



European Commission  
Directorate-General for Trade

**EU Trade Policy for Raw Materials  
Second Activity Report**

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This Second Activity Report in relation to EU trade policy in the field of raw materials is an initiative of the European Commission's Directorate-General for Trade in the context of the EU's Raw Material Initiative.

## EXECUTIVE SUMMARY

### Introduction

In 2010, the Commission presented its **first activity report** in relation to its activities pursued in the field of EU trade policy and raw materials. This activity report was issued in follow up of the 2008 Commission communication "*The Raw Material Initiative – meeting our critical needs for growth and jobs in Europe*"<sup>1</sup>. The aim of this report was to monitor progress of trade actions in raw materials as defined in this communication. The main achievements listed in this report were *inter alia* related to the tabling of trade disciplines on export restrictions in the relevant negotiations for example in the Free Trade Agreement (FTA) with Korea and Russia's WTO accession, the tackling of barriers primarily through dialogue, and outreach activities in the OECD and to stakeholders at large.

**There are major differences in resource endowments across the globe.** Few countries actually produce all the raw materials required by their economy.

In this situation of **interdependence** of countries the issue of **trade in raw materials** appears as a topic relevant for developed, emerging and developing countries alike.

**Interdependence of countries is real and unavoidable** for all economies now and in the future. EU outreach activities aim at fostering a global dialogue on how to achieve **sustainable trade in raw materials on global markets.**

This document is the **second activity report** regarding EU trade policy in the field of raw materials. It provides an account of progress achieved since the last report in relation to trade actions as identified in the above mentioned communication and in two subsequently issued communications in 2010 and 2011 "*Trade, Growth and World Affairs – Trade policy as a core component of EU's 2020 Strategy*"<sup>2</sup> and "*Tackling the challenges in commodity markets and on raw materials*"<sup>3</sup>, which furthered the integration of raw material priorities in EU policies.

This edition of the report focuses on the **achievements made in negotiations** both in the bilateral context through FTAs and Association Agreements, and in the multilateral context through WTO accessions with strategic EU partners such as Russia. Moreover, this document reports on monitoring, review and WTO enforcement activities notably in relation to the successful activities as pursued under the **WTO dispute settlement** case on export restrictions against China's measures and on policy dialogue activities with strategic trade partners.

Finally, against the background of sustainable trade in raw materials remaining a global challenge for the years and decades ahead as economic growth in particular from

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<sup>1</sup> COM(2008) 699 "*The Raw Materials Initiative*"

<sup>2</sup> COM(2010) 612

<sup>3</sup> COM(2011) 25 final

emerging economies will drive up demand, outreach activities to our trade partners are important to emphasise our **interdependency** and to work on setting the rules for the future. The document reports on the high number of **outreach activities** pursued in international fora such as G20 and the OECD aiming at fostering a global dialogue on how to achieve a framework aiming at a sustainable supply of raw materials.

### **Outcome of trade negotiations**

The 2008 *Raw Materials Initiative* identified as one of its priorities, to be implemented through the conduct of EU trade policy, the **inclusion of rules in agreements to achieve sustainable supply of raw materials** at multilateral and bilateral level, including WTO accession negotiations and FTAs. To that end, in 2010 and 2011 effective action has been taken resulting in provisions in a large number of agreements.

Since the first activity report, the Commission concluded or agreed on the text of disciplines on export duties in FTAs with Colombia, Peru, and Ukraine and in an Association Agreement with Central America. In these agreements, the EU managed to obtain a horizontal ban of both existing and future export duties while allowing for certain transition periods or limited exceptions. Bilateral negotiations are on-going with a number of trade partners including Canada, India, Malaysia, Mercosur and Singapore. In some negotiations, provisions on investment protection are tabled, which are in particular relevant to the extractive industry.

Moreover, raw materials were addressed through trade provisions in the negotiations of Partnership and Cooperation Agreements, which were concluded with Mongolia in 2010 and launched with Australia, Kazakhstan and Russia.

In line with the Cotonou Agreement's objective to support deeper regional integration, modernise our economic relationship and use trade to boost economic growth, as recalled in the recently adopted communication "*Trade, growth and development – tailoring trade and investment policy for those countries most in need*"<sup>4</sup>, the EU started negotiations with African, Caribbean and Pacific countries in 2002 to conclude **Economic Partnership Agreements**. Negotiations, including on raw materials provisions, continue with all regions duly taking into account the objectives of the development partners.

Finally, as regards negotiations in the WTO in the context of **Russia's WTO accession** negotiations (completed at the end of 2011), the Commission in addition to commitments undertaken on existing export duties as part of the accession protocol, secured an additional agreement not to resort to export duties on a large number of raw materials. WTO accession negotiations are on-going with Kazakhstan.

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<sup>4</sup> COM(2012)87 final

## Tackling of barriers: monitoring and enforcement

To ensure sustainable supply of primary and secondary raw materials, the EU has put the removal of trade barriers in raw materials' markets high on its agenda. To this end, the Commission is using **monitoring mechanisms** making full use of the **Market Access Strategy** and, when necessary, takes action to challenge measures which violate WTO or bilateral commitments, including by resorting to **dispute settlement provisions**. In this context, the full range of trade policy instruments available for monitoring and enforcement were pursued as follows in 2010 and 2011.

Raw materials are at the basis of a large number of industrial value chains in the EU.

Many EU-based industries depend on sustainable supply of raw materials from global markets. Such sectors, including *inter alia* aerospace, automotive, chemicals, construction, equipment and machinery provide today a total added value of EUR 1300 billion and employment for 30 million people.

Moreover, the industrial development in the EU of some critical green technologies also depends on ensuring a sustainable supply of specific raw materials.

Firstly, monitoring activities have been pursued with the assistance of EU Delegations carrying out an **update of the inventory of export restrictions** complementing the inventory that the OECD is currently setting up; as well as through the reporting on protectionist measures imposed by third countries. In the framework of the **Market Access Strategy**, discussions with a view to tackle critical barriers took place in the Market Access Advisory Committee notably on China's rare earth export quota and in the various Working Groups *inter alia* on Textiles and Leather to discuss with Member States and other stakeholders notably India's export ban on raw cotton and Morocco's export restrictions on hides and skins.

WTO **Trade Policy Reviews** have also served as good occasions to monitor policies and exert peer pressure. The Commission participated in the reviews of countries periodically carried out with the assistance of Members by the WTO secretariat. Notably, China's, India's and Turkey's export restrictions were given appropriate attention.

Moreover, the period covered by the report marked the successful launch and conclusion of a **WTO dispute settlement case against export restrictive measures applied by China** on 9 raw materials in violation of WTO commitments. The Appellate Body confirmed the ruling of the panel in January 2012, giving a clear and final interpretation of China's commitments under the WTO.

On 13 March 2012, the EU launched a **second challenge** of China's export restrictions on raw materials including 17 rare earths, tungsten and molybdenum.

## Outreach activities

Finally, the pursuit of dialogues and **outreach activities towards third countries** to intensify cooperation in the field of raw materials was identified in the 2008 "*Raw Materials Initiative*" communication, as a complement to the various policy strands to *inter alia* counter protectionist tendencies of our trade partners. This is important as countries on one hand continue to apply **export restrictive measures** to promote their domestic downstream industries, while on the other hand being dependent on imports of raw materials for their own economies to function well.

EU raw materials imports (including energy) represent about one third of all EU imports and amounted to EUR 528 billion in 2010.

Amongst these, non-energy industrial materials weighed about 10% of EU overall imports at EUR 142 billion.

In this context, the report highlights the achievements made in the various **policy dialogues** pursued over the last two years with emerging economies such as Russia, China and India and with strategic partners such as the US and Japan, as well as the on-going work pursued in the international context. This report further describes how the EU pursued promotion activities to support awareness-raising in **international fora** such as the G20 and OECD.

## Other activities and Outlook

DG Trade undertook a high number of complementary activities as covered in chapter 2.4 of the report including *inter alia* exchange, with stakeholders, work on conflict minerals, contributions to workshops and cooperation and exchange activities with **Member States in view of their bilateral activities** in relation to raw materials.

Finally, this report presents an **outlook of the upcoming activities** in relation to trade and raw materials. Trade negotiations will be continued forcefully, as well as the removal of barriers by monitoring and enforcement activities under the Market Access Strategy including the use of WTO dispute settlement, when necessary. International fora such as the OECD will continue to provide a platform for discussion and outreach. Throughout the process we intend to continue to reach out to our trade partners and engage with our stakeholders.

## 1. EU POLICY FRAMEWORK FOR RAW MATERIALS

### 1.1. *The overall EU raw materials strategy*

The years 2010 and 2011 have been characterized by significant price variations on commodities markets influenced by an underlying growth in demand from developing and emerging economies but also by successive shocks linked to the diminution of demand as the Euro-zone economic crisis developed. This resulted in average in an increase of prices until mid-2011, followed by a decline in the second part of 2011. Nonetheless, in a number of specific markets, such as cotton, rare earths and iron ore, prices have continued to be impacted by supply shocks partly linked with an increase of trade barriers imposed by producing countries.

Within the EU, the high political and economic importance of raw materials was confirmed in various communications including in a communication issued in 2011 entitled "*Tackling the challenges in commodity markets and on raw materials*"<sup>5</sup>. The Communication outlines the general orientations of the EU raw materials strategy. It suggests that the wide range of internal and external policy areas involved, ranging from industrial and environmental policy to trade policy, development policy and foreign policy, need to be pulled together. Therefore, it constitutes an integrated strategy bringing together all relevant policy tools into a coherent approach based on three interrelated pillars:

- **Acting on the EU's consumption of primary raw materials:** the first step in ensuring a sustainable supply of raw materials is to increase the efficiency in the use of scarce resources and to promote the recycling of these materials. This aim is all the more relevant in the context of limited supply growth facing increasing global demand.
- **Increasing the availability of raw materials sourced within the EU:** another important internal aspect of the initiative is to ensure that the right framework and conditions are in place to prevent unnecessary administrative burdens from limiting the use of locally available raw materials.
- **Promoting the sustainable supply of raw materials from third countries:** this is the main external angle of the strategy. Given the EU's dependence on imports, it is important to ensure that the supply of raw materials to our economy is both sustainable and carried out under fair and undistorted conditions for all parties.

One important cross-cutting action of the initiative is to further develop the analysis of critical raw materials. This is achieved by enhancing the monitoring of issues related to the critical raw materials identified in order to better identify priority actions. In a

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<sup>5</sup> COM(2011) 25 final

second phase, this list will be updated at least every 3 years. Nevertheless the list remains a tool and relevant policy action will not be in any way exclusively centred on materials in the list.

The promotion of recycling and resource efficiency receives an important overhaul and whilst many of the new elements focus on EU-internal aspects, such as the review of Thematic Strategy on waste prevention and recycling in 2012, they do have a partial influence on trade aspects. Particularly, the strengthening of the Waste Shipment Regulation through enhanced technology for the detection of illegal shipments, as well as more precise and workable inspection standards or examining the feasibility of global certification schemes for recycling can have a direct impact on trade.

The Competitiveness Council endorsed this approach in its conclusions of 10 March 2011<sup>6</sup>. Moreover, trade related actions identified in the communication were discussed and supported by the Trade Policy Committee.

### ***1.2. The EU trade strategy for raw materials***

The EU trade policy communication "*Trade, Growth and World Affairs – Trade policy as a core component of the EU's 2020 strategy*"<sup>7</sup> issued in 2010 identified various specific actions to achieve sustainable access to raw materials on global markets. Both communications referred above reinforce the EU trade strategy for raw materials. The challenge of ensuring sustainable supply of raw materials cannot be met through a "quick fix" remedy but requires a consistent approach containing the following three elements:

- **Negotiation of disciplines in trade agreements:** a series of trade disciplines can be relevant for the functioning of global raw materials markets. They include rules applicable to exports, dual pricing, competition and taxation and investment provisions notably in the mining sector. For example, as the WTO rulebook does not contain rules on export duties, the EU's objective is to ensure that such rules are incorporated to the appropriate extent in ongoing and future negotiations, in both a bilateral (Free Trade Agreements and non-preferential agreements) and multilateral (DDA, WTO accessions) context. Other possible actions might involve the identification and evaluation of existing "best practices" in the field of raw materials exploitation and trade.

As current practice shows, the rules pursued take into account the need for considering duly justified restrictions.

- **Tackling of barriers through monitoring and enforcement:** the Commission is committed to ensuring that trade rules agreed by all parties are applied in

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<sup>6</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/intm/119744.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/119744.pdf)

<sup>7</sup> COM(2010) 612

practice, and will tackle barriers hampering the sustainable supply of raw materials to EU-based economic operators. A series of tools are available to that effect, including instruments such as the Market Access Strategy for tackling barriers in the markets of our most important trading partners, the Trade Barriers Regulation and the dispute settlement mechanism in the WTO and in bilateral agreements. We pursued the establishment of a monitoring method for export restrictions. Given the lack of transparency in the area, a clear view of measures in place and of their evolution is a prerequisite for further action.

- **Outreach activities:** it is a priority to raise awareness at an international level so that issues of common interest can be discussed from a longer term perspective. Actions cover (i) the intensification of bilateral dialogues with major EU trading partners, (ii) the intensification of work on raw materials in the OECD, and (iii) raising the topic in other international fora such as the G8/G20 or relevant United Nations agencies.

## 2. MAIN DEVELOPMENTS OVER 2010 AND 2011

### 2.1. *Outcome of trade negotiations*

Over the reporting period, DG Trade continued to focus its activity on the issue of export restrictions covering export duties, export bans, quotas and non-automatic export licences, in both the bilateral and multilateral setting. As in the past, the issue of dual pricing was evoked in certain negotiations. Moreover, DG Trade started to examine the appropriateness of disciplines on investment (e.g. restrictive investment provisions in the mining sector). Finally, horizontal work aiming at ensuring coherence in past, ongoing and future negotiations has also been undertaken.

#### 2.1.1. *Bilateral negotiations: disciplines adopted in Free Trade Agreements and Partnership Agreements*

The objectives of the different EU bilateral trade agreements can vary depending on the partner country we negotiate with. For trade agreements grouped under the Global Europe strategy the objective primarily aims at increasing competitiveness with a main focus on market access. In other cases, it is aligned with the EU's development policy. Moreover, the level of ambition can also vary with a distinction being made between Free Trade Agreements (FTAs) leading to the liberalization of "significantly all trade" between the two partners and more cooperation-oriented Partnership and Cooperation Agreements (PCA). In this section we will focus on competitiveness-driven FTAs and PCAs.

When addressing export restrictions, discussions under current bilateral negotiations primarily focus on disciplines for export duties, since rules on quantitative restrictions (i.e. export quotas and export bans) already reflect those that are covered by GATT rules for WTO members. In some cases – for example, the FTA with Ukraine – dual pricing is also of particular relevance.

In the reporting period, three agreements were either concluded or have seen their text stabilized after agreement between chief negotiators. These are the agreements with Colombia and Peru, with Central America and with Ukraine.

The conclusion of the FTA between the EU, Colombia and Peru on 1 March 2010 was an important milestone in the EU's trade relations with Latin America. This FTA incorporates a full prohibition on export duties with a limited number of exceptions for coffee and emeralds for Colombia. The impact of these exceptions to the EU is limited in view of the existing EU import tariffs and they are subject to review at the latest ten years after entry into force of the agreement.

The EU also concluded an Association Agreement with Central America in May 2010 which includes a general prohibition of export duties in its trade section. A transitional period of 10 years was nevertheless agreed for Costa Rica's and Guatemala's current export duties on coffee, beef and bananas. The impact of these exceptions to the EU is

limited in view of the existing EU import tariffs. Exceptions are subject to review at the latest ten years after entry into force of the agreement.

Finally, the trade strand of the EU-Ukraine Association Agreement (or "EU-Ukraine FTA") was stabilized by the end of 2011. Building on the commitments made by Ukraine in the context of its WTO Accession, the agreement enables the EU to secure its key trade objective as far as raw materials are concerned: by default, the regime will be permanent prohibition of export duties on all goods at entry into force. To accommodate the export duties already into place at the time of the

**Export duties affect on average annually 255 million EUR of EU imports from Ukraine, or 2% of bilateral trade.**

**In addition to these direct costs, the opportunity cost of potential trade losses as well as distortion of the level-playing field between EU-based and Ukraine-based downstream industry imply a much higher overall cost.**

negotiation, a specific phase-out mechanism has been agreed to ensure their elimination. In addition, a prohibition on dual pricing was agreed, as well as disciplines on licencing and authorisation covering the mining and hydrocarbon sector.

In the meantime, negotiations continue for a number of other FTAs including with Canada, India, Malaysia, Mercosur and Singapore. In all these FTAs the EU requested to address the issue of export duties on industrial raw materials by pursuing the ambitious objective of full elimination. With Canada, exchanges were extended beyond trade disciplines and encompassed also modalities for intensifying bilateral cooperation on raw materials. For the first time in negotiations with Canada, Singapore and India the Commission tabled a chapter on investment protection, which is relevant to the extractive industry.

Informal exchanges at technical and chief negotiator level continued to take place with the Gulf Cooperation Council (GCC)<sup>8</sup> in spite of the suspension of negotiations since 2008. The issue of export duties continues to be the main outstanding trade issue. Despite several exploratory attempts from the EU, the GCC has formally not moved from its original proposal in 2007-2008 to address the issue in the WTO and leave it out of the agreement.

The ex-ante "trade sustainability impact assessments" (TSIA) and the "trade and sustainable development" chapters are specific instruments that the EU uses to ensure that the objectives of sustainable development, inclusive growth and environmental protection are represented in all the FTAs that the EU recently negotiated and currently negotiates. The TSIA are relevant as they look at the environmental, social and economic implications of trade opening, including in the area of raw materials. The "trade and sustainable development" chapters are intended ensure that trade

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<sup>8</sup> Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

liberalisation is accompanied by the promotion of sustainable development policies and objectives.

As regards non-preferential bilateral agreements, the EU-Mongolia PCA was concluded in 2010 and the question of raw materials was addressed in this agreement. With estimated deposits of some 80 different minerals (including some of the largest coal and copper deposits in the world, gold, iron ore, tungsten, molybdenum, phosphate, uranium and oil), Mongolia has the potential to become an important global raw materials actor. Given this importance the EU and Mongolia agreed on rules governing bilateral trade in raw materials, including rules defining the use of export duties and other restrictions.

Negotiations of agreements were launched with Australia (PCA), Kazakhstan (review of PCA) and Russia (New Agreement). In October 2010, the EU and Azerbaijan started negotiating the trade and investment section of the Association Agreement launched in July 2010. In this agreement the EU expects to take up disciplines relevant to the sustainable supply of raw materials and regulatory disciplines concerning the licensing and authorisation covering the mining and hydrocarbon sector.

#### *2.1.2. Economic Partnership Agreements and Development*

In line with the Cotonou Agreement's objective to support deeper regional integration, modernise our economic relationship and use trade to boost economic growth, as recalled in the recently adopted communication "*Trade, growth and development – tailoring trade and investment policy for those countries most in need*"<sup>9</sup>, the EU started negotiations with African, Caribbean and Pacific countries in 2002 to conclude Economic Partnership Agreements. Negotiations, including on raw materials provisions, continue with all regions duly taking into account the objectives of the development partners.

#### **Achieving inclusive growth from raw materials for development**

As identified in its second communication on Raw Materials adopted in February 2011, the Commission believes that in parallel to enhancing governance and transparency, as well as improving the trade and investment climate, the raw materials sector is essential for achieving inclusive growth and sustainable development in resource-rich countries. The EU can be called to play a crucial role in creating win-win situations through its development policies and in partnership with developing countries. Both developed and developing countries will benefit from the sustainable trade in raw materials. For example, countries can advance their objectives of achieving inclusive growth and poverty reduction by using the financial resources provided by the domestic mining sector for sustainable development.

Regarding sustainable development the 2011 communication "*Tackling the challenges in commodity markets and on raw materials*"<sup>10</sup> outlines that sustainable mining can and

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<sup>9</sup> COM(2012) 87 final

<sup>10</sup> COM(2011) 25 final

should contribute to sustainable development. To support developing partners in good governance, growth and poverty reduction, the EU and its Member States are the world's biggest source of "Aid for Trade" with current outstanding cumulative commitments totalling over €10.7 billion in 2010. In addition, the EU provides support to the Enhanced Integrated Framework programme. This is a multi-donor programme, which has the general task of supporting the least developed countries (LDC) to be more active players in the global trading system.

**Ensuring coherence of EU policy on raw materials through various policy tools**

In May 2011, the Commission adopted a proposal for the review of the **Generalised System of Preferences**, a set of autonomous measures granting preferential access to EU market to developing countries with a view to provide extended opportunities to economic operators active locally. Through this review, the Commission proposed to concentrate import preferences on developing countries most in need, while seeking to encourage more countries to respect core international conventions on human rights, labour standards, environment and good governance through additional trade concessions under a so-called "GSP+" scheme.

In preparation, DG Trade analysed the results of the wide public consultations on the future GSP which covered questions related to raw materials. In line with Council conclusions on tackling the challenges on raw materials in commodity markets, which stressed "the need for ensuring coherence of various trade policy tools with the objective of the EU's Raw Materials Trade Strategy" while fully taking into account the development objective of the GSP policy, the Commission proposed that, in particular cases, a link could be made with EU autonomous concessions to third countries, should these countries resort to unfair and harmful trading practices in the future, including in the field of raw materials.

*2.1.3. Multilateral: WTO accession negotiations*

As far as multilateral negotiations are concerned, the EU tabled a proposal regarding disciplines on export duties in the context of the Doha Development Agenda (DDA) negotiations. Beyond the DDA round, the EU and other WTO members have developed an approach in the context of WTO accession negotiations to propose disciplines (bindings) on export duties to a range of candidate countries relevant from a raw materials supply perspective. Amongst these candidate countries, those presenting the clearest interest for the EU in terms of raw materials supply include Algeria, Azerbaijan, Belarus, Kazakhstan and Russia.

Russia's WTO accession negotiations were completed end 2011. Russia undertook to reduce and/or cap the levels of applied export duties on 700-odd HS10 tariff lines of products, mainly raw materials (fish, gas and oil products, plastic, hides and skins, precious stones and metals, and base metals), with elimination or reduction at WTO entry or over a transition period. For certain wood products, reduced export duties will apply within a quota. This will be administered by a Commission implementing Regulation setting up a system of EU management of the Russian export TRQs. This system involves Member States quota authorizations and corresponding Russia export licenses.

In addition to these commitments, following intensive bilateral negotiations, a solution was agreed for export duties on raw materials not included in the above list: through an exchange of letters, Russia must undertake its best efforts not to introduce new export duties on these goods, and in any case hold prior consultations with the EU should it envisage to do so.

Discussions related to Kazakhstan's WTO accession developed over the 2010-2011 period and are still on-going. The EU determined its specific interests based on a diverse set of criteria, including current Kazakh raw materials exports to the EU and to the world, potential of Kazakhstan as a supplier based on known geological reserves, as well as more generally EU main import interests.

## **2.2. Tackling of barriers: monitoring and enforcement**

### *2.2.1. Update of the export restrictions database*

DG Trade continued to monitor the increasing number of export restrictions applied worldwide in relation to trade in raw materials, as solid factual information is critical to the definition of policy and establishing priorities for future steps. Export restriction measures are applied to a wide range of raw materials, be they industrial, agricultural or energy products.

To this end the export restrictions database maintained by DG Trade was updated with the assistance of EU delegations. In 2009, the database covered 19 countries. In 2010, the geographical coverage was extended to more than 30 countries. At the end of 2010, data gathered was transmitted to the OECD to assist in the process of constructing an international reference database of export restrictions providing solid ground for further economic studies.

### *2.2.2. Market Access Strategy for Raw Materials*

In the framework of the Market Access Strategy the monitoring and tackling of export restrictions affecting trade in raw materials continued to be prominent in the work of the Market Access Advisory Committee (MAAC) and various Market Access Working Groups. The MAAC and Working Groups were discussing a number of topics, including:

- Reduction of the rare earths export quota by China that was highlighted as one of the most worrying developments. The issue was particularly discussed at the Market Access Advisory Committee of 21 October 2011.
- Export restrictions on hides and skins and wet blue in Morocco were discussed at the Market Access Working Group on leather. This barrier, which has been in place since 2000, has been raised with Morocco in several occasions and was discussed again at the Trade Sub-Committee in Rabat in December 2011, as well as locally with Moroccan competent authorities.

- On 30 June 2011, the export ban on raw cotton in India was discussed in the Working Group for textiles. The Commission took note of preoccupations expressed by Member States.
- On 13 January 2012, the Russian custom authorities and Ministry of Transport issued draft legislation regarding the closure of the Saint-Petersburg port for metal scrap shipments. The issue is currently under close follow-up by DG Trade with a view of avoiding any closure as long as the conditions for export from an alternative port (i.e. Ust Luga) are not met.
- Finally, the fiche defining Russia's key barriers was discussed and updated to reflect the issue of export duties on hides and skins.

The raw materials topic was also treated in the framework of DG Trade's "*Periodical report monitoring potentially trade restrictive measures*"<sup>11</sup>. This report issued in the context of the G20 Cannes summit in 2011 confirmed once again an increase in protective measures in the form of export restrictions applied by countries in the field of raw materials as a prominent conclusion of the analysis, being among the most relevant developments occurring between October 2010 and September 2011.

#### **India's export ban on raw cotton**

On 5 March 2012 the Indian Government announced the imposition of an export ban on raw cotton (all items in tariff codes 5201 and 5203). It is not the first time that India takes such a decision as in December 2010 it imposed a similar measure. As India is the world's second largest producer of cotton, the decision of imposing export restrictions in this raw material creates considerable market disruptions. The European Commission took action in response to the 2010 ban to solve the issue by following diplomatic channels and engaging in talks at various levels with the Indian Authorities. An example of these activities is the Joint Working Group on Textiles that the European Commission holds together with the Indian Ministry of Textiles. At that time, the Indian Government decided to lift the ban by April 2011. The European Commission undertook again diplomatic actions when the new ban of 5 March 2012 was announced. On 13 March the Indian Government issued a notification freeing raw cotton exports that were already registered when the ban was announced. However, the registration of new exports remains suspended until further notice. The Commission will continue to follow this closely and raise it at high level.

#### *2.2.3. WTO Dispute Settlement case against Chinese measures*

The period 2009-2011 marked the successful launch and conclusion of a WTO dispute settlement case against export restraints measures applied by China on 9 raw materials in violation of WTO commitments. The Appellate Body confirmed this judgement in January 2012, giving a clear and final interpretation of China's commitments under the WTO.

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<sup>11</sup> Eighth Report on Potentially Trade Restrictive Measures  
[http://trade.ec.europa.eu/doclib/docs/2011/october/tradoc\\_148288.pdf](http://trade.ec.europa.eu/doclib/docs/2011/october/tradoc_148288.pdf)

On 23 June 2009, the EC requested consultations with China regarding various export restrictions on the exportation of certain raw materials from China. In July 2011, the WTO Panel released its report and ruled against China's export restrictions on certain raw materials. The Panel found that China's export restrictions were in breach of WTO rules and could not be justified. The findings did not question a country's right to set environmental standards or to conserve their natural resources. Such aims can justify trade restrictions under certain circumstances.

**Materials subject to this WTO case** are various forms of bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, yellow phosphorus and zinc.

The **export restrictions** are mainly quotas (bauxite, coke, fluorspar, silicon carbide and zinc), export duties (bauxite, coke, fluorspar, magnesium, manganese, silicon metal, yellow phosphorus and zinc), a minimum export price system, as well as additional requirements and procedures that exporters must meet.

However, the Panel was convinced that export restrictions on trading these materials are not effective to ensuring environmental protection because domestic production of these materials is not similarly restricted. Without effective domestic measures for managing the supply of its natural resources in a sustainable and environmentally friendly way, the Panel considers that a country cannot rely on the exceptions allowed under WTO law. The Panel states that such exceptions cannot justify measures that shield domestic producers from foreign competition in the name of conservation.

The EU supports and encourages efforts to promote a cleaner and sustainable production of raw materials. However, the EU believes that export restrictions cannot and do not contribute to this aim. There are more effective environmental protection measures that do not discriminate against foreign industry. These include investment in more environmentally friendly technologies, increasing environmental standards, pollution control, effective production, production restrictions, as well as promoting recycling.

China appealed the Panel's ruling on 31 August 2011. On 30 January 2012, the WTO circulated its Appellate Body Report which is a clear ruling for open and fair trade and is a major step forward in our efforts to ensure fair access to raw materials for EU based companies and a level-playing field with their foreign competitors. Indeed this final ruling has confirmed that the export restrictions imposed by China on the various raw materials are protectionist measures in breach of WTO rules. The ruling also confirms that China has failed to justify the restrictions. In particular, the Appellate Body has confirmed the Panel's ruling that China has committed unconditionally in its Accession Protocol to the WTO not to levy export duties and that this commitment cannot be reduced by reverting to the general exceptions of the WTO General Agreement on Tariffs and Trade. As a consequence, export duties applied by China on a large number of products (all except 84 products that are explicitly exempted) infringe WTO rules. This applies not only to the products at issue in this dispute, but also to many more products currently subject to export duties. Now that this has been clarified, the EU

expects China to revisit its policy in this light and to swiftly remove all WTO inconsistent export duties.

China has a significant and often a dominant position in the supply of certain raw material many of which are of particular economic significance to the industrial production of various countries, including the EU. For a range of these raw materials it applies export restrictions in the form of quotas, duties and licences. For many years, EU has raised these issues with the Chinese authorities in an attempt to solve them. EU concerns go beyond the raw materials covered by the current WTO dispute. Hence, throughout 2010 and 2011, DG Trade continued to closely monitor the situation with industry and with EU Member States.

On 13 March 2012, the EU launched a second challenge in the framework of the WTO of China's export restrictions on raw materials including 17 rare earths, tungsten and molybdenum.

#### 2.2.4. Trade Policy Review

WTO Trade Policy Reviews (TPR) are a periodical exercise of assessing the trade policy of WTO members, driven by the WTO secretariat also with input from WTO members. The Commission took advantage of several TPRs, notably the ones involving China, India and Turkey to monitor policies, to focus on export restrictions maintained by these countries and to exert peer pressure.

Regarding the third WTO Review of China's trade policies, the WTO secretariat included in its report<sup>12</sup> significant elements regarding China's use of export restrictions:

*[...] whether intended or not, export restraints [...] tend to reduce export volumes of the targeted products and divert supplies to the domestic market, leading to a downward pressure on the domestic prices of these products. The resulting gap between domestic prices and world prices constitutes implicit assistance to domestic downstream processors of the targeted products and thus provides them a competitive advantage. Insofar as China is a major supplier of such a product, export restraints may also shift the terms of trade in China's favour.[...]*

*More generally, export restraints may not be the best way to achieve some of the objectives/rationales mentioned [by China]. In particular, restricting the export of some highly polluting or high-energy consuming products is not the most economically efficient way to protect the environment or reduce energy consumption. Nor are export restraints the best way to conserve natural resources. [...]*

The EU welcomed the fact that for the first time the possible trade-distortive effects of export restrictions were underlined in the TPR's concluding remarks<sup>13</sup>.

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<sup>12</sup> cf. p. 44 doc ref. WT/TPR/S/230, [http://www.wto.org/english/tratop\\_e/tpr\\_e/s230-03\\_e.doc](http://www.wto.org/english/tratop_e/tpr_e/s230-03_e.doc)

<sup>13</sup> [http://www.wto.org/english/tratop\\_e/tpr\\_e/tp330\\_crc\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp330_crc_e.htm)

### 2.3. *Outreach activities*

Few economies are self-reliant when it comes to raw material supplies due to the large scope of inputs required by most countries: they range from agricultural products mainly used as dietary staples to metals, minerals and aggregates required for industrial applications, be they basic or high technology. Given the major differences in resource endowments across the world, interdependence is real and unavoidable for all economies. Consequently, most countries are simultaneously raw materials importers and exporters. Therefore, sustainable supply of raw materials is relevant to most countries, developing or developed alike.

The development of policies and best practices in the field of raw materials and fostering a global dialogue in this respect is one of the key features of the EU's raw materials trade strategy. The Commission, *inter alia* based on policy development activities pursued in the OECD context, intends to achieve its awareness-raising objectives by engaging in a series of bilateral dialogues with third countries and by promoting work on the issues in plurilateral and multilateral settings.

#### 2.3.1. *EU bilateral dialogues*

The EU has established bilateral dialogues with a number of key partners including *inter alia* a number of G20 economies. Trade policy often figures as a key topic in these dialogues. They constitute a precious opportunity to discuss, beyond purely bilateral matters, issues of global relevance such as developments in international raw material markets.

#### **EU-China dialogue**

China, as a major producer and consumer of raw materials, is a key partner of the EU. Like the EU, it is dependent on importation of a number of commodities to power its economy.

The EU-China relationship is characterized by a number of divergences on raw materials issues. Beyond these obvious differences, the EU has reaffirmed its will to exchange ideas on raw materials. These exchanges concerned materials of bilateral relevance not subject to the first WTO Dispute settlement case (see section 2.2.3), such as rare earths, in order to attain a better understanding of the policy objectives pursued and to find amicable solutions. The EU also proposed to discuss the functioning of international raw materials markets at large.

### A dialogue on raw materials between EU and China

Over 2010-2011, EU pursued dialogue on raw materials with China in a number of bilateral settings:

- A group was established lead by DG Enterprise and DG Trade and the **Chinese Ministry of Industry (MIIT)**. The EU's intent was to use a bilateral setting dedicated to the issue that allows for a more structured dialogue within a long term perspective. The group's first meeting was held in November 2010, leading to rich exchanges on industrial policies for both sides. The question of trade in raw materials and, specifically, China's export restrictions, such as on rare earths or tungsten, were also raised. China emphasized the purpose of environmental protection and the need to develop or obtain through transfers the appropriate technologies for meeting this purpose. The debate concluded on three important points of agreement: (1) measures should be enacted respecting WTO rules, (2) there should be no discrimination between domestic companies and foreign companies in relation to their supply, and (3) there is a need to respect environmental considerations with regards to mining.
- The specific question of rare earths was evoked during the **EU-China Business Summit** of October 2010. Chinese Premier Wen Jiabao affirmed that "China [would not be] using rare earth as a bargaining chip" and "aim[ed] for the world's sustainable development." China took a firm stand on discriminatory trade measures allegedly justified by environmental protection purposes.
- The European Commission, administrations from China as well as industries met in Brussels on 16 June 2010 for the **EU-China Steel Contact Group**. The issue of iron ore supply was high on the agenda, as the BHPB-Rio Tinto joint venture proved a concern for China, and the link between raw material policy and competition concerns on iron ore was raised. The EU and China both face a strong dependency vis-à-vis third countries for iron ore (as well as coal to a lesser extent). When China noted the existence of a common interest regarding supply of iron ore where the functioning of the market is at risk, the EU remarked that similarly harmful mono- or duopolistic structures were emerging in relation to other raw materials exported from China. The EU underlined its concerns regarding a number of measures (export restrictions and restrictive investment rules) that have been taken by third countries including China.

### EU-India dialogue

DG Trade included various relevant issues in the field of bilateral trade of raw materials within the context of the regular Joint Committee between the EU and India. In particular, discussions took place regarding India's export restrictions for certain goods, such as the restrictions introduced on raw cotton (see section 2.2.2). Furthermore, the question of the transparency and predictability of the measures applied in the field was evoked. These exchanges took place in parallel with on-going EU-India Free Trade Agreement negotiations, where the question of export restrictions was also evoked (see section 2.1.1).

### EU-Japan dialogue

Throughout 2010 and 2011, constructive discussion took place with Japan to exchange information on respective raw materials policies. Discussions also covered more systemic approaches to raw materials issues, as well as to rare earths elements, as global market developments during 2010 and 2011 proved preoccupying for both the EU and Japanese industry.

### **EU-USA dialogue (Transatlantic Economic Council)**

During 2010, DG Trade engaged in an exchange on raw materials trade policy with the US Department of Commerce and the US Trade Representative (USTR) as part of the preparations for the Transatlantic Economic Council (TEC), a high-level dialogue between the EU and USA. The EU began reflecting on inclusion of the raw material topic in this setting with a view to cover issues such as the identification of common priorities and improving transatlantic cooperation in various settings. Both sides exchanged opinions on the most appropriate scope for this cooperation, taking into account views expressed by stakeholders during 2010.

#### **November 2011 TEC Joint Statement: a reinforced transatlantic cooperation on raw materials**

On 30 November 2011, EU and US agreed on a common objective to "[...] reinforce cooperation to remove trade barriers and promote the sustainable supply of raw materials" and commonly defined an action plan for raw materials, covering a number of policy areas including trade, data availability as well as resource efficiency and recycling.

More specifically regarding trade, the work plan emphasizes to:

- Continue to reinforce the common principle of export duties elimination in our respective bilateral trade agreements with a view to remove barriers to global trade in raw materials,
- Define a coordinated outreach towards third countries aimed at preventing, eliminating or reducing trade-distorting export restraint measures,
- Increase bilateral cooperation in the OECD, together with Japan and other like-minded OECD members, also to reaching out to non-OECD economies,
- Increase cooperation in the WTO to identify and address potential concerns with respect to WTO members and accession candidate compliance with WTO rules relevant to raw materials barriers.

### **EU-USA-Japan trilateral initiative on critical materials**

Apart from the above dialogues, a trilateral initiative on critical materials between the EU, Japan and the USA was launched by the EU. A first workshop was held in Washington in October 2011, to discuss about how science, technology and innovation can help to ensure the supply of rare earth elements.

#### *2.3.2. Outreach activities in the OECD*

The OECD constitutes an important setting to gather economic and policy facts, advance economic analysis and allow for plurilateral debate and policy development. OECD membership through the presence of Accession Candidates<sup>14</sup> countries,

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<sup>14</sup> Russian Federation

Enhanced Engagement<sup>15</sup> countries and Observer Countries further allows for debate on raw materials amongst key players, developed or emerging economies alike.

A workshop<sup>16</sup> dedicated to challenges in raw materials markets was set up by the OECD Secretariat in October 2009, which brought together over 100 government representatives, academics and business representatives. As a follow up the OECD Secretariat pointed at the need to gather solid facts regarding trade-distortive measures worldwide, to arrive at a shared understanding of the economic impact of trade-distortive measures through the realisation of a number of sector specific studies and reflect on possible ways to involve various relevant third countries in such an exercise, both OECD and non-OECD members. The OECD Secretariat also continued to build expertise on the issues and undertook two studies dedicated to analysing recent trends in the use of export restrictions and the impact of export restrictions on trade in strategic metals. The OECD Trade Committee representatives decided to include raw materials on the work agenda for 2011-2012.

In this context, an analysis was carried out by the OECD Secretariat in a sector specific study regarding the impact of export restrictions along the value chain for the steel sector. This study was undertaken by the OECD Trade Committee in close cooperation with the OECD Steel Committee. It was complemented by a theoretical economic study on the effects of export restrictions along value chains, as well as their dynamical effects in terms of impact on future investment decisions in the raw materials production sector and in the downstream industry.

Moreover, a review of alternative policies to export restrictions is currently pursued. Export restrictions are often used with the pursuit of specific policy purposes in mind, such as fiscal revenue generation, environment protection or industrial development. In that context, it would be helpful to understand their efficiency as a policy tool and to examine whether alternative options less trade-distortive are available. In particular, the example of a number of resource-rich countries having escaped the "resource curse" and managed sound economic diversification without resorting to such restrictions could be analysed. The review is expected to be issued by the end of 2012.

Finally, the OECD Secretariat carried out a review of existing disciplines on export restrictions agreed in bilateral Regional Trade Agreements (RTAs) by exploiting the database of RTAs notified to the WTO under GATT Article XXIV. The RTAs examined involve a large range of countries, both developed and developing. Whilst many RTAs contain disciplines on export restrictions, the content and level of ambition vary. A preliminary outcome of this study indicates that 70 per cent of the 93 RTAs surveyed include disciplines on export duties for raw materials.

The study suggests that there are a number of ways in which WTO disciplines could benefit from the experiences of RTAs in the area of export restrictions. Some RTAs

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<sup>15</sup> Brazil, China, India, Indonesia, South Africa

<sup>16</sup> [http://www.oecd.org/document/54/0,3746,en\\_2649\\_36251006\\_43535350\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/document/54/0,3746,en_2649_36251006_43535350_1_1_1_1.00.html)

have introduced greater precision in disciplines or established a list of products on which export restrictions are allowed or set the time limits that restrictions may be in place; others define the maximum export tax that may be applied. Some RTAs simply limit the applicability of some of the exceptions to the general WTO ban on quantitative export restrictions.

Moreover, some of the RTAs increase transparency and improve communication among their members by instituting procedures or mandating institutions to oversee implementation of export restrictions. Requiring RTA parties to publish export charges on the internet and to inform RTA partners in advance of their application improves transparency and predictability.

With view to furthering the debate on the issues, these studies have being publicly released as they were completed. They are made available through the OECD website<sup>17</sup>.

Finally, in May 2012 the OECD Secretariat will organize a workshop in relation to transparency in trade in raw materials. The outcome of the workshop could be used as input for further study.

### *2.3.3. Outreach activities in G8/G20*

Given the major differences in resource endowments across the world, interdependence is real and unavoidable for all economies, now and in the future. No country is fully self-sufficient for all the raw materials it needs to sustain its economic growth.

Thus, to ensure a sustainable supply of raw materials, the development of an international co-ordinated response involving a number of different policy areas and activities is required. Given the interdependence between countries and the relation between the different policy fields, also given the fact that raw materials are fundamental to the successful functioning of the world economy in the decades ahead, there is a need to identify the best way of how to promote a better international framework and closer cooperation, pulling together activities in various fora.

A global view is essential, and the G20 is well placed to provide that. As a forum where both the major developed and newly industrialized countries are represented, the G20 bears a particular responsibility for the sustainable use of the world's resource wealth. The G20, as a forum guaranteeing inclusion of both the users and producers of raw materials is therefore particularly well-placed to provide views on these issues and to promote international dialogue in this area.

Issues related to the sustainable supply of raw materials were discussed at various G8/G20 meetings. The topic received pre-eminence when it was put on the 2007 G8

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<sup>17</sup> [http://www.oecd.org/document/4/0,3746,en\\_2649\\_37431\\_47021508\\_1\\_1\\_1\\_37431,00.html](http://www.oecd.org/document/4/0,3746,en_2649_37431_47021508_1_1_1_37431,00.html)

Heiligendamm Summit agenda, at which occasion the participants "reaffirmed [their] commitment to free, transparent and open [raw materials] markets".

The EU continued to support the inclusion of the sustainable supply of raw materials on the G20 agenda, so as to push for further international cooperation. In 2010, the EU, Japan and US agreed to include language on raw materials in the G20 Seoul Summit communiqué. Although no consensus was found at the time, a rich debate took place between senior officials and the EU initiative paved the way for further discussion throughout 2011.

During 2011, exchanges continued between senior officials. The EU defined its ambitions outlining the interest and best approach for G20 leaders to consider challenges on raw materials markets over the next decades. The EU fed the debate with two papers, the first identifying the raw materials as an issue of global interest with multiple challenges (interest in open markets, and in meeting environmental interests as well as development concerns) and the second presenting an inventory of activities related to raw materials in various policy fields currently being undertaken by significant public or private actors worldwide. The purpose was to provide G20 leaders with a global picture of on-going work regarding raw materials while identifying the most relevant follow-up actions. Last discussions took place end of 2011 at Sherpa level, but no conclusions could be drawn on the exact follow-up to this topic due to resistance by certain emerging countries.

**Business community interest in the G20 context**

The business community recognized the relevance of the G20 setting to evoke issues of global interest.

In preparation of the November 2010 Seoul G20 summit, a **letter signed by more than 35 business associations from around the world** was sent to G20 leaders. The letter was signed by businesses from Brazil, Canada, Europe, India, Japan, the United States and South Korea; as well as by global business associations either, representing sectors across the board or specific sectors such as automotive, engineering machinery, electronics, information technology.

It called on G20 leaders **to make the supply of raw materials, including rare earths, a top priority for the Summit** and to develop an international consensus for ensuring stability of raw materials supplies.

The call formulated that considering the importance of the issues at stake only a global effort could really address climate change, promote innovation and advance global ..

The Commission will continue to exchange with upcoming G20 presidencies with a view to determine the best path forward.

**2.4. Other activities**

DG Trade undertook a high number of complementary activities covered in this chapter including *inter alia* exchange with stakeholders, work on the issue of conflict minerals,

participation in conferences and workshops and the exchange with Member States on their activities in relation to raw materials.

#### 2.4.1. *Work with stakeholders*

DG Trade is committed to closely interact with stakeholders regarding issues pertaining to the sustainable supply of raw materials, considering the vast field of expertise accumulated in the field by non-State actors, such as Non-Governmental Organizations (NGOs) or industries. This work is achieved through direct meetings and exchanges, participation in seminars and conferences or, as appropriate, through wide public consultations.

In 2010 and 2011, DG Trade took part in discussions on the trade and development aspects of the *Raw Materials Initiative* which includes a group of NGOs<sup>18</sup>. DG Trade presented an overview regarding the trade aspects of the raw materials strategy. DG Trade took also part in a joint French-German conference on raw materials by presenting the EU approach of the issue, including trade aspects, and by discussing how it interfaced with the approach at Member State level.

Moreover, DG Trade participated in meetings on raw materials organised by BusinessEurope at the European Parliament and in the annual German industry federation (BDI) conference dedicated to raw materials. These occasions were opportunities for the Commission to exchange views and to present the results achieved since the start of the EU trade raw materials strategy.

In May 2011, DG Trade set up a Civil Society Dialogue Meeting<sup>19</sup> dedicated to the raw materials issue. Participants, including a number of NGOs and industry representatives exchanged views in relation to trade, development and raw materials.

#### 2.4.2. *Transparency*

Beyond mere trade issues, DG Trade has been involved in discussions on financial transparency (country-by-country reporting) as well as resource transparency (debate on conflict minerals). In the communication on raw materials adopted in February 2011 "*Tackling the challenges in commodity markets and on raw materials*"<sup>20</sup> the Commission recognises that some raw materials are of high risk of supply shortage as they are produced in only a handful of countries, some of which are subject to low political and economic stability. The Commission proposed to "examine ways to improve transparency throughout the supply chain and tackle in coordination with key trade partners' situations where revenues from extractive industries are used to fund wars or internal conflicts".

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<sup>18</sup> including. Oxfam, Traidcraft, WEED, AITEC, Comhlámh, the Third World Network and the Vermeer Foundation

<sup>19</sup> <http://trade.ec.europa.eu/civilsoc/meetdetails.cfm?meet=11366>

<sup>20</sup> COM(2011) 25 final

For one of these increased-risk countries – the Democratic Republic of Congo (DRC) – the OECD considers that trade in certain minerals, namely in tantalum, tungsten, tin and gold, has a potential to exacerbate regional conflicts in specific eastern Congolese regions. The Commission, which has been closely involved in on-going OECD initiative to address the issue of conflict minerals, supports the OECD's Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and its supplement on tantalum, tungsten and tin as well as the recently developed supplement on gold. The Commission supports this effort as it attempts to set up an approach to improve insights into traceability, which is one of the major challenges in addressing the issue of conflict minerals. The Commission is furthermore closely following the implementation of section 1502 on conflict minerals of the Dodd-Frank Act in the US and its impact on the DRC's minerals trade.

In a broader context of improving transparency of payments in the extractive sector and as such indirectly related to addressing the issue of conflict minerals, the Commission adopted in October 2011 an amendment to the Transparency and Accounting Directives introducing a requirement for EU privately owned large companies or companies listed in the EU that are active in the oil, gas, mining or logging sector, to report their payments to governments (such as taxes, royalties, and bonuses) on a country and project level to indicate companies' financial impact on the host country and promote more sustainable businesses.

Finally, in the context of the Joint Africa-EU Strategy Action Plan 2011-2013 and its priority on raw materials the Commission is actively involved in capacity-building and transparency enhancing work. The Commission is also examining ways to improve the traceability by among others a designated expert Working Group on management of natural resources in conflict and post-conflict area in the framework of the Joint Africa-EU Action Plan.

#### 2.4.3. *Workshop on scrap certification scheme*

A typical example and only one of the workshop-type of activities the Commission staff has been attending was a workshop on "*Securing Competitive Access to Raw Materials & the Particular Importance of Waste Shipment Related Rules*", which was held on 19 April 2010. It gathered stakeholders from the private sector, the European network of Member State waste enforcement officers (IMPEL) and the European Commission. Case studies on specific metal waste streams and industry's proposals based on four thematic pillars were presented. From a trade perspective, the most important proposals were (i) the enforcement of trade-related aspects of environmental legislation, including Waste Shipment Regulation; and (ii) ensuring worldwide level playing field for processing secondary Raw Materials, including a proposal for a Certification Scheme for Exports of Secondary Raw Materials.

*2.4.4. Bilateral raw materials treaties between EU Member States and third countries*

Securing sustainable supplies of raw materials is a widely shared priority amongst EU Member States: as a consequence, national raw materials policies have been developed over the recent years notably by Finland, France, Germany, the Netherlands and UK complementing the *EU's "Raw Materials Initiative"*. These national raw materials policies encompass various policy areas.

At the informal meeting with Member States trade counsellors in December 2011 in Brussels several Member States highlighted their interest in ensuring optimum transparency in external activities by Member States. The Commission will continue to organize meetings with Member States with a view of exchange information to this end.

### 3. OUTLOOK FOR 2012-2013

This second activity report outlines the achievements made since the last report in relation to trade actions in negotiations both in the bilateral context through FTAs and Association Agreements and in the multilateral context through WTO accessions with strategic EU partners such as Russia.

Moreover, the document reports on monitoring and enforcement activities notably in relation to the successful action pursued under the WTO dispute settlement on export restrictions against China's measures and on policy dialogue activities with strategic trade partners.

The document also describes the high number of outreach activities pursued in international fora such as G20 and the OECD aiming at fostering a global dialogue to achieve a sustainable supply of raw materials on global markets.

To counter protectionist tendencies, as countries on one hand continue to apply export restrictive measures to promote their domestic downstream industries, while on the other hand being dependent on imports of raw materials for their own economies to function well, the following trade agenda will be pursued in 2012-2013 to achieve a sustainable supply of raw materials from global markets.

- Continue negotiations of disciplines in trade agreements.
- Reinforce and continue activities related to the tackling barriers in trade of raw materials notably in the context of the Market Access Strategy.
- Continue the use of WTO dispute settlement when necessary as recently demonstrated by the request for consultation on a potential second case involving restrictions imposed by China.
- Furthermore, continue to discuss with our trade partners the issue of interdependency and pursue an international agenda through dialogues and discussions in international fora such as the OECD.

Finally, exchange with policymakers and stakeholders remains essential to ensure the continued relevance of DG Trade policy actions. Regular reporting to Member States and to the European Parliament will be continued as well as exchanges with civil society *inter alia* through the organisation of further dedicated Civil Society Dialogues events.