



SUMMARY OF THE PROCEEDINGS AT THE CONFERENCE ON THE EU'S TRADE POLICY AND RAW MATERIALS

Brussels, 29 September 2008

The aim of the Conference was to offer an open floor to discuss the regulatory, economic and technical environment for trade in raw materials. Participants were very appreciative of the attention gathered for the topic through the event as well as with the outcome and encouraged further progress on the matter.

The conference gathered a total of **284 participants** from industry, industry associations, international organisations, national, European and third country administrations, think tanks, research centres, universities and NGOs. Participants came from the Americas (Argentina, US, Canada, Chile, Mexico), Asia (China and Japan), Africa (Congo, Kenya and Uganda), Russia and Europe in the wide sense (EU but also Turkey or Switzerland) providing this event with a **global dimension**. Through a combination of plenary sessions and more participative debate in working groups, participants exchanged views and experience on the rationale behind, and the economic impact of, trade restrictions in raw materials as well as present possible solutions to address this challenge.

In the opening plenary session, we observed much common ground between the speakers, these being **David O'Sullivan**, for DG TRADE, **Jean-Christophe Donnellier** from the French Ministry of Economics and Finance for the EU Presidency and **Sir John Grant**, President of BHP Billiton Europe. They all acknowledged the importance of the issue, the situation of Europe regarding raw materials and its high dependency vis-à-vis imports from third countries. While the speakers acknowledged the rationale for some measures restricting access to raw materials and the need to engage with third countries, they also underlined that **we need to act and that we have to do it coherently in an overall strategy**. This was the more so as there is no quick fix to this issue.

Commissioner Mandelson closed the conference with a presentation of his views on a trade strategy for the raw materials field. Global Europe recognised the importance of this issue. Several actions in the trade field had already taken so far but this is a difficult topic requiring long term attention (no quick fix). The main messages transmitted were that he would, as appropriate depending on the specificity of the problems:

- aim to **negotiate prohibitions** on raw materials restrictions in all ongoing EU Free Trade Agreements and bilateral WTO accession agreements;

- be willing to **use the WTO litigation system** to enforce commitments on export restrictions for raw materials made by China during its WTO accession;
- seek to **build support globally** for more open trade in raw materials, noting that proponents of export taxes have resisted any general restrictions at the WTO level on their use;
- make open raw materials trade become a **priority** of the EU's strategic High Level Mechanism process with **China**;
- Consider the **use trade defence measures** such as anti-dumping duties on countries that used export restrictions to subsidise local producers which then sold the downstream goods benefitting from subsidised input on to European markets
- Monitor and report progress through an **annual report** by the European Commission

Before the closure, the results of the four working groups were presented in a session chaired by **Péter Balás**. The following provides a short summary on the proceedings in each one:

Working group 1.1 - ECONOMICS highlighted the complexity of the issue and the mechanism leading to impacts and costs at different levels. At the **global level**, restrictions lead to distortions in terms of international prices and to disturbances in trade exchanges between countries. Such distortions can lead to serious economic costs. They are also to a certain extent at the origin of the current price surge and instability observed on the raw material markets. At the **national level**, from the perspective of the **country importing the raw material**, export restrictions are triggering serious cost for the industry. This is all the more so as the raw material at stake is difficult to substitute and the originating country is in a dominant position. From the perspective of the **country imposing the restriction**, export restrictions can appear like a satisfactory solution in the first place, but the economic analysis shows that in most cases it is not the most economically sound policy. Indeed, conditions to make such a policy a first best policy are rarely met. To the contrary, according to some studies, it can reduce the growth rate, limit investment and innovation, and increase the inequalities.

Working group 1.2 - PRIORITIES highlighted the issues at stake from various points of views, ranging from the wood sector and metals to foodstuff. It is necessary to ensure a level playing field and equal undistorted, non-discriminatory, access to raw materials for all. The discussion showed that there is no one-size-fits all formula. Among the policy recommendations were the need to engage in long term partnership with suppliers, to invest in diversification of supply and to take firmer action toward countries imposing export restrictions. In particular in sectors where there is also EU production, it was noted that (internal) EU policies (e.g. agriculture, environment) have to be integrated into any policy on access to raw materials so that policy coherence can be ensured. Panellists and the audience identified multiple criteria for setting priorities: the economic impact (without scarifying small players over big players), the degree of import dependency on one or few suppliers, the existence of EU production, the distortive nature of the measure, the possible knock-on impacts on jobs and

investments in the EU, the policy behind the restriction. Referring to restrictions on foodstuff, it was noted that export restrictions can do more harm than good to 3rd countries applying them. Participants suggested to EU to apply export restriction as tit-for-tat. Finally, a strong interest was expressed in having EU industry contributing to the implementation of a raw materials policy.

Working group 2.1 - RESTRICTIONS examined the interface between access to raw materials and considerations regarding developmental, environmental, food security and other "exceptions" which may be deemed to justify certain restrictions in a given set of conditions. Panellists' opinions were wide-ranging going from the necessity of keeping open markets and free and fair trade as wide as possible and limiting restrictions to those which do not substantially affect this trade to positions advocating a more holistic approach of the issue with differentiation of the various groupings of "developing countries (e.g. Sub-saharian Africa cannot be bunched together with BRIC countries). Tackling the wider issue of security of supply of many of these raw materials also requires action beyond strictly trade measures (internal production / recycling, etc.)

Working group 2.2 - TOOLS identified the tools in trade policy at our disposal to deal with export restrictions and how they should be used. There was consensus that no single tool can address the matter completely. Existing tools have to be used flexibly and pragmatically, complementing each other to address individual issues at hand. Four families of tools were identified: multilateral, bilateral, autonomous, and trade diplomacy tools. WTO tools should not only include a drive for comprehensive rules to deal with export restrictions. Accession negotiations will be very valuable to ensure such restrictions are minimised. Last but not least, enforcement of existing laws could be emphasised, whether this is via dispute settlement or via trade defence measures to deal with downstream effects of export restrictions of raw materials. The bilateral track includes the promising avenue of bilateral agreement negotiations, which could address the many dimensions of export restrictions. Robust dispute settlement in those agreements would be important here also. Some ideas were also highlighted concerning the use of autonomous measures (such as GSP) in the raw materials context.

The event had a good **press coverage** highlighting Commissioner Mandelson's speech.

Here some press articles:

- http://news.morningstar.com/newsnet/ViewNews.aspx?article=/DJ/200809281816DOWJONESDJONLINE000312_univ.xml
- <http://www.lloyds.com/dj/DowJonesArticle.aspx?id=406427>
- <http://www.lawandtax-news.com/asp/story.asp?storyname=32802>
- http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article4842329.ece

The **presentations** delivered during the conference are **available on our website** http://ec.europa.eu/trade/issues/sectoral/industry/raw/index_en.htm via following link:
http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_140944.pdf