EU trade policy for mining and metals

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Caroline Boeshertz, European Commission, DG Trade
Outline

• Raw materials and trade – global challenges
• The EU Trade policy for Raw Materials,
  • objectives
  • latest achievements
Growing trade of raw materials

- Raw materials: 33% of total trade in 2013
- 15% annual growth of raw materials imports (2003-2012) vs. 8% total trade
- China main importer of industrial raw materials (24% of total imports), followed by EU (16%) and US (10%)
- China RM imports: doubled in last 5 years
Uneven geographic distribution of raw materials

Production concentration of critical raw mineral materials

- Canada: Cobalt
- Russia: Platinum Group Metals
- USA: Beryllium
- Mexico: Fluorspar
- Brazil: Niobium, Tantalum
- South Africa: Platinum Group Metals
- Democratic Republic of Congo: Cobalt, Tantalum
- Rwanda: Tantalum
- India: Graphite
- Japan: Indium
- China: Antimony, Beryllium, Fluorspar, Gallium, Graphite, Germanium, Indium, Magnesium, Rare earths, Tungsten
Global challenges

Nickel mine production (2014)

Copper mine production (2014)

Lead mine production (2014)

Zinc mine production (2014)

Source: USGS
Global challenges

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 vs. artificial market segmentation

And yet...

- Increasing number of barriers distorting global markets
Global challenges

Trade protectionism on rise across the world

- Trade is showing signs of recovery (+2.9% in 2012 and +3% in 2013),
- Rise in the introduction of trade restrictive measures (+25% between June 2013 and July 2014)
- Very few measures removed (12 in total vs. 12 added every month)
- Surge in exports restrictions (+39%)

Source: EU 11th report on potentially trade restrictive measures – November 2014
Global challenges

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
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
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

Ensure level playing field in access to resource in third countries
Foster sustainable supply from European sources
Boost resource efficiency and recycling
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, Canada, Southern African Development Community Economic, West Africa and East African Community.
The EU response

2) Tackling of barriers:

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

- Removing barriers – Market Access Strategy
  - Interventions and dialogues to remove barriers
  - 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)
The EU Trade Raw materials policy

2) Tackling of barriers:

- **Recent EU interventions:**
  - **Indonesia:** export ban on metals/minerals
  - **South Africa:** export license on metal scrap
  - **Turkey:** export license on metal scrap

- **WTO dispute settlement:** last resort when all dialogue fail! 2 cases against **China's export restrictions**
  - **1st case (EU, US, Mexico):** final ruling January 2012, compliance by end 2012. Export duties and quotas removed on all relevant products.
  - **2nd case (EU, US, Japan):** final ruling in August 2014, confirmed that export duties and quotas on rare earth, tungsten and molybdenum were incompatible with China WTO obligations, compliance by May 2015, export quotas already removed from January 2015.
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 practices
  - **G20**: include raw materials in the global agenda
The EU Trade strategy for raw materials delivers but resource nationalism on the rise:

- **Need to work with third countries to develop a more transparent and predictable framework for trade in raw materials and encourage coordination of policy action (establishment of a global platform?)**
- **Need to address existing as well as new types of export restrictions through trade policy.**
Thank you for your attention!