The Bilateral Relationship between the European Union and Latin America in Non-Ferrous Metals, including the Raw Materials Dialogue

By Mattia Pellegrini
Head of Unit C.2 Resource Efficiency & Raw Materials
DG Internal Market, Industry, Entrepreneurship & SME’s
European Commission

Background: the Economic Context

Latin America and the EU

**Strongest economic ties:**

- The EU is the second trade partner for LA, at a similar level with China and behind the United States. Brazil and Mexico are the EU’s major trading partners, followed by Chile, Argentina, Colombia and Peru.
- Trade in goods between the EU and LAC countries almost doubled over the last decade (2004-2014) reaching €209.2bn.
- The EU remains the leading foreign investor in LA countries, with total FDI stocks amounting to €505.7bn in 2013. That is 10.3% of the €4.9tn EU FDI stocks abroad and approximately 35% of the LA FDI stock.
- The EU exports to LA countries mostly machinery, transport equipment and chemicals. It imports mainly agricultural products and raw materials.
The EU and Copper

The EU needs to use vast quantities of copper to sustain its economy. It uses over 3 million tonnes of it, in comparison with a total world use of 22 according to the ICSG data. Less than a third is covered by its own mines, and even adding substantial recycling, the EU is far from satisfying its needs with its own resources and needs to import. Most imports originate in LA.

### EU (2014) Thousand MT

<table>
<thead>
<tr>
<th></th>
<th>Thousand MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mine production</td>
<td>847</td>
</tr>
<tr>
<td>Smelter Production</td>
<td>2,367</td>
</tr>
<tr>
<td>Refined production</td>
<td>2,741</td>
</tr>
<tr>
<td>Refined use</td>
<td>3,178</td>
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</tbody>
</table>

Source: ICSG

### EU Copper Imports

(Copper ores and concentrates)

Latin America covers (2013) around 70% of total EU imports.

### From within LA:

(Copper ores and concentrates)

Source: UN Comtrade via ICSG
### Lead, Zinc, and Nickel

**Latin America** is the primary supplier of copper on the global stage, with over 40% of world total mine supply. It is also fundamental for the supply of other metals. LA represents:

- 14% of the **Lead** mine supply
- 21% of **Zinc**
- 13% of **Nickel**

The **EU** is again unable to satisfy its lead, zinc and nickel demand through its mines and recycling. It relies also on imports, including from LA. In particular, on:

- Lead from **Mexico** and **Peru**
- Zinc from **Bolivia** and **Peru**
- Nickel from **Brazil** and **Colombia**

Source: ISGs

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### A deep relationship

The EU-Latin America relations in the field of raw materials goes well beyond simply trading them. It is also about:

- **Investing**
- **Provision of technology and services**
- **Regulatory dialogue**
- **Tackling environmental and social issues**
- **Research, knowledge and skills**
- **Data acquisition and management**

Two examples among many:

1. **KGHM** (Poland) opened a copper mine in **Sierra Groda** in Chile. The company plans to produce approximately 120,000 tons of copper, 50 million pounds of molybdenum and 60,000 ounces of gold annually. The multi-billion $ project is supported by an **European Investment Bank** loan.

2. **Atlas Copco** (Sweden) is one of the large EU suppliers of mining equipment and technology to LA; they supply drill rigs, loading equipment and compressors to companies such as Minera Panamá and Minerven.

Source: ISGs
The EU Raw Materials Initiative

- **Aim:** securing sustainable supplies of raw materials
- **Launched in 2008, consolidated in 2011**
- **Non-energy, non-agricultural raw materials**
- **Connecting EU external and internal policies**
- **Integrated strategy (3 pillars)**
- **Introduced list of Critical Raw Materials (CRM)**

The Three Pillars of the EU Raw Materials Initiative

1. **Fair and sustainable supply of raw materials from global markets (1st Pillar)**
   - EU trade strategy for raw materials
   - Raw materials diplomacy
   - Assistance to developing countries

2. **Fostering sustainable supply within the EU (2nd Pillar)**
   - Exchange of good practice between EU Member States
   - Enhancing EU knowledge base
   - Promoting research and skills

3. **Boosting resource efficiency and promoting recycling (3rd Pillar)**
   - Better implementation and smarter EU waste legislation promoting resource-efficiency & recycling
   - Strengthen the enforcement of the EU Waste Shipment Regulation
The EU Raw Materials Trade Strategy

- Raw materials account for 1/3 global trade
- Despite falling raw material prices, and a slowdown of investment in mining projects:
- Resource nationalism on the rise: export restrictions increased by 39% between June 2013 and July 2014
- Securing access to raw materials remains a core objective of the EU Trade policy (upcoming 2015 Trade Communication)
- Main ambition: unlock raw materials markets by tackling export restrictions, taking into account development / environment priorities and differentiated approach
- Through negotiations of trade agreements, dialogues and enforcement, at bilateral and multilateral levels.

Negotiations

The EU focuses on export restrictions (taxes, licenses, quotas and prohibitions) as well as on other potential trade restrictive measures such as local content requirements or state trading companies:

- Through multilateral negotiations (specific commitments in WTO accession agreements)
- Through bilateral negotiations (Free Trade Agreements and Partnership and Cooperation Agreements)
- and through Horizontal disciplines as well as dedicated disciplines on energy and raw materials (specific chapter in future agreements).
Negotiations: Examples

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

1: agreement reached in principle in August 2015

EU-LA Raw Materials Diplomacy

The **EU - Latin America dialogue on Raw Materials** (with Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay) focuses on the following topics:

- Governance, policy and trade
- Overview of mining potential and investment
- Research, skills and innovation
- Mining industry realities in the EU and Latin America territories
- Exchange of best practices & cooperation on technical, environmental security, health and social issues
EU - Latin American dialogue on Raw Materials: Lima, Peru, 10-11 March 2014

Participants: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and the EU.

Discussions on:
- how to enhance cooperation
- exchange of best practices

LA - real strategic partner for cooperation
LA divided in 3 blocks: strong mining industry; rapid development; new comers
LA –top world producers & in favour of free trade
Facilitation - possible consortiums respond to international calls H2020

EU - Latin American dialogue on Raw Materials: Cartagena, Colombia, 22-23 September 2015

The event deepened the raw materials dialogue on:
- Governance, Policy and Trade
- Investment, Technologies and Services for mining
- Research and Innovation along the mining value chain
- Education, skills and training opportunities
- Remote sensing applied to the mining sector along the value chain
- EU-LA network for the mining and recycling sectors: mapping exercise

EU - AMC Raw Materials Events

EU – Advanced Mining Countries dialogue, 12-13 June 2014, Brussels

Workshop on best practices on mining policies and technologies, focus on:
- Mining policies (including exploration permits and exploitation licences)
- Environmental, security and health issues
- Data acquisition, knowledge base and land use planning
- Public awareness, acceptance and trust
- Advanced mining and processing technologies and skills
- Mining in extreme environments

EU – Advanced Mining Countries dialogue, 15-16 October 2015, Brussels

Same participants: Australia, Brazil, Canada, Chile, Mexico, Peru, South Africa, the US and the EU.

Focus on:
- Cross cutting topics and opportunities to support future co-operation
- Best practices on good governance
- Mining Waste management and mine rehabilitation
- Minerals Knowledge Base and data availability and management
Follow up planning for 2016

Raw Materials Diplomacy Events:

EU - Latin American RM Dialogue meeting (possibly in Chile)

EU- Advanced Mining Countries (Brussels)

The EU Partnership Instrument (PI)

The PI finances activities in areas of key interest to the Union, including the EU - Latin America Raw Materials Diplomacy Dialogue.

In 2015, two RM proposals have been approved:

- International conference on by-products recovery (Bruxelles, 12-13 Nov)
- Feasibility study on EU-Canada Mineral Investment Facility.

For 2016, two proposals on Latin America are being considered:

- A pilot project with LA countries (Brazil, Mexico, Chile, Peru and Colombia) to develop services based on Copernicus remote sensing technologies for the mining sector, including environmental monitoring.
- Feasibility study on LA-EU Mineral development platform to support continuous, structured co-operation between the EU and LA for the mining sector; focus on technology, investment, governance, services and skills)
The Conference will tackle the technology challenges but also the policies and regulatory framework apt to promote the recovery of metal by-products which are currently sub-exploited.

Registration is open!

There will also be a presentation of the Horizon 2020 relevant topic (SC5-13b-2016), including project ideas from stakeholders.

Thank you

EU raw materials webpage: