Ref. Ares(2014)1000231 - 31/03/2014

European Commission

Raw Materials Diplomacy Event

The EU Trade Policy and Raw Materials

Lima, Peru 10-11.03.2014

Caroline BOESHERTZ, European Commission, DG Trade

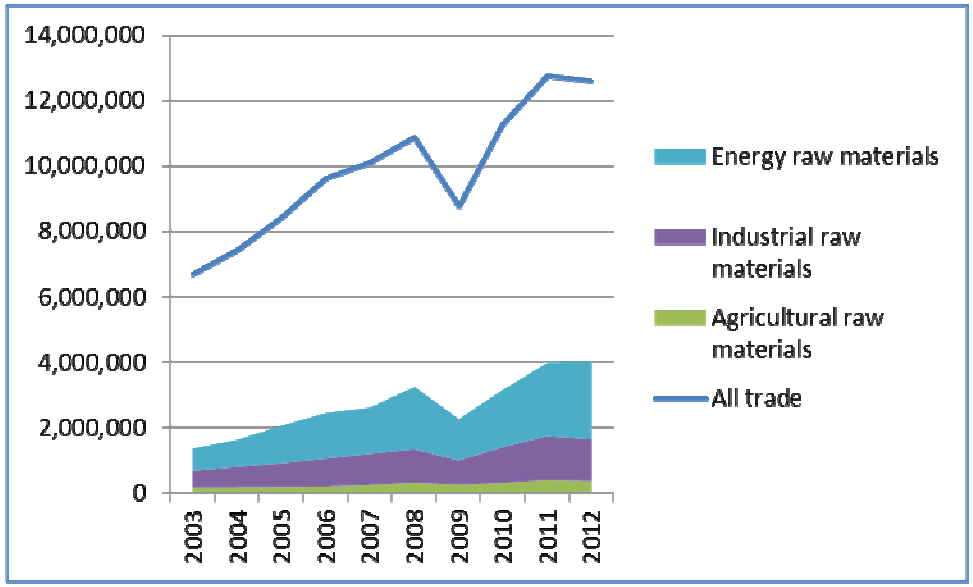
Agenda

- Raw materials and trade – global challenges
- The EU Trade policy for Raw Materials,
  - **objectives**
  - **latest achievements**

European Commission

Growing trade of raw materials

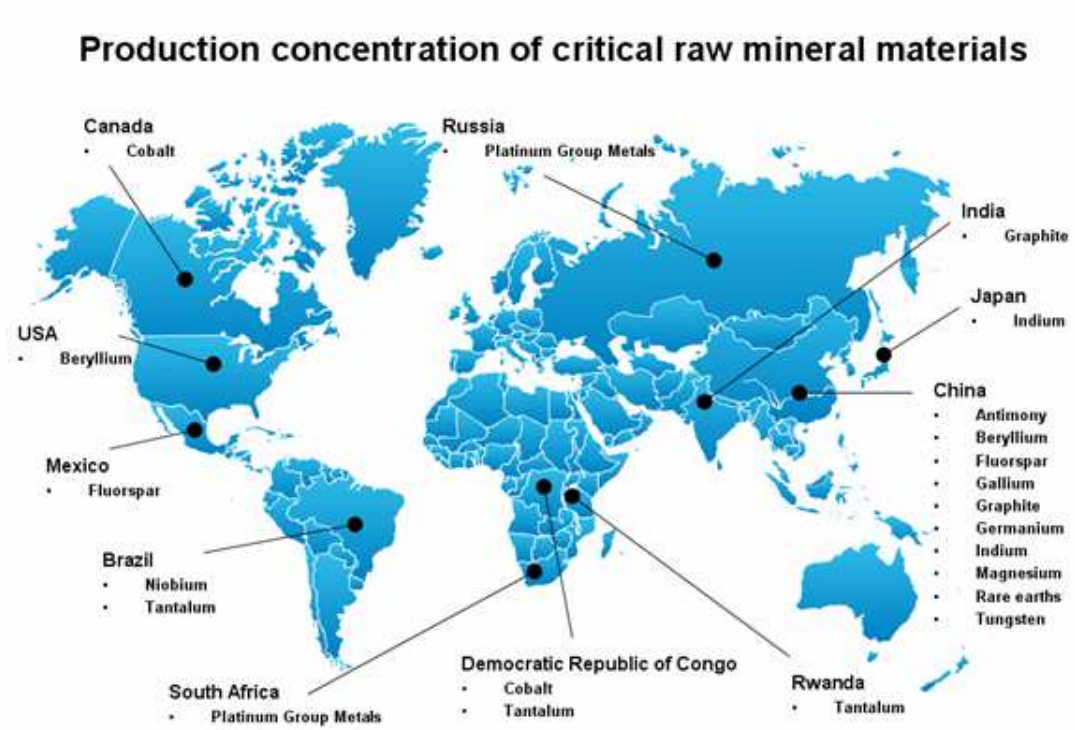
Trade in raw materials vs. Total trade (imports, €bn)



- Raw materials: 32% of total trade in 2012
- 15% annual growth of raw materials trade (2003-2012) vs. 8% total trade
- EU main importer of raw materials (19% of total imports), followed by China (14%) and US (12%)
- China annual growth of RM imports: 25%

European Commission

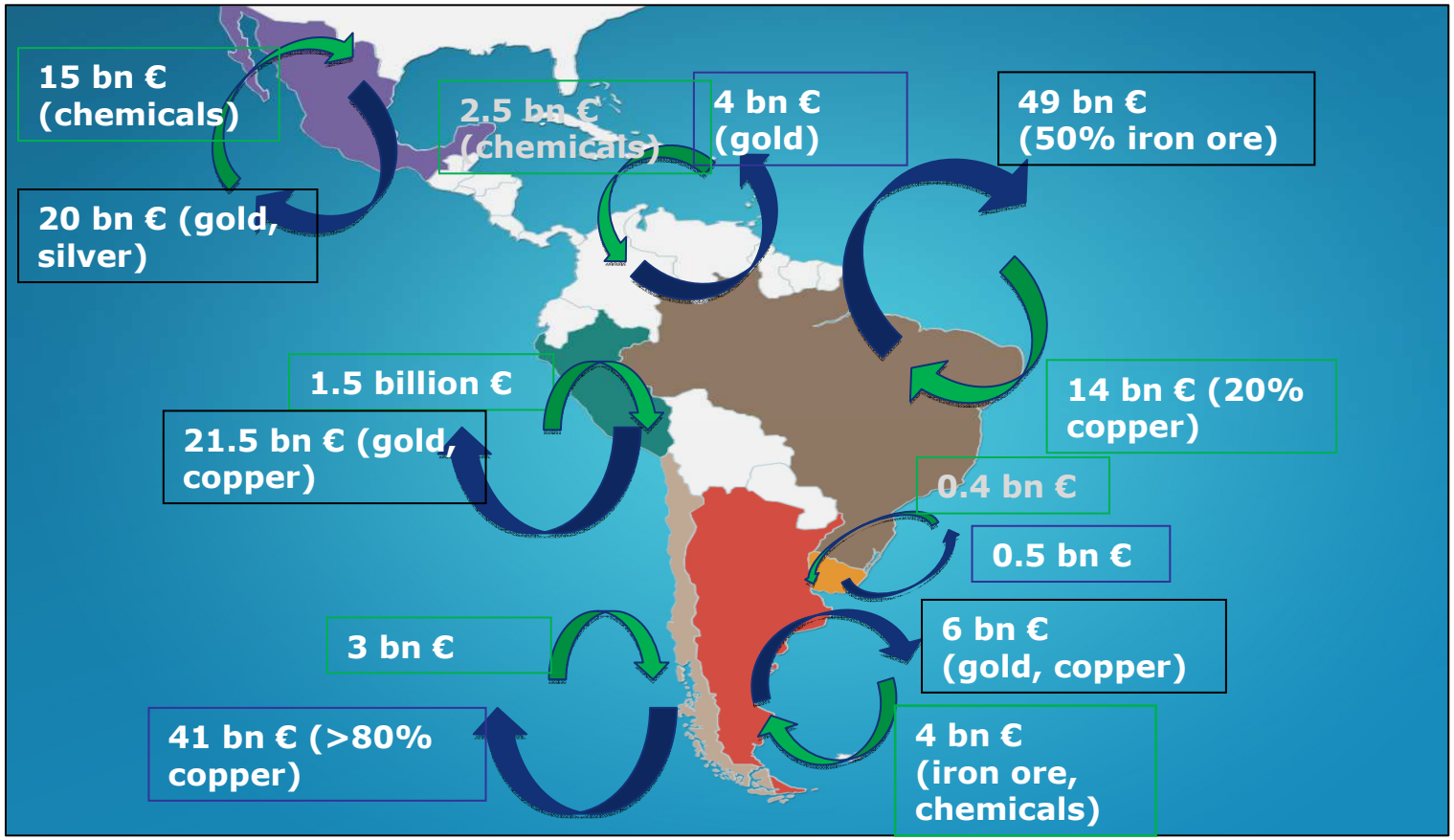
Uneven geographic distribution of raw materials



European Commission

Trade of industrial raw materials

Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay



European Commission

Sustainable supply of raw materials : a global challenge

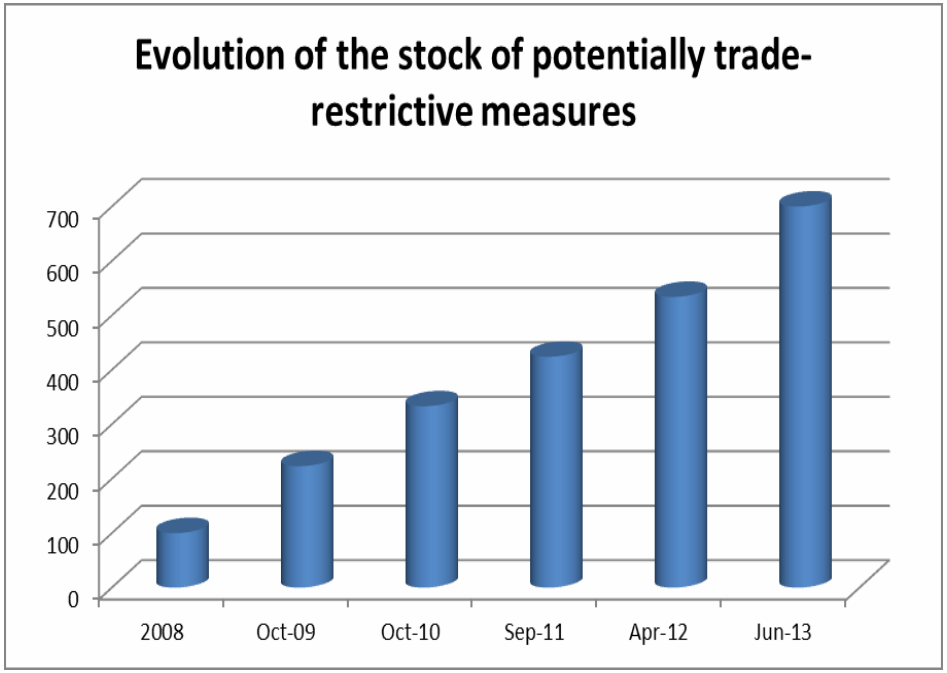
- Growing demand, accelerated by emerging economies
- Interdependency : raw materials supply concerns most economies on the planet
- Global value chains

And yet…

- Increasing number of barriers distorting global markets
- Artificial market segmentation

European Commission

Trade protectionism on rise across the world



- Trade is showing signs of recovery (+5% in 2011 and 2.5% in 2012),
- Rise in the introduction of trade restrictive measures (**+28%** between April 2012 and June 2013)
- Very few measures removed (**-3%**)
- **16 out of 31 countries monitored apply export restrictions**

Source: EU 10th report on potentially trade restrictive measures – September 2013

European Commission

Export restrictions have uncertain and rather negative effects, globally and on the exporting country …

- "Beggar-thy-neighbour" policy: costs on global trade and income
- No benefit even to the implementing country, if not holding market power/ is price setter
- Development of inefficient industries depending on the government support to survive in the market
- In the long run, incentive for third countries to develop substitutes

European Commission

While there are alternative better targeted and non-discriminatory policies

- If objective is to generate revenues, income or consumption (value-added based) taxation system
- If objective is to develop the downstream industry, structural measures to improve market functioning
- If objective is to conserve natural resource, measure on production

European Commission

Findings by the OECD on alternative policies in regulation and development of the mining sector

- OECD project to examine regulatory environment affecting the mining sector and good practice in trade policy and sector development:
  - regulation aiming to increase value added and employment in the mining sector and its downstream and upstream industries,
  - ensure balanced taxation of the extractive industries and effectively manage revenue for wider economic growth and development;
  - promote sustainable levels of extraction and processing;
  - manage negative impacts of commodity price volatility
  - and generally translate mineral wealth into strong, inclusive growth.
  - Completed: Chile (copper mining), Botswana (diamond).
  - In 2014, Peru and Colombia (mission foreseen in June).

European Commission

Sustainable supply of raw materials

A global challenge …

- Growing demand, accelerated by emerging economies
- Interdependency : raw materials supply concerns most economies on the planet
- Increasing numbers of barriers distorting global markets…

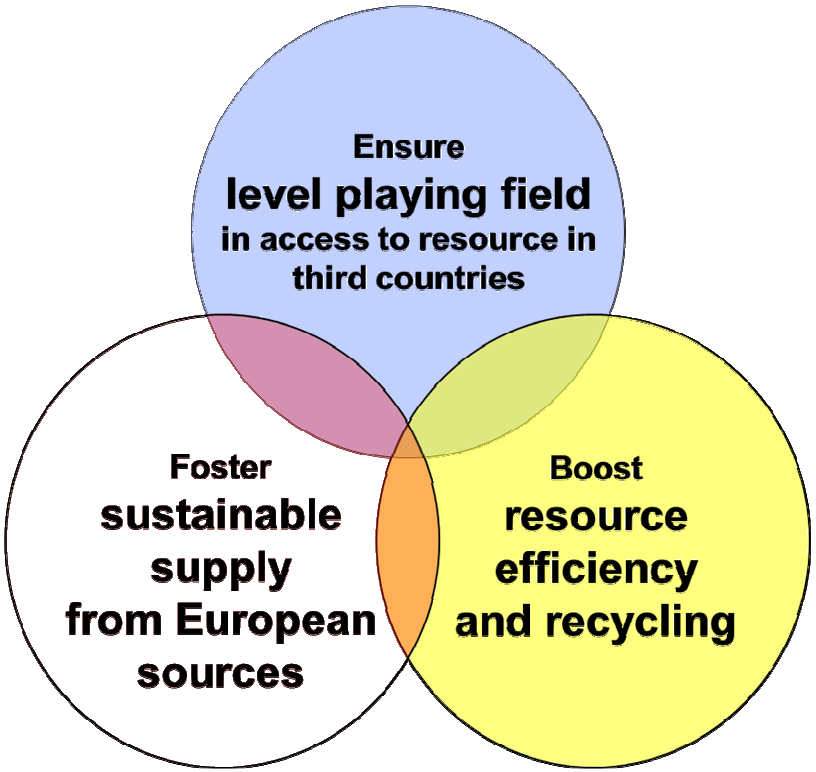
a common global response is necessary !

- Multifaceted: keep markets open, meet development needs and tackle the environmental challenges
- The EU response

European Commission

The EU Raw materials strategy

- "**The Raw Materials Initiative**" (2008) and "Tackling the challenges in commodity markets and on raw materials" (2011)
- Securing reliable and undistorted access to raw materials
- Internally, promote efficiency and increase recycling
- Externally, ensure smooth trade flows



European Commission

The EU Raw materials strategy

- European Innovation Partnership on raw materials
- Promote transparency and good governance:
  - **Transparency Directives, FLEGT, Conflict Minerals**
  - **OECD Due Diligence Guidance, EITI, Kimberley Process**
- Complementary national plans (SE, DE, FI, FR, UK, NL)

European Commission

The EU Trade Raw materials policy

- Trade policy, EU exclusive competence
- 3 main objectives:
  1) **Negotiation of disciplines**
  2) **Tackling of barriers**
  3) **Dialogue and outreach**
- Ensure coherence of EU policy: Take into account development / environment priorities and differentiated approach (BRIC vs. LDCs)

The EU response

1) Negotiation of disciplines :

- On export restrictions: taxes, licenses, quotas and prohibitions - WTO rules (Article XI: General Elimination of Quantitative Restrictions) – exception XI:2(a), XX
- EU objective: full or partial bans of export restrictions and duties
- Multilateral: specific commitments in WTO accession agreements
- Bilateral: in Free Trade Agreements and Partnership and Cooperation Agreements

The EU response

1) Negotiation of disciplines :

- Multilateral:
  - Achieved: China, Russia, Tajikistan, Afghanistan (commitments on export duties)
  - Ongoing: Kazakhstan, Azerbaijan
- Bilateral:
  - Achieved: Mexico, Chile, South Korea, Colombia, Peru, Central America, Singapore, Ukraine, Mongolia, Canada
  - Ongoing: MERCOSUR, United States, India, Malaysia, Vietnam, Thailand, Southern African Development Community Economic.

The EU response

European Commission

2) Tackling of barriers:

- **Monitoring:**
  - Export restrictions inventory (Trade, OECD)
  - Protectionism report, TIBR report

- **Removing barriers – Market Access Strategy**
  - Intervention and dialogue to remove barriers

✓ Indonesia: export ban on metals/minerals
✓ South Africa: export license on scrap metal

  - Exerting "peer pressure" e.g. in TPR reviews

- **Enforcement through litigation** (WTO, bilaterally)

Last resort when all dialogue fail! 2 WTO cases against China's export restrictions brought by the EU along with US, Mexico (1st case) and Japan (2nd case)

European Commission

3) Dialogue and outreach :

- Dialogue with key partners (Japan, United States, China, India)
- Strategic cooperation to develop common global raw materials strategy with
  - **WTO**: forum to develop multilateral response
  - **OECD**: forum to gather facts, develop economic and policy analysis and best practises – 2014: alternative policies + global value chain
  - **G20**: include raw materials in the global agenda

Conclusion

As WTO members, we should all remain committed

- to **work together to develop a clearer, more predictable framework for trade in raw materials**
- And **help trade flow as freely as possible, creating truly global and well integrated productive value chains.**

European Commission

Thank you for your attention!