



Raw Materials Diplomacy Event

The EU Trade Policy and Raw Materials

Lima, Peru 10-11.03.2014

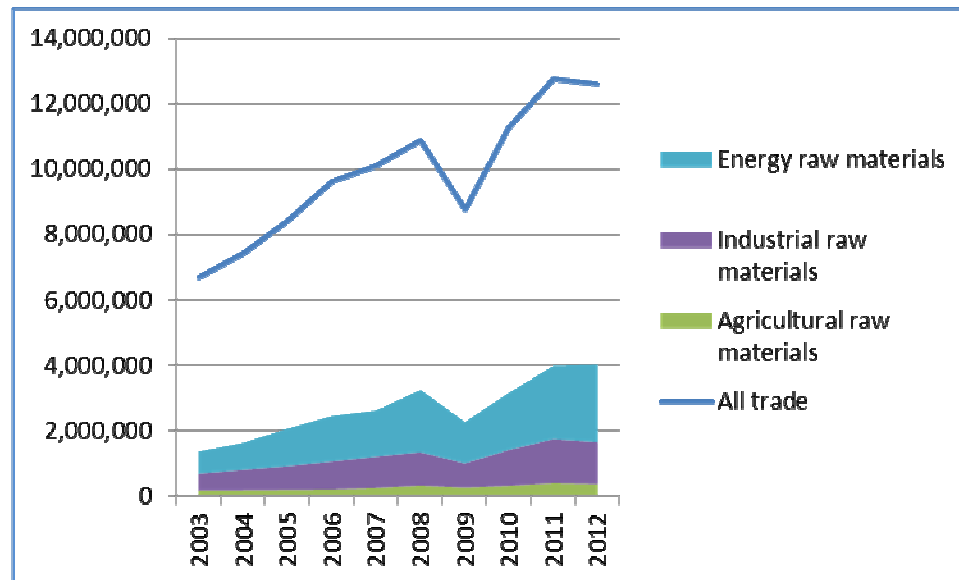
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Agenda

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

Growing trade of raw materials

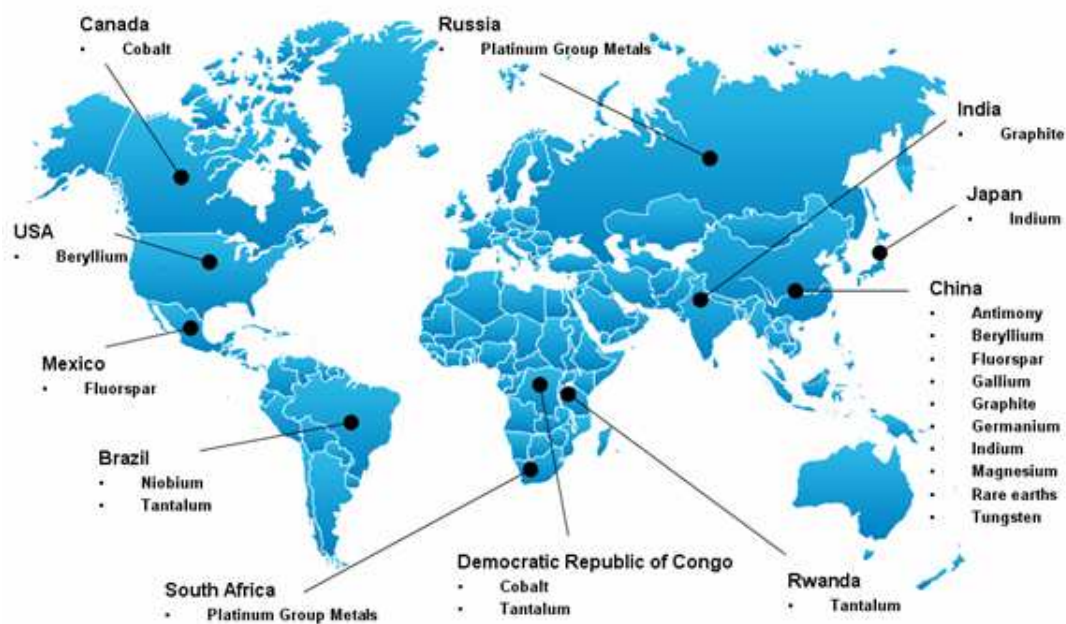
Trade in raw materials vs. Total trade (imports, €bn)



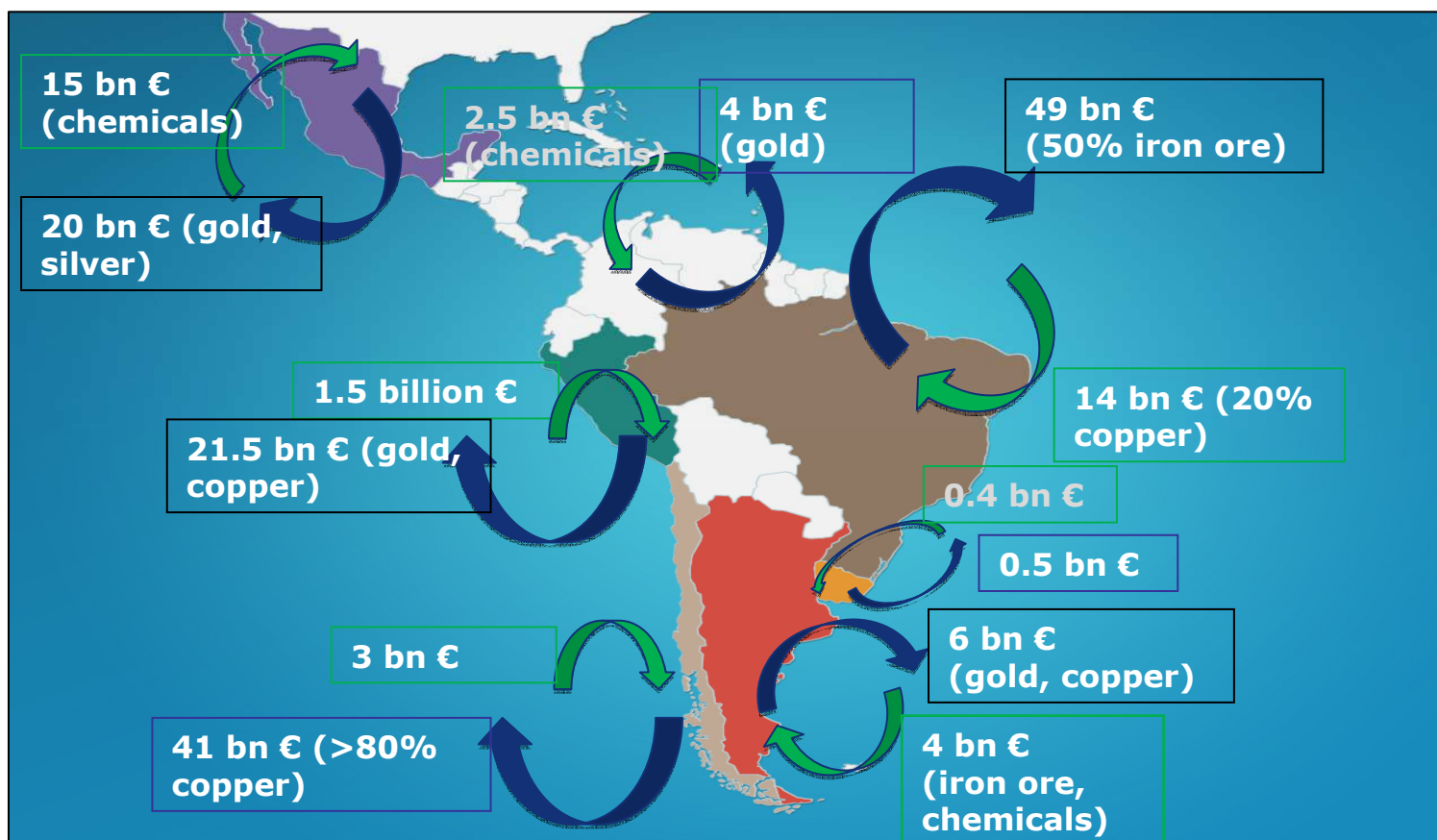
- Raw materials: 32% of total trade in 2012
- 15% annual growth of raw materials trade (2003-2012) vs. 8% total trade
- EU main importer of raw materials (19% of total imports), followed by China (14%) and US (12%)
- China annual growth of RM imports: 25%

Uneven geographic distribution of raw materials

Production concentration of critical raw mineral materials



Trade of industrial raw materials Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay





Sustainable supply of raw materials : a global challenge

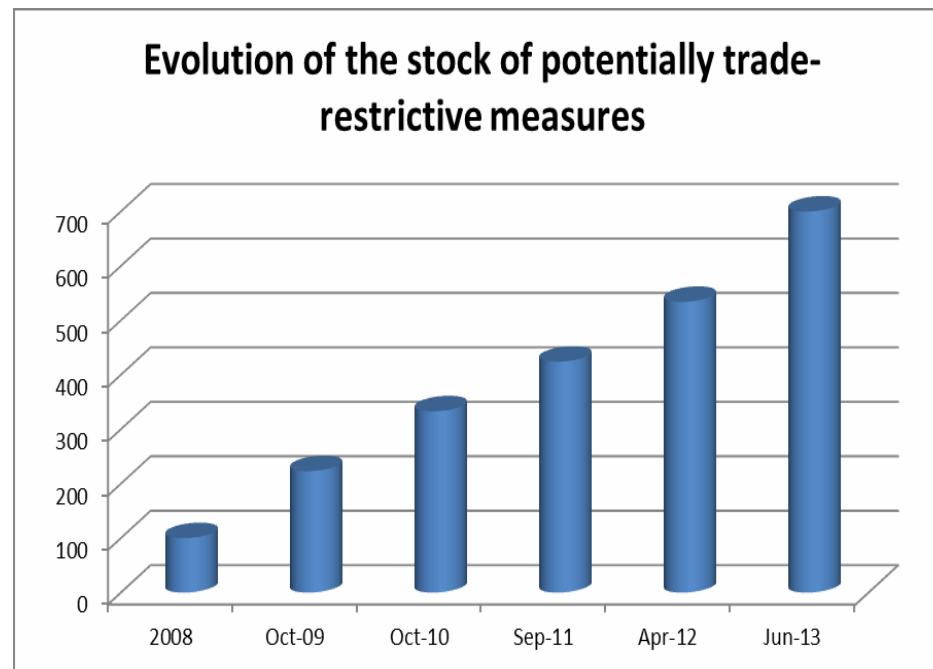
- Growing demand, accelerated by emerging economies
- Interdependency : raw materials supply concerns most economies on the planet
- Global value chains

And yet...

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



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



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

- "Beggars-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



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





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).





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 !

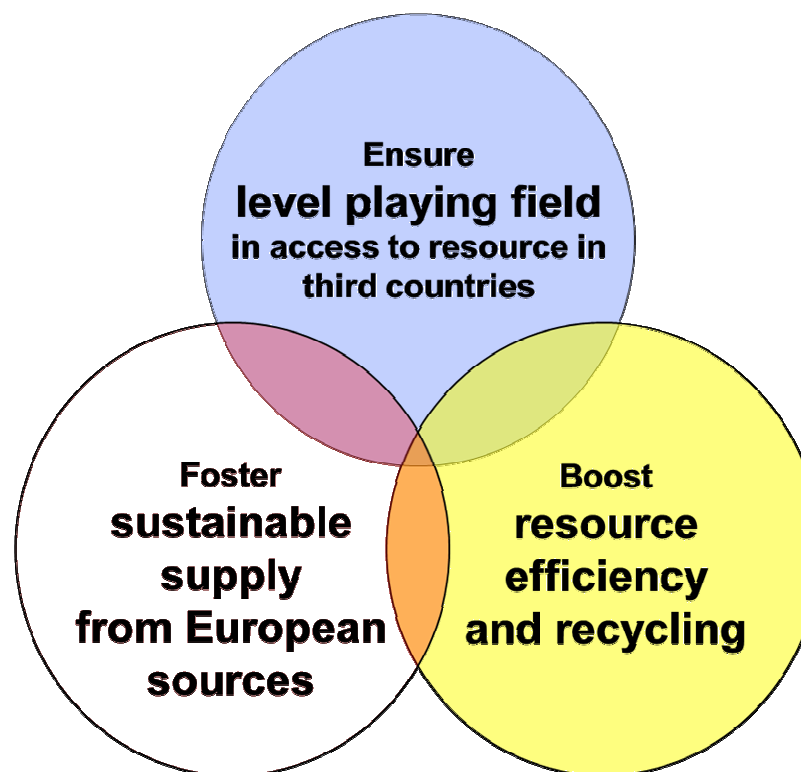
- Multifaceted: keep markets open, meet development needs and tackle the environmental challenges
- The EU response





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





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)





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)





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





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.





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)





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.**





Thank you for your attention!

