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INTERNATIONAL NATURAL RUBBER AGREEMENT, 1995

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Mr. HELMS, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany Treaty Doc. 104–27]

The Committee on Foreign Relations to which was referred The International Natural Rubber Agreement, 1995, done at Geneva on February 17, 1995, having considered the same, reports favorably thereon with one declaration and recommends that the Senate give its advice and consent to the ratification thereof subject to the one declaration as set forth in this report and the accompanying resolution of ratification.

I. PURPOSE

Like its predecessor agreements, the major objectives of INRA III include:

a. to achieve a balanced growth between the supply of and demand for natural rubber, thereby helping to alleviate the serious difficulties arising from surpluses or shortages of natural rubber;

b. to achieve stable conditions in natural rubber trade through avoiding excessive natural rubber price fluctuations, which adversely affect the long-term interest of both producers and consumers, and stabilizing these prices without distorting long-term market trends, in the interest of producers and consumers;

c. to help stabilize the export earnings from natural rubber of exporting members, and to increase their earnings based on expanding natural rubber export volumes at fair and remunerative prices, thereby helping to provide the necessary incentives for a dynamic and rising range of production and the resources for accelerated economic growth and social development; and

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d. to seek to ensure adequate supplies of natural rubber to meet the requirements of importing members at fair and reasonable prices and to improve the reliability and continuity of these supplies * * * (Art. 1).

II. Background

The International Natural Rubber Agreement, 1995 (INRA III) is the third in a series of international agreements on natural rubber entered into by producing and consuming countries, the United States having been a party to each of the earlier accords. The first, the International Natural Rubber Agreement of 1979 (INRA I), was the first new commodity agreement to be entered into under the Integrated Program for Commodities (IPC) formulated by the United Nations Conference on Trade and Development (UNCTAD) and adopted by that body in 1976. INRA I was followed by the International Natural Rubber Agreement, 1987 (INRA II), which was scheduled to expire in December 1995.[1] A one-year interim agreement was adopted the same month for purposes of ratification of INRA III.[2]

III. Summary

A. General

In general, commodity agreements can take various approaches, "but essentially they involve (either separately or in combination) the operation of a system of export quotas (as in the coffee agreement), an international buffer stock which operates within a range of prices (as in the tin agreement), or a multilateral long-term contract which stipulates a minimum price at which importing countries agree to buy specified quantities and a maximum price at which producing countries agreed to export a stated amount (as originally in the wheat agreement)."[3] INRA I and II establishes a buffer stock, which could be sold and increased as prices moved between established levels in order to stabilize the price of the commodity. Producing and consuming countries contribute funds to the buffer stock based on their share of world rubber exports and imports. The rubber agreements also established an administering body, the International Natural Rubber Organization (INRO); committed members to maintaining the continuous availability of and market access for natural rubber; encouraged the development of other measures that facilitate the aims of the agreement (including research and development and improvements in processing, marketing and distribution); and authorized procedures for complaints and dispute settlement.

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[1] INRA II was agreed to by 6 producing countries (Cote d'Ivoire, Indonesia, Malaysia, Nigeria, Sri Lanka, Thailand) and the following consuming countries: Belgium, China, Denmark, European Economic Community, Finland, France, the Federated Republic of Germany, Greece, Ireland, Italy, Japan, Luxembourg, Morocco, Netherlands, Norway, Portugal, Russian Federation, Spain, Sweden, Switzerland, USSR, United Kingdom, United States). See Dep't of State Treaties in Force (1995); "New Global Price Pact to be Signed in Four Weeks," Reuter European Business Report, December 1, 1995, as printed in LEXIS/NEWS/CURNWS.

[2] Inro [International Natural Rubber Organization] under interim period to facilitate ratification of Inra III," Business Times, Dec. 2, 1995, at 26, as printed in LEXIS/NEWS/CURNWS.

[3] Meier, "UNCTAD Proposals for International Economic Reform," 19 Stanford L. Rev. (1967), as reprinted in Jackson, Davey & Sykes, supra note 1, at 1176.

As described in the President's transmittal letter to the Senate for the 1987 Agreement, the rubber agreements are intended "to stabilize natural rubber prices without distorting long-term market trends and to foster expanded natural rubber supplies at reasonable prices." The Secretary of State simultaneously provided the following brief summary and comparisons of the 1987 Agreement with its predecessor:

> The structure and provision of the new Agreement (INRA, 1987) are much the same as the 1979 Agreement. The buffer stock will defend a price range designed to ensure consistency with long-term market trends. The price range adjustment mechanism will remain the same as that contained in INRA, 1979 with the initial reference price level to be consistent with market price development and activities of the buffer stock.
>
> As in the previous Agreement, each government's share of the stock will depend upon its votes in the Organization as determined by net exports or imports. The share of the United States will be between 12.2 percent and 15.3 percent of the total contributions of all members, depending on the number of governments which become parties to the Agreement.
>
> In addition, a number of improvements sought by the United States have been incorporated into the new Agreement. These changes provide for more frequent and automatic adjustment of prices to reflect market trends and to strengthen the financial structure of the Agreement. Moreover, an additional cap was placed on individual member contributions. These changes provide a reasonable constraint on the financial liability of members; at the same time, they ensure that when the new Agreement enters into force, it will have sufficient resources to operate in an effective and financially sound manner.
>
> INRA, 1987, consistent with U.S. objectives, contains language which prohibits its members from taking measures to manipulate rubber prices or restrict rubber supplies outside of the Agreement.[4]

As for its financial participation, the United States had obtained at authorization and an appropriation of $88 million for INRA I.[5] In requesting funds for INRA II, the Administration stated as follows:

> Authorization and appropriations legislation must be for the full amount of resources (both new money and assets transferred form INRA, 1979) and should include provisions directing the transfer of the U.S. share of the assets of the INRA, 1979 to the new Agreement. This transfer will be treated as a proprietary receipt and as such will substantially offset outlays necessary under the new agreement. [6]

[4] "Letter of Transmittal" in Senate Treaty Document, supra note 6, at v-vi.
[5] Act of June 16, 1980, Pub. L. No. 96–271.
[6] Senate Treaty Document, supra note 6, at vii.

B. SECTION-BY-SECTION SUMMARY

Like its 1987 predecessor,[7] the International Natural Rubber Agreement, 1995 (INRA III) consists of 15 chapters:

Chapter I—Objectives
Chapter II—Definitions
Chapter III—Organization and Administration
Chapter IV—The International Natural Rubber Council
Chapter V—Privileges and Immunities
Chapter VI—Accounts and Audit
Chapter VII—The Administrative Account
Chapter VIII—The Buffer Stock
Chapter IX—Relationship with the Common Fund for Commodities
Chapter X—Supply and Market Access and Other Measures
Chapter XI—Consultation and Domestic Policies
Chapter XII—Statistics, Studies and Information
Chapter XIII—Miscellaneous
Chapter XIV—Complaints and Dispute
Chapter XV—Final Provisions.

Each also contains three annexes:

Annex A—Shares of individual countries in total net exports of countries, as established for the purposes of Article 61 [entry into force of the agreement];

Annex B—Shares of individual importing countries and groups of countries in total net imports of countries, as established for the purposes of article 61; and

Annex C—Cost of the Buffer Stock as estimated by the President of the United Nations Conference on Natural Rubber, 1994.

The 68 articles of INRA III follow the subject matter of INRA II, except that INRA III adds a new article (Art. 54) regarding environmental concerns. For the most part, INRA III provisions are identical in substance to those in INRA II. As described below, however, there are some differences between the two in standards for price determinations, the length of time between price reviews, and the authorities of the Buffer Stock Manager.

INRA III continues the administering body of the International Natural Rubber Organization (INRO), which consists of two classes of members (exporting and importing) and which may be joined by intergovernmental organizations (IOs), such as the European Community (Arts. 4–5).[8] The INRO Council, described below, elects a Chairman and a Vice-Chairman of INRO for each year, one being elected from among exporting members, the other from importing members, with the offices alternating each year between the two categories of members (Art. 11:2).

The highest authority of the INRO is the International Natural Rubber Council (INRC), which consists of all INRO Members (Art. 6). The Council may exercise all powers and perform (or arrange for the performance of) all functions necessary to carry out the

[7] As noted earlier, the Executive Branch stated that INRA II generally followed INRA I but listed a few differences in its submittal letter. We will limit any comparisons to INRA II.

[8] When an IO votes on a matter within its competence, it exercises its voting rights with a number of votes equal to the total number of votes attributed to its member States; member States may not exercise their voting rights when the IO to which they belong does so (Art. 5:2).

Agreement, but may not incur any obligation outside the scope of the Agreement (Art. 7:1). In particular, it has not been given the capacity to borrow money and may not enter into any trading contract for natural rubber except as specifically provided for in Article 30:5 regarding sales and purchases by the Buffer Stock Manager (Art. 7:1). The Council, by special vote, appoints an Executive Director, Deputy Executive Director, and Buffer Stock Manager (Art. 12). The Council holds one regular section in each half year and may meet in sessions specifically provided for in the Agreement and in special sessions whenever it so decides or at the request of the Council Chairman, the Executive Director, a majority of exporting or importing member, or importing or exporting member or members holding at least 200 votes (Art. 13). The Agreement does not establish an Executive Committee, but instead creates committees on administration, buffer stock operations, statistics and other measures, with authority for additional committees to be established by special vote of the Council (Art. 18).

The Council operates under a weighted voting system, with exporting and importing members each holding 1,000 votes as a group (Art. 14:1). Each exporting member receives one initial vote (unless it has net exports of 10,000 tons annually) with the remainder of the votes distributed among the exporting members as nearly as possible in proportion to the volume of their respective net exports of natural rubber for the period of five calendar years beginning six calendar years prior to the distribution of the votes (Art. 14:2). The votes of importing members is distributed among them as nearly as possible in proportion to the average of their respective net imports of natural rubber during the period of three calendar years commencing four calendar years prior to the distribution of votes, except that each importing member receives one vote even if its proportional net import share is otherwise not sufficiently large to so justify (Art. 14:3). All Council decisions are taken and all recommendations made by distributed simple majority vote, unless otherwise provided for (Art. 17). The Agreement contains quorum rules for Council meetings (Art. 16).

Two accounts are established to administer the Agreement: an Administrative Account and a Buffer Stock Account (BSA) (Art. 21). Member contributions to the former are assessed in proportion to the number of votes a Member is apportioned (Art. 24:2). Failure to pay one's full assessed contribution will ultimately result in a loss of voting rights unless the Council decides otherwise (Art. 25:2).

The total capacity of the buffer stock continues to be 550,000 tons, a figure that, for INRA III, includes the total stocks still held under the 1987 Agreement (Art. 26). As in the 1987 Agreement, the Buffer Stock, which is the sole instrument of market intervention for price stabilization in the INRA, will consist of the normal Buffer Stock of 400,000 tons and the contingency Buffer Stock of 150,000 tons (Art. 26).

Members commit themselves in the Agreement to finance the total cost of the international Buffer Stock, with current shares of Members in the BSA, with the consent of each Member, to be carried over to the BSA established under the 1995 Agreement stock (Art. 27:1). Financing of the normal and contingent Buffer Stocks

is to be shared equally between exporting and importing members (Arts. 27:2). Contributions of members to the BSA are apportioned, according to the share of voters in the Council, except as otherwise provided in the Agreement (Art. 26:2).

A price range is established consisting of the following elements:

a reference price;
a lower intervention price;
an upper intervention price;
a lower trigger action price;
an upper trigger action price;
a lower indicative (or floor) price; and
an upper indicative price (Art. 29:1).

The reference price is that applicable on December 28, 1995. A specific reference price tied to Malaysian/Singapore cents had been established in INRA II. Intervention and trigger prices are calculated according to a percentage of the reference price (as in the current agreement, plus or minus 15 percent and plus or minus 20 percent, respectively) unless the Council, by special vote, decides otherwise. Upper and lower indicative prices are set at 157 (formerly 150) and 270 Malaysian/Singapore cents, respectively. Further, the Agreement establishes a daily market indicator price (DMIP), used in determining the reference price (Art. 32). The DMIP consists of a composite weighted average of three types of rubber (RSS 1, RSS 3, and TSR 20) and reflecting the market in natural rubber on the Kuala Lumpur, London, New York, and Singapore markets (Art. 32). INRA III increases the amount of TSR 20, a lower quality natural rubber, to be considered in determining the DMIP, in order to better reflect actual trade patterns in the commodity. [9]

Article 30 contains authorities for the operation of the Buffer Stock, delineating the conditions under which the Buffer Stock Manager is to purchase or sell natural rubber to stabilize its price. As under INRA II, the Buffer Stock Manager is to effect sales and purchases through established commercial markets at prevailing prices, with all transactions to be in physical rubber available for shipment at a given date (Art. 30:5). Where INRA II provides that the delivery of rubber had to be no later than three calendar months forward, INRA III provides that rubber must be available

[9] "Rubber: New International Natural Rubber Agreement Adopted," Multinational Service, March 3, 1995, as printed in LEXIS/NEWS/CURNWS. It was reported that the main issue in the final round of negotiations "concerned the 'floor' price and certain provisions concerning the price range, which trigger market intervention. If the daily market indicator price (DMIP) remains as high as it has been recently, the reference price, currently at 196.84 Malaysian/Singapore cents per kilogram, will be automatically raised by 5 percent (to 206.68) cents at the next 15-monthly review to be carried out under the present Agreement. This review is now scheduled for August 2, 1995. The new reference price will be carried over in the new pact. While consumers could not go along with the producers' demand for a minimum 5 percent increase in the reference price upon entry into force of the new Agreement, they agreed to raise the lower indicative price, or 'floor price' which is unrelated to the reference price, from 150 to 157." Id.

Another news account described the negotiation as follows: "Initially, the United States wanted a scenario where a revision of the reference price resulted in the intervention price breaking the floor price. The U.S. wanted the percentage revision in rubber prices to be cut so that the intervention price, the trigger price, and the floor price coincided. * * * However, producers rejected the proposal and argued it would make buffer stock intervention less effective. In the final version, the U.S. request was modified to take into account the producers' concerns. As a result, the final formula envisages that two prices will coincide (the trigger action and floor price) while the third will always stay 2 cents higher than the intervention price. 'Our minimum requirements were met,' said a senior member of the U.S. delegation." More Than 30 Nations Reach Accord on Rubber Pricing," J. of Commerce, February 21, 1995, at 5B.

for shipment no later than one month after the end of the first quoted month in the market concerned, or for delivery in a consuming market during the delivery month or months normally corresponding to such shipment month in that market (Art. 30:5). To facilitate the efficient operation of the Buffer Stock, INRA III now allows the Council to decide by consensus (that is, without objection) to allow the Buffer Stock Manager to purchase future contracts up to a maximum of two months forward "on the strict and absolute condition that tenders are to be taken up on maturity" (Art. 30:5). [10] The terms "first quoted month" and "established commercial market" are added to the definitional section of the Agreement. The Agreement also specifies the composition of the buffer stocks (Art. 33) and the location of buffer stocks (Art. 34) and requires the Manager to ensure its high commercial quality (Art. 35).

The reference price may be reviewed and revised based on market trends (INRA II having allowed changes based on market trends and/or net changes in the Buffer Stock), according to guidelines set forth in the Agreement; automatic adjustments remain at 5 percent unless the Council votes otherwise. (Art. 31:1). At the request of consuming countries, INRA III shortens the time period between regular Council reviews of the reference price from 15 to 12 months.[11] As in INRA II, if there are net changes in the Buffer Stock of 100,000 tons since the last regular Council session, a special Council session must be convened at which the Council may, by special vote, suspend buffer stock operation, change the rate of buffer stock purchases or sales, revise the reference price, and take other appropriate measures (Art. 31:2).

The Council may, by special vote, revise the lower and upper indicative prices consistent with evolving market trends and conditions during reviews specified and pursuant to price guidelines set forth in the Agreement (Art. 32:6–9). The time period between regular Council reviews of the indicative price is shortened from 30 to 24 months (Art. 31:8).

The Council, by special vote, may restrict or suspend the operations of the Buffer Stock, if in its opinion the discharge of the obligations laid upon the Manager under Article 30 will not achieve the objectives of the Agreement (Art. 36:1). The Executive Director may also do so if the Council is not in session, but must immediately convene a Council meeting to review the Manager's decision and must confirm or cancel it by special vote (Art. 36:2–3). If it fails to do so, buffer stock operations will be resumed (Art. 36:4).

Members who do not fulfill their obligations to contribute to the buffer Stock account by the last day the contribution comes due are to be held in arrears and have their voting rights suspended, unless the Council votes otherwise, and will be subject to the payment of interest (Art. 37).

Detailed procedures are set forth for adjusting a member's contribution when votes are redistributed in each regular session or whenever INRO's membership changes (Art. 38).

[10] The European Union had reportedly requested that INRA III contain "a set of safeguards that would limit the possibility of the buffer stock manager engaging in any speculative action." "More Than 30 Nations Reach Accord on Rubber Pricing," J. of Commerce, February 21, 1995, at 5B.

[11] "Rubber: New International Natural Rubber Agreement Adopted," Multinational Service, March 3, 1995, as printed in LEXIS/NEWS/CURNWS.

INRO is to take “full advantage” of the facilities of the Common Fund for Commodities, but may not incur obligations and will not be responsible for liabilities arising from borrowing by any member or organization under any project funded under the Second Account of the Fund (Art. 41).[12]

Among their general obligations and liabilities, Members must “use their best endeavors and cooperate to promote the attainment of the objectives of this Agreement and shall not take any action in contradiction to those objectives” (Art. 48:1). Members must accept all Council decisions as binding and agree not to implement measures that would “have the effect of limiting or running counter to those decisions” (Art. 48:2). Members’ liabilities are limited to the extent of their obligations regarding contributions to the administrative budget and buffer stock financing and any obligations that may be assumed under Article 41 with respect to the Common Fund for Commodities. As noted earlier, the United States has supported language in the rubber agreements that “prohibits its members from taking measures to manipulate rubber prices or restrict rubber supplies outside of the Agreement.”[13]

INRA III follows the complaint and dispute settlement procedures of its predecessor. A member may file a complaint that another member has failed to live up to its Agreement obligations and, if the former requests, the Council must take a decision on the matter after consulting with the parties involved (Art. 55:1). If the Council finds that a member has committed a breach of the Agreement, it may suspend the member’s voting rights or, if the breach “significantly impairs the operation” of the Agreement, exclude the member from the Agreement (Art. 55:3). Disputes regarding the application or interpretation of the Agreement are to be referred to the Council, which may seek an advisory opinion from an ad hoc panel (Art. 56:1–2). In such case, the panel is to submit its opinion to the Council, which must decide the dispute by special vote (Art. 56:4).

INRA III is open for signature through July 1996 (Art. 57, as modified). The Agreement is subject to ratification or approval by signatories “in accordance with their respective constitutional or institutional procedures” (Art. 59:1). Instruments of ratification must be deposited by January 1, 1997, but the INRO Council may grant extensions to signatory governments unable to deposit their instruments by that date (Art. 59:3). Notification of provisional application by signatories is also possible (Art. 60). Like its predecessor, INRA III contains a “no reservation” clause (Art. 68).

Annex I adds Bolivia and Cameroon to those exporting countries that ratified INRA II (Cote d’Ivoire, Indonesia, Malaysia, Nigeria,

[12] The Common Fund for Commodities, which is part of the UNCTAD Integrated Programme for Commodities, has been described as follows: the Fund “is intended to play two roles: to help finance buffer stocks set up pursuant to international commodity agreements and to help support other activities related to commodities, including development measures. The resources of the Fund would be divided between these two functions. The former function would be financed largely by subscriptions by members of the fund plus contributions from associated international commodity organizations and borrowings while the latter would depend heavily on voluntary contributions. Almost two-thirds of the subscription would be from the western industrialized countries, who would receive only about 40 percent of the voting power in the Fund. This could constitute blocking power since decisions would require a vote of at least two-thirds of those voting. The Fund came into effect in June 1989, with over 100 members (but not including the United States).” Jackson, Davey & Sykes, supra note 1, at 1180–81.

[13] “Letter of Transmittal” in Senate Treaty Document, supra note 6, at v–vi.

Sri Lanka, Thailand). Annex II indicates that the United States will be the largest consuming country, followed by the EU and Japan, the three countries comprising approximately 78 percent of shares. Annex C, suggesting the means for determining the cost of acquiring and maintaining a buffer stock, retains the formula of multiplying actual costs by the lower trigger action price and adding on 30 percent of the resulting figure. Unlike INRA II, it does not specify a trigger action price in Malaysia/Singapore cents.

IV. Entry Into Force and Termination

A. ENTRY INTO FORCE

INRA III is to enter into force in July 1996 or on any date thereafter if by that date Governments accounting for at least 80 percent of net exports and at least 80 percent of net imports (as set forth in Annex A and Annex B, respectively) have deposited their instruments of ratification (Art. 61:1).

INRA will enter into force provisionally in July 1996, or on any date before January 1, 1997, if 75 percent ratification or notice or provisional application is achieved (Art. 61:2).

If the Agreement does not come into force provisionally, ratifying countries may decide whether to "take the necessary steps to put this Agreement provisionally or definitively into force among themselves in whole or in part" (Art. 61:3). If INRA III does not definitively enter into force within 12 months after it enters into force provisionally, the Council must meet and decide by vote whether to put it into force among current members, either provisionally or definitively and either in whole or in part; the Council may also decide to renegotiate it at that time (Art. 61:4).

The Agreement is open for accession by the Government of any nation (Art. 62). Amendments require acceptance by two-thirds of each of exporting and importing members (each constituting at least 85 percent of the votes of each category) to enter into force; members who do not subsequently accept the amendment by the date the amendment enters into force will cease to be contacting parties unless the Council extends the time limit (Art. 63).

B. TERMINATION

The Agreement will remain in force for four years (Art. 67:1).[14] The Council may vote to renegotiate the Agreement before that time and to extend the Agreement for a period not exceeding two years in all (Art. 67:2–3). The Agreement will terminate if a new international natural rubber agreement enters into force during the extension period (Art. 67:3) and may be terminated by special Council vote at any time (Art. 67:4). Members may withdraw from the Agreement at any time, subject to notice of one year (Art. 64).

[14] It was reported that the initial duration of the agreement, one year less than that of INRA II, was the result of a compromise: "Producers and most consumers had initially favoured five years, while one major consumers had proposed three years, in each case with a two-year extension." "Rubber: New International Natural Rubber Agreement Adopted," Multinational Service, March 3, 1995, as printed in LEXIS/NEWS/CURNWS.

V. Committee Action

The Committee on Foreign Relations held a public hearing on the proposed treaty on Thursday, June 20, 1996. The hearing was chaired by Senator Helms. The Committee considered the proposed treaty on Wednesday, June 26, 1996, and ordered the proposed treaty favorably reported by voice vote, with the recommendation that the Senate gives its advice and consent to the ratification of the proposed treaty subject to one declaration.

VI. Committee Comments

The Committee on Foreign Relations recommended favorably the proposed treaty and, on balance, the Committee believes that the proposed treaty is in the interest of the United States and urges the Senate to act promptly to give its advice and consent to ratification. Several issues did arise in the course of the Committee's consideration of the treaty, and the Committee believes that the following comments may be useful to Senate in its consideration of the proposed treaty and to the USTR and State Department, who share jurisdiction over the treaty.

A. Adequate supply and price stability of natural rubber

The U.S. does not produce natural rubber domestically. As the world's largest importer of natural rubber, U.S. industry relies on accords such as the INRA to maintain orderly supply relationships with major rubber producers in the developing world. Natural rubber is a critical input for U.S. industry, especially in the transportation sector which uses 80 percent of natural rubber imports. A unique capacity to resist abrasion, cracking, and heat have made natural rubber a primary component in airplane and radial tires and the only source of rubber latex for use in products such as medical gloves.

The INRA assures a continuous supply of natural rubber the U.S. and dampens price volatility. Buffer stock activity has helped stabilize rubber prices and has allowed U.S. companies to more efficiently forecast future demand and production schedules. The INRA also allows any member country to request negotiations with other signatories to work through occasional trade difficulties. Such dialogue within the INRA has provided a forum for the reduction of prohibitive export taxes imposed by Malaysia, Indonesia, and Thailand. U.S. business has benefitted from the liberalized export regimes of these three principal suppliers of natural rubber.

Since just three countries—Thailand, Indonesia and Malaysia—produce 75 percent of the world's rubber supply, economic and political developments in those countries can have a serious impact on rubber prices and supply in the U.S. and other consuming nations. Several factors have led to recent upward pressure on prices. On a general level, rapid industrialization in all three countries has meant less land available for rubber production, higher labor costs and more competition for capital. Adding to this problem has been the depreciation of the dollar, which has caused rubber to be less expensive for foreign buyers and therefore a less lucrative business for small farmers in these countries. In addition, Malaysia has begun phasing out government support for rubber production,

causing output to decline. U.S. companies believe that a renewed INRA would smooth fluctuations in supply and prevent precipitous increases in rubber prices.

The three largest tire manufacturers in the U.S. (Goodyear, Michelin, and Bridgestone) stand to gain the most from INRA 1995 and support renewal of the agreement. The Rubber Manufacturers Association, largely comprised of smaller tire manufacturers, supports the agreement and testified at the Committee hearing on behalf of its members.

B. NO RESERVATIONS CLAUSES

During the period from January 8, 1986 to January 3, 1996, the Senate approved 127 treaties, 37 of which contained conditions, declarations, reservations, provisos or amendments. The Committee continues to be concerned by the increasingly common practice of agreeing to "no reservations" clauses as exemplified in Article 68 of this treaty, which would impinge upon Senate prerogative. The Committee's recommended Resolution of Ratification contains a declaration that it is the Sense of the Senate that such a "no reservations" provision can inhibit the Senate in its Constitutional obligation of providing advice and consent, and approval of this treaty should not be read as a precedent for approval of other treaties containing such a provision.

Although the Committee has determined that this treaty is beneficial to the interests of the United States and should be approved notwithstanding Article 68, the Committee will continue to object to the inclusion of such provisions in U.S. treaties. The Committee has expressed in the past in report language its concern that such "no reservations" provisions are problematic to Senate ratification (see Executive Reports 102–54 and 102–55).

VII. Explanation of Proposed Treaty

For a detailed section-by-section analysis of the proposed treaty see Treaty Doc. 104–27.

VIII. Text of the Resolution of Ratification

Resolved, (two-thirds of the Senators present concurring therein), That the Senate advise and consent to the ratification of The International Natural Rubber Agreement, 1995, done at Geneva on February 17, 1995 (Treaty Doc. 104–27), subject to the following declaration:

> It is the Sense of the Senate that "no reservations" provisions as contained in Article 68 have the effect of inhibiting the Senate from exercising its constitutional duty to give advice and consent to a treaty, and the Senate's approval of this treaty should not be construed as a precedent for acquiescence to future treaties containing such a provision.

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