million to Rp 200 million and the high-end class, with prices above Rp 200 million. The local SUV market is a niche market, with last year's sales amounting to about 6,000 mid-range SUVs. This is expected to double this year as new players enter the market. The Association of Indonesian Automotive Manufacturers announces that the sales of SUV will reach 375,000 by the end of the year, ie, around 20 percent higher than the last year's record of 318,883.

Source: *Business News,* 1st March 2007

MALAYSIA

Tyre recycling plant ready soon

Octagon Consolidated Bhd's associate company Advanced Pyrotech Sdn Bhd (APT) will commence its tyre recycling plant early in 2008. The company has obtained a seven year contract from a South Korean company for recycling tyres. The company will recycle 43,800 tonnes of waste tyre per annum, producing about 21,900 tonnes of recovered oil, 13,140 tonnes of carbon black and 4,380 tonnes of steel. The oil and carbon black are mainly for export purposes. Its pyrolysis plant, which will utilise South Korean technology, is believed to be world's first commercial one to 120 tonne per day for treating waste tyres.

Source: *The Star,* 8th January 2007

Top Gloves tops market

Top Gloves, a native gloves manufacturing unit, is bringing peppermint, strawberry and bubble gum flavoured hand gloves in the market aiming their uses in dental clinics. The company said that dentists in the West prefer flavoured gloves as their patients dislike the smell of rubber. The sources of the company said that it has introduced flavoured gloves which has a "pretty popular export market" due to even high demand from increasingly safety and hygiene-conscious developing countries. Top Gloves, a home-grown and the biggest glove-maker in the world in terms of capacity, has been churning out a wide range of products which have helped Malaysia's rubber products sub-sector to achieve a turnover of RM9.33 billion last year. When it started in 1991, it had only three production lines in small factory in Klang with 200 employees. It now has 279 production lines in 16 factories located in Malaysia, Thailand and China, with over 8,000 employees. It produces 25 billion pieces of gloves annually.

The company now exports to more than 175 countries and has 750 customers worldwide. Demand for its products remain high as many economies continue to improve. Although rubber prices have increased recently, the company has worked closely with buyers to share the rising cost by linking between gloves and raw material prices. It is said that, the company has been successful in making aware of the consumers that if prices go up, they have to pay more for the end product and if prices go down the company shares discounts with them as well.

Source: *New Straits Times,* 10th February 2007

Malaysia's rubber product exports to grow 7.6 pc yearly

Under the Third Industrial Master Plan (2006-2020), Malaysia's rubber and rubber products exports are expected to maintain their projected annual growth rate of 7.6 per cent despite rising fuel costs and the strengthening ringgit. In terms of value, these exports are expected to increase from RM9.3 billion in 2006 to RM23.6 billion in 2020. Therefore, the government is planning to place the rubber industry "on notice" now, which means the key players can no longer depend on low natural gas price for the long term. Given the possibility of rising prices of fuel, it is aimed, the country's rubber based industry must be able to focus more on its advantages and strategies against competitors.

Source: www.lgm.gov.my/rubnews

New incentives for rubber products manufacturers

The manufacturers of natural rubber-based products in Malaysia have been granted newly revised incentives to help them promote and expand their business overseas. Eligible small and medium-scale enterprises (SMEs), which previously could not afford to participate in trade missions overseas, can now receive funding and in the future will get discounts and claim for expenses incurring for overseas businesses. SMEs can also get financial assistance for overseas market missions covering marketing and promotional activities, product certification, market research and standard Malaysian glove market promotion.

The new incentive system was introduced in the context of rising prices of gas, emergence of China, India, Thailand and Vietnam as regional production hubs in Asia, higher dependence on foreign labourers (30 per cent of the total workforce) and the stronger ringgit which is making Malaysian rubber products more expensive. However, the country is still pessimistic about the rubber industry as, the Baht, Rupiah and Renminbi have also risen against the US dollar, temporarily shielding Malaysia's rubber product exporters from losing out to its neighbouring competitors.

Source: www.lgm.gov.my

SRI LANKA

Trelleborg's new venture in tyre production in Sri Lanka

The Swedish firm, Trelleborg A.B will phase out its manufacturing of solid tyres in Hartville and transfer the production to its factories in Sri Lanka within the next two years. Trelleborg's bottom line eventually will be bolstered by about $5 million a year even after taking into account the extra freight costs of shipping from Sri Lanka. Trelleborg in the past decade has closed industrial tyre plants in Germany and Belgium and transferred them to Sri Lanka.

Source: *Rubber and Plastics News,* 5th February 2007

Sri Lanka's Dipped Products Ltd achieves best ever performance

Dipped Products Ltd (DPL), the Hayleys Group's global rubber glove manufacturing company, has recorded its best ever annual performance in the year ended March 31, 2007, reporting strong pre and post tax profit growth from its hand protection gloves businesses and its plantation venture. The company said, profit grew by 94 per cent to Rs 557 million. In DPL's segmental results, turnover from hand protection increased by nearly 38 per cent to Rs 7,566 million with the turnover from manufacturing operations up 53 per cent to Rs 5,410 million. Nearly three-fourth of the growth was attributed to the increase in sales revenue of 43 per cent in Sri Lanka. Turnover in this segment was also boosted due to more than a doubling of turnover from medical glove sales in Thailand. It was further boosted by higher prices earned from premium products. The Group's plantation company, Kelani Valley Plantations Ltd., (KPVL) also registered significant increase in its profit on the background of strong rubber prices. KVPL Group revenue grew by 21 per cent to Rs 2,330 million in 2006 from tea and rubber recording an increase of 11 per cent and 44 per cent respectively. Established in 1976, DPL is one of the leading non-medical rubber glove manufacturers in the world accounting for 5 per cent of the global market.

Source: *Indian/International Rubber Journal,* June 2007

THAILAND

Thailand going for more Synthetic Rubber production

Thailand is planning to produce more synthetic rubber (SR) within the next five to six years to cope up with the rising world demand. Thai exports of NR accounted for more than 2.7million tones in the last year. Although SR realised higher prices it accounted for only 15 per cent of the total elastomer export. Therefore, the Thai Agriculture Ministry has already issued a policy statement calling for the increased production of SR by 50 per cent more than the current production by 2013.

Source: *Malaysian Rubber Digest,* May 2007

Yokohama Rubber Co. Ltd increases capacity in Japan and Thailand

Yokohama Rubber Co. Ltd, is planning to expand its production capacity at its plants in Japan and Thailand during the next two years in projects valued at more than $140 million. In Japan, Yokohama will triple its capacity for high-performance tyres at its plant in Shinshiro-Minami in 2009 by spending $83 million. The annual capacity of this 3 year-old plant will rise to 3.1 million units by 2009 from the current 1 million units. In Thailand, Yokohama is planning to double its annual capacity for passenger and light truck tyres to 2.8 million units at its 2-year-old truck tyre plant in Amata City, Rayong Province, in what it terms a 'second-term' expansion valued at $58 million.

Source: *Indian/International Rubber Journal,* June 2007

GENERAL NEWS

Safety group warns against used tyres

A prominent safety monitoring organization, Safety Research and Strategies, in the US has voiced concerns over the utilisation and the sale of unregulated used tyres throughout the country each year. The organisation says that, used tyres are often repaired, repainted or patched before sales, making it difficult for purchasers to get an accurate idea of their safety and such tyres are the cause of countless accidents every year. It raises concerns that in the absence of self-policing and a more transparent business model, used tyre sellers are courting disaster, hence regulations should be formulated to examine how to ensure that consumers are getting safer tyres. It is added that, since there is no standard care beyond a visual inspection the customers are not able to buy safer tyres. Therefore used tyres should be subjected to testing and certified before sales in similar manner in which dealers offer certified used cars. In December 2006, the group submitted the details of 108 accidents linked to tread separation of tyres, having more than six years old, to the US National Highway Traffic Safety Administration. These accidents resulted 85 deaths.

Source: *Malaysian Readers Digest,* February 2007

Surge in run-flat tyre demand

Demand for run-flat tyres is predicted to grow by 17 per cent per year to 30 million units by 2015. Demand showed dramatic increases in the past few years from 500,000 units in 2000 to 7.4 million units in 2006. During this period, the average price of this tyre declined by 3.2 per cent, reflecting broader product mix and an increase in production. As of 2006, run-flats accounted for about 0.5 per cent and 0.7 per cent of total tyre and passenger tyre demand respectively. It is anticipated that, by 2015 these tyres will account for 1.4 per cent of the total demand and 2 per cent of the demand for passenger car tyres.

Source: *Rubber & Plastics News,* 5th March 2007

IRSG Moves to Singapore

The International Rubber Study Group (IRSG) is moving its headquarters from London to Singapore in June 2008 as the latter witnesses nearly half of the world's rubber trade and is close to the three major rubber producing countries: Malaysia, Thailand and Indonesia. The shift is expected to strengthen the rubber industry and its conventions as well. The Singapore government's trade-promotion cell and the International Enterprises, Singapore, led the lobbying effort to attract the IRSG by presenting a proposal to the organisation in London last December.

Source: *Malaysian Rubber Digest,* March 2007

World rubber market to stay tight

According to Dr. Hidde P Smith, Secretary-General, International Rubber Study Group (IRSG), the global rubber market is likely to remain tight at least until 2012 on account of such factors as labour shortages, lack of availability of land and delays in replanting in major NR producing countries-Thailand, Indonesia and Malaysia. International rubber prices have risen almost four-fold since registering a 30-year fall in 2001 driven by strong demand which led to a 26-year increase in June, 2006. Smith also said that, the slow growth in NR supply would lead to substitution, hence will push down its share in rubber consumption to 40 per cent by 2020 from 43 per cent in 2005. Consumption growth was driven by surge in tyre production, particularly in China and India. In Thailand, the world's top rubber producer, output would increase to 3.5 million tonnes by 2020 from about 3 million tonnes last year, as new plantations are expected to mature in 2010 or 2011. This is expected to increase the total global output to 12.6-13.4 million tonnes in 2020 in tune with the consumption.

Smith also said that, Malaysian output is to decline below 1 million tones by 2020 as farmers are shifting to oil palm due to strong demand for biofuels. But, Indonesian output would reach 4 million tonnes surpassing Thailand while Vietnam would produce about 1.1 million tonnes by 2020, almost double the current production.

Source: *Malaysian Rubber Digest,* March 2007

Rubber prices expected to remain strong

The International Rubber Consortium Ltd (IRCo), based in Bangkok, Thailand, reported that the prices of natural rubber may remain strong at the current level or even above during the current year as demand, especially from China, stays healthy and the world oil price stays at or above US$60 a barrel. Sustained high crude oil prices, which pushed up the price of synthetic rubber, has forced tyre manufacturers to use more natural rubber. It is more evident from the fact that, the ratio of consumption of synthetic rubber to natural rubber had changed to around 59:41 from 60:40 a few years ago. The price of synthetic rubber, a petrochemical product, was US$1.7-US$1.8 a kg in March up from US$1.5 in January. While Thailand's tyre-grade, block rubber, was US$1.94 per kg the Indonesia's tyre-grade, block rubber, was US$1.87 per kg in March, 2007. Though the price of NR based rubber is slightly higher the demand may go up as consumers tend to use more natural rubber even considering it being environmental friendly. It is also observed that when one metric tonne of synthetic rubber is produced seven tonnes of carbon dioxide is mixed in the atmosphere.

Source: *The New Straits Times,* 22nd March 2006

Liberia and BFS negotiating plantation agreement

When the United Nations Mission claims the existence of human rights violations the International Labour Rights Fund alleges near-slave labour conditions of 6,000 workers in the rubber plantation owned by Bridgestone/Firestone (BFS) in Liberia. The 40 square mile rubber plantation has been in the possession of BFS since 1926. In the context of the report of the violation of human rights, the Liberian government is renegotiating its concession agreement with the BFS. As result, the BFS has been committed to invest $100 million of capital in addition to the increase in wages for the maintenance of its rubber plantation. Among other things, BFS operates and pays for 21 schools, serving some 13,000 children apart from medical system that receives up to 9,000 patients a month in the plantation.

Source: *Rubber & Plastics News,* 5th March 2007

Rubber-based machinery production to slow-down in 2007

The rubber-processing machinery business experienced another good year in 2006 with overall sales increase by 5 per cent of the global sales to $2,530 million. Growth in the tyre machinery sector during the current year is healthier, but lower than the previous two boom years, when global sales grew by around 15 per cent annually. Some machinery manufacturers attribute the reasons for their growth in 2004-2006 to the 'China boom'. When the tyre based industry is supplying equipment to firms in China the non-tyre based industry is primarily selling to western companies who are establishing transplant operations in that region. However, since both Japan and North America continue to suffer from under-investment rubber based machinery sales in both the regions will continue to follow declining trend during the current year.

Source: *European Rubber Journal,* March-April 2007

EU car registrations to fall in 2007

When a rapid growth in car registrations is witnessed in the countries of eastern Europe a sharp slowdown of car registration is registered in the western part of the region, according to new data from ACEA, the European federation of car manufacturers. A small decline in car registrations was observed in April, 2007 across Europe compared to the same month in 2006. 1,291,634 new cars were registered, slightly less than last year (-0.6%). While the new EU member states enjoyed the fourth consecutive month of growth (+12.9%), Western Europe performed below the trend (-1.5%). Cumulative results for the four months till April 2007 show a similar tendency in these regions.

Source: *Indian/International Rubber Journal,* June 2007

Ivorian Cocoa farmers are shifting to rubber cultivation

Considering the uneconomic cultivation and distressed sales proceeds, the farmers cultivating cocoa in Ivory Coast are shifting their cultivation to natural rubber as they consider the latter assures higher and remunerative farm gate prices and steadier income. Quoting the plight of cocoa farmers, it is reported that, many farmers who, for years, have eked out a living from coffee and cocoa – the major crops of the West African economy – are attracted to rubber as it brings in income year round while cocoa gives income in two growing cycles in a year with long lean periods in between seasons. Farmers say that the government and the semi-privatized bodies managing the sector swallow up too much of their cocoa revenues, leaving them barely able to buy fertilizers and insecticides, let alone earn a decent living. The general belief among the farmers is that when the rubber farmers earn two or three times more the cocoa farmers are struggling to make ends meet.

However, it is reported that an amount of 720,000 CFA francs ($1,518) per hectare is required during the first three years to develop one hectare of rubber plantation in Ivory Coast. Since larger investments constrain the farmers the private firms play a vital role by financing the farmers on monthly repayment basis to invest in rubber cultivation. In Ivory Coast, 300,000 CFA ($631) is realized in each month as income from one hectare of mature rubber plantation. Ivory Coast's rubber plantations have nearly doubled to 120,000 hectare since 1990. It overtook Nigeria as Africa's leading rubber grower and seventh in the world last year with an output of 184,000 tonnes and is aiming to quadruple the production to around 600,000 tonnes by 2015. The present shifting to NR cultivation in Ivory Coast is found to have influenced by the large-scale increase in demand from China and a more than four-fold rise in benchmark Tokyo rubber futures prices from a 30-year low in 2001 to a 26-year high in 2006, pushing up potential farm earnings.

Source: _www.yahoo.com_

WTO CORNER

World Tariff Profile

Up to now, access to tariff data is cumbersome and limited to a closed circle of trade specialists in spite of many ways in which this information can often be obtained and viewed in electronic form. The present publication, published jointly by the WTO, ITC and UNCTAD, provides a comprehensive picture of tariff profiles of 150 WTO members. The standardised presentation lends itself to easy analyses and comparisons between countries, between sectors and between bound and applied duties of WTO Members. A special report is also made to include other countries and customs territories, ad valorem equivalents to ensure international comparability of the indicators. The publication is presented in three main parts:

The first part shows summary tables of all WTO Members and other countries and customs territories for all products disaggregated by agricultural products and non-agricultural products. It is summarized based on a cross-country comparison as well as a comparison of the levels of bound and applied duties. Apart from the standard indicators like tariff averages, maxima, percentage of duty-free tariff lines, peaks and non-ad valorem duties, it also contains indicators of tariff dispersion such as the number of distinct duties and the co-efficient of variations.

The second part illustrates country pages covering the domestic market access protection and the protection faced in the six major export markets. Information on bound and applied duties is presented by ranges and by sectors. In addition, there are indicators on the occurrence of special safeguards and on tariff quotas. Detailed information on bound and applied duties and imports are shown for ten agricultural and twelve non-agricultural sectors. Trade diversification and market access conditions in the major export markets are depicted on a bilateral basis. Taking into account the preferential schemes, trade weighted preferential margins are also estimated.

The third part shows the data sources and two articles that discuss in detail the issues related to the calculation of ad valorem equivalents and the different aggregation methods of tariff averages. A glossary, which briefly explains some of the most commonly used terms, concludes the publication. The MFN applied tariffs and information on preferential duties and conversion of nearly all non-ad valorem duties into ad valorem equivalents are also systematically listed based on a commonly agreed methodology.

This joint publication appears at the decisive moment of multilateral trade negotiations and it responds to the needs of a large audience of specialists and non-specialists alike. It consists of a vast amount of information that is essential for understanding what it at stakes in the current round of negotiations in the field of market access.

Source: _www.wto.org_

Brazil – Measures affecting imports of retreaded tyres

At the joint request of Brazil and the EC (WT/DS332/8), the DSB agreed to extend the deadline for the adoption or appeal of the panel report on the dispute on imports of retreaded tyres from the

EC to Brazil. The EC stated, this extension was necessary to take into account the scheduling difficulties regarding the appeal procedure. In the joint request, the EC said, it would appeal the panel report on 3 September 2007. Brazil declared that the findings of the panel were satisfactory and it would not appeal the report. It is added that, the EC notified Brazil of its intention to take the matter to the Appellate Body.

Source: www.wto.org

TRADE AGREEMENT

China for larger FTA with India

China and India are planning for free trade agreements (FTAs) on cargo and services, trade, investment and trade liberalization. The two countries plan to complete a joint feasibility research on trade agreements by October and then decide whether or not to start free trade agreement negotiations. The sources of Ministry of Commerce, China, said that, China and India, the world's largest countries whose economies are experiencing the fastest growth, can figure out a trade arrangements when the vast East and South Asian markets receive a significant boost aiming for Asian economic integration. The first four months witnessed foreign trade between China and India surged by 56.8 per cent year on-year, the highest among all the major trade partners in the world, to 11.4 billion US dollars.

China is currently in talks with 28 countries for regional trade arrangements and has already finalised a FTA with Chile and a cargo trade agreement with the Association of Southeast Asian Nations (ASEAN). Encouraged by such agreements which usually apply zero tariffs to members, China's imports and exports with ASEAN and Chile increased by 23.4 per cent and 82 per cent respectively over the first three months of 2007. Apart from India, China is also collaborating with the Republic of Korea and Peru on FTA feasibility research and is engaged in FTA negotiations with New Zealand, Australia, Singapore, Iceland and the Gulf Corporation Council. When there are 216 regional trade arrangements are in operation worldwide, about 80 per cent of which have been established over the past 10 years. The World Bank estimates that, on an average, every developing nation has participated in at least five regional trade arrangements.

Source: *People's Daily Online, China,* 20 May 2007

FTA: Thailand is on Watch List, says US

In continuation of the failure of talks on FTA on US made pharmaceuticals the US has decided to keep Thailand on its "priority watch list". Thai-US FTA talks fell apart last year, partly over a failure to agree on sensitive clauses concerning intellectual property rights protection in Thailand. The question of access to life-saving drugs put Thailand on the USTR's "priority watch list" for intellectual property rights violations on May 1.

The main reason cited for the change, which could open the kingdom up to retaliatory trade measures, are loss of generalized system of preferences (GSP), decision to award compulsory licensing in last November to the anti-HIV medicine, Efavireenz, produced by the US's Merck Sharp & Dohme and to Kaletra, an anti-HIV drug made by US from Bbott Laboratories in January. The FTA talks have been suspended and Thailand has issued compulsory licensing to a product that is very important to the US economy.

Source: *Bangkok Post,* 11 May 2007

Thailand's FTA with Japan

The Thai Cabinet has given the approval to sign a free trade agreement with Japan. The pact involves the reduction or removal of tariffs between the two countries on a wider variety of goods, including agricultural products. The decision was made based on national interests. But activists have raised concerns that the trade agreement would allow Japan to dump toxic waste in Thailand and also patent its micro-organisms, hence Thailand would lose the right to develop these micro-organisms once they become patented by Japan.

Source: *International Herald Tribune,* March 27, 2007

COUNTRY PROFILE IN BRIEF: CHINA

General

Land Area	9.6 (million sq km)
Temperature	- 16.7 to 30.4 ^{0} C (2005)
Population	1.3 billion
Population growth rate (%)	5.89 (2005)

Economic and Trade Statistics	**2003**	**2004**	**2005**
Total workforce (million)	761	768	779
Employment by sector (%)			
a) Agriculture	49.10	46.90	44.80
b) Industry	21.60	22.50	23.80
c) Service	29.30	44.80	31.40
Contribution of GDP by sector (%)			
a) Agriculture	3.30	7.70	6.30
b) Industry	58.50	52.20	54.70
c) Service	38.20	40.10	39.00
Nominal GDP per capita (US$)	1273.65	1489.71	1729.70
Consumer Price Index (preceding year = 100)	101.2	103.90	101.80
Current account balance (USD 100 million)	686	–	450

Source: http://www.stats.gov.cn/tjsj/ndsj/2006/indexeh.htm: China Statistical Year Book, 2006

EXCHANGE RATE: 28th June 2007

US$1 =	Chinese Yuan Renminbi	7.607
	Indian Rupee	40.995
	Indonesian Rupiah	9090.91
	Malaysian Ringgit	3.481
	PNG Kina	2.916
	Singapore Dollar	1.538
	Sri Lanka Rupee	111.391
	Thai Baht	31.568
	Vietnamese Dong	15823

Source: **www.oanda.com/convert/classic**