



Raw Materials Diplomacy Event

The EU Trade Policy and Raw Materials



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Agenda

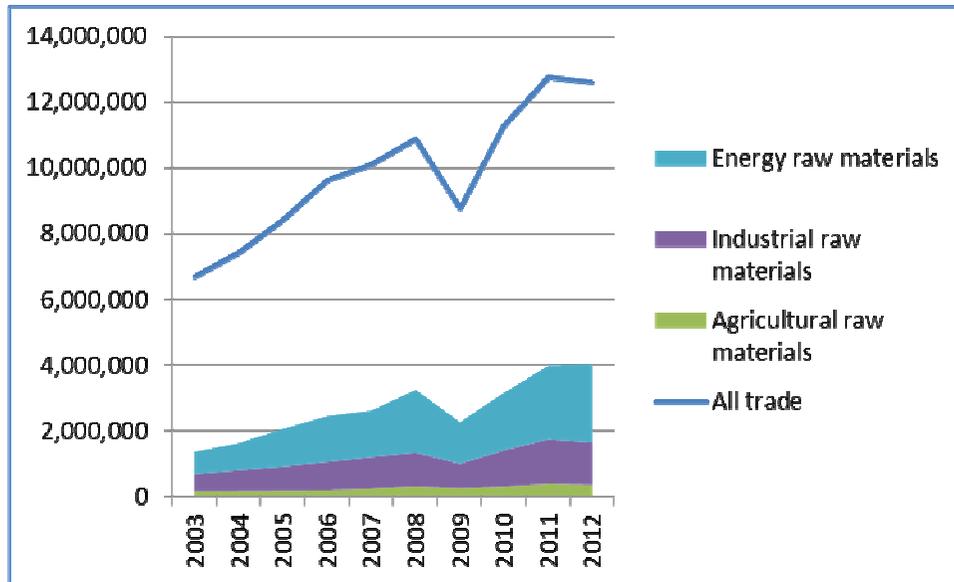
- Raw materials and trade – global challenges
- The EU Trade policy for Raw Materials,
 - **objectives**
 - **latest achievements**





Growing trade of raw materials

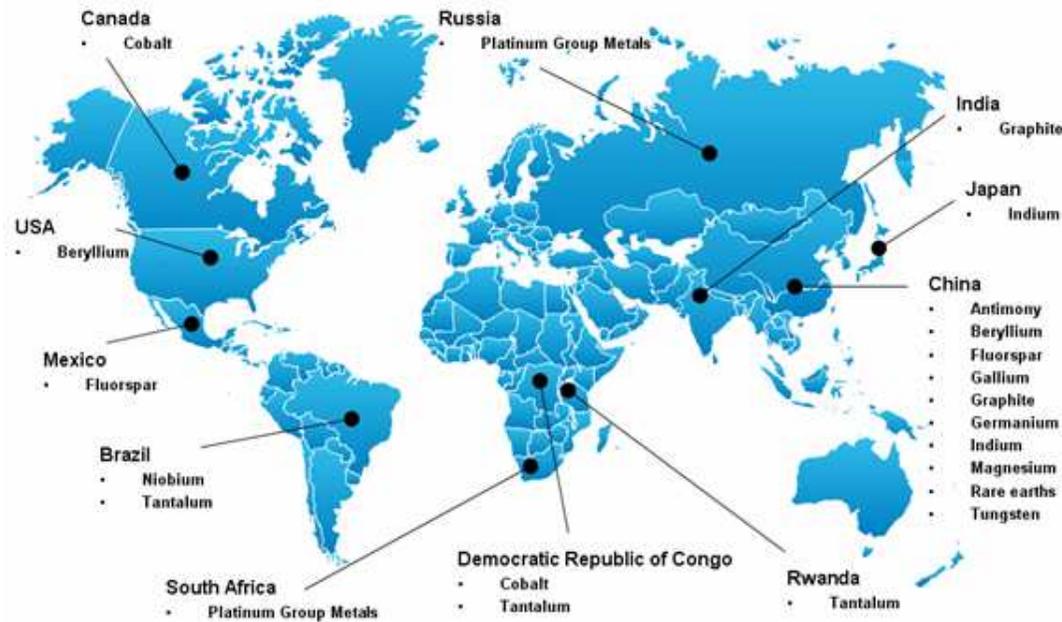
Trade in raw materials vs. Total trade (imports, €bn)



- 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

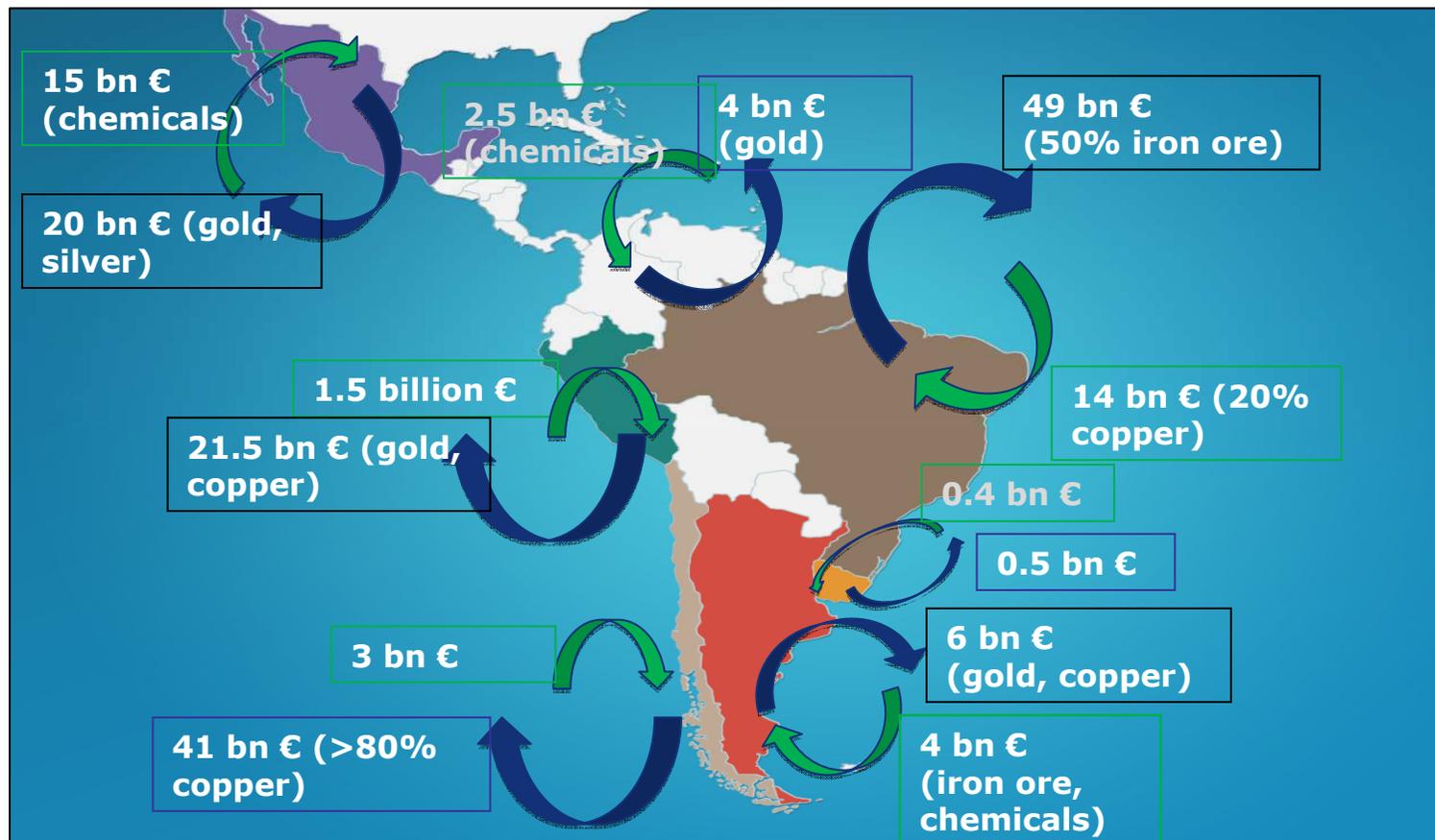
Production concentration of critical raw mineral materials



Global challenges



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





Sustainable supply of raw materials : a global challenge

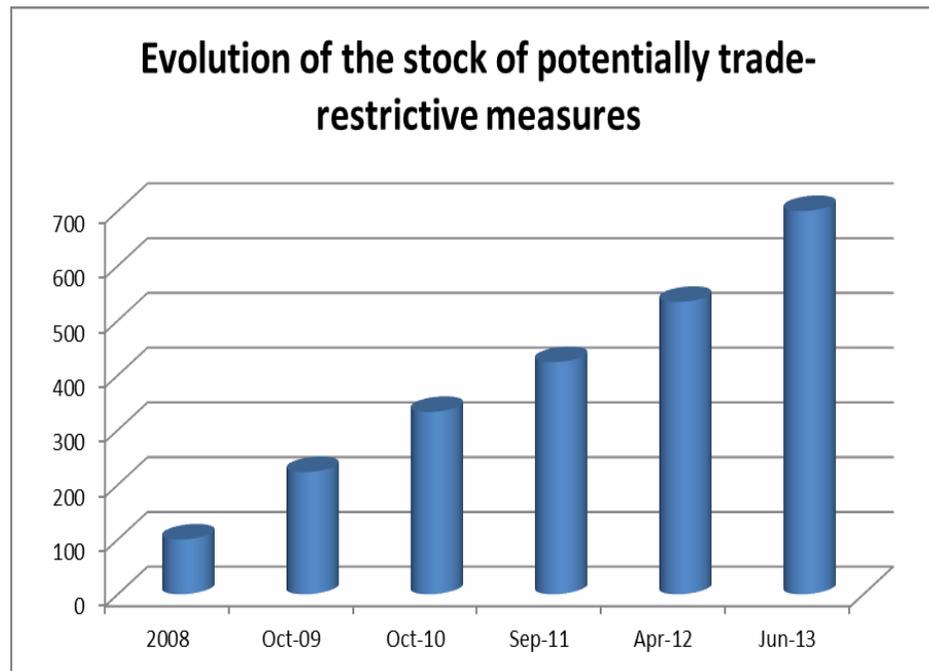
- Growing demand, accelerated by emerging economies
- Interdependency : raw materials supply concerns most economies on the planet
- Global value chains

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-neighbor" 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 !

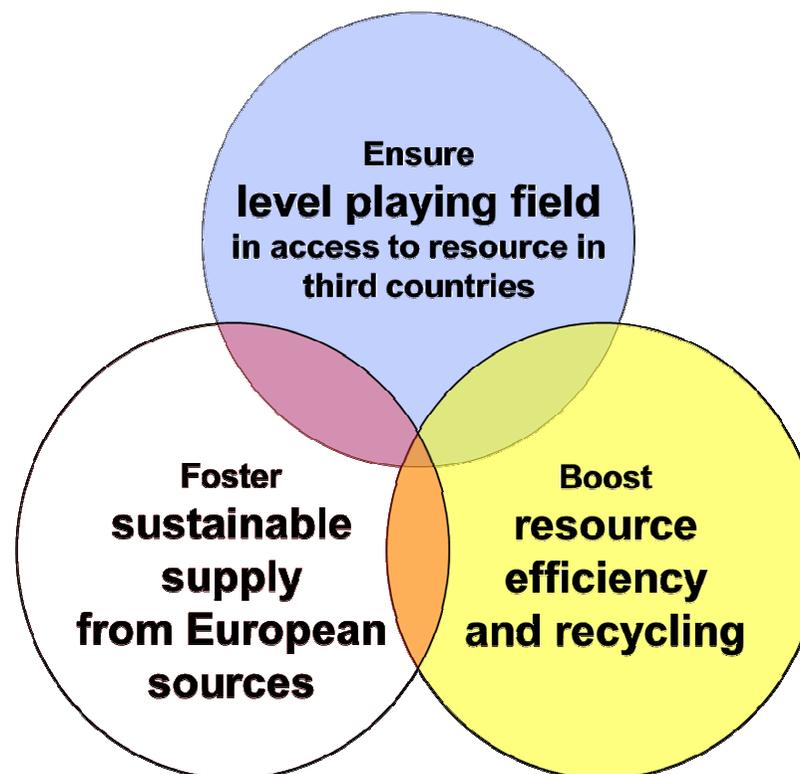
- Multifaceted: keep markets open, meet development needs and tackle the environmental challenges
- The EU response





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!

