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EUROPEAN RAW MATERIALS TRADE AND INVESTMENT FORUM – SECURING JOBS AND GROWTH IN A GLOBAL MARKET BRUSSELS, 4 NOVEMBER 2009

INTRODUCTORY REMARKS BY RENÉ VAN SLOTEN CHAIRMAN, MARKET ACCESS WORKING GROUP

Ladies and gentlemen,

My name is René van Sloten and I am normally working for the European Chemical Industry Council (Cefic) but today welcoming you to this joint event of BUSINESSEUROPE and the EU–Canada Mining Council in my capacity of chairman of the BUSINESSEUROPE market access working group. I am very pleased to see that one year after the launch of the EU raw materials initiative this issue is still enjoying such a large interest, though I should hasten to stress that this also shows that the problem is far from resolved!

Indeed, even though the overheated situation on the raw materials markets in 2008 has disappeared, the issue of access to raw materials remains of pivotal importance for European industry. We are all well aware that the pressures will mount as soon as economic activity starts up again. It is also clear that this is not only an issue for Europe, but a global issue, for developed and developing countries alike, as demonstrated at the OECD Workshop on Raw Materials held last Friday in Paris.

Europe cannot provide the solution alone, a global approach is needed, especially since certain megatrends point unmistakably in the direction of a massive growth of manufacturing production in Asia. Furthermore, between now and 2025 the world population will increase by 20% to reach 8 billion inhabitants. All these people will rightfully aspire a higher standard of living, will need food, water, health care, better housing, better infrastructure and this will intensify the need for raw materials – be it oil, gas, wood, minerals, water or land.

So what do these trends mean for European citizens and industry?

Whether you are an environmentalist or industrialist, one thing is very clear: We will need to use raw materials in a much more sustainable manner as the present pattern of exploitation and consumption will be far too costly in financial and environmental terms in a world of 8-9 billion people! Our production process, feedstock use,



consumption patterns will need to be adjusted radically to ensure sustainable development. So this means that we have to tackle the problem in a holistic manner, spanning industrial, environmental and developmental policies.

European industry's place in the world of 2025 will be different from today's. Yet, we ambition to remain a world leader and to continue providing solutions to the challenges I mentioned. European industry wants to continue to create wealth and provide employment in the region. However, in order to do so, we need to compete on an equal footing with other regions.

It is clear that Europe faces natural disadvantages in terms of raw materials availability. For certain metals of high technicality, the EU is dependent on imports and access to these raw materials is increasingly difficult. Many countries that are rich in resources stop or slow down exports of raw materials to Europe in order to support their domestic downstream industries.

China, Russia and Ukraine are using strategic raw materials policies to supply their industry with cheap energy and raw materials with often devastating environmental results, low consumption efficiency and weak technological development. Over the short term, this has boosted the development of energy intensive industries in the aforementioned countries but is it economically and environmentally sustainable? With respect to recent EU attempts to define so-called critical raw materials, I would caution against an approach that ignores the overall industrial supply chain which lies at the heart of our industrial competitiveness.

China's industrial development has been spectacular over the past ten years and it has become a dominant player in raw materials markets. To maintain its rapid industrial growth, China is buying up raw materials on a global scale: oil, gas, metals, even pig skins. We have no right to prevent China's development – especially as European business also benefits from it – but we do criticize government intervention that distorts global commodity markets. China's rush for raw materials in Africa raises concern among many stakeholders, including industry. Our key concern is that Chinese companies are not constrained by financial considerations because they are operating on raw material markets with the backing of state subsidies. This distorts competition. We see a clear pattern in Chinese actions to gain control over raw material markets in what seems to be part of a targeted industrial policy, forcing downstream users to invest in China. We will push the EU to use all instruments at its disposal to resist this policy. However, we would prefer to work constructively with China to solve these problems for the benefit of trade and the environment.

I do not want to single out China, many other countries are introducing discriminatory policies by means of export taxes, export restrictions, dual pricing or skewed VAT regimes to distort raw materials prices as an industrial policy tool. The consequences of these policies as many WTO and OECD studies have shown is typically wasteful from both an economic and an environmental perspective.



Closer to home, the European Union also has to pull up its socks in regards of distortions caused by the Common Agricultural Policy or biofuels policies which deprive industries from access to raw materials at world market prices. We are not arguing for a major reform of the CAP but minor adjustments could be introduced to give industrial users access to raw materials at global prices rather than the sky high prices on the highly protected EU market. Biofuel policies also need to be thought through more carefully to avoid wasting much needed biomaterials for higher valued added industrial purposes.

What is the European industry view on how to tackle these complex issues? As business we do not contest the right of countries to decide on the exploration or extraction of their natural resources. Exploration or extraction should be subject to non-discriminatory and proportionate environmental regulation and states have the right to determine the appropriate balance between resource development and resource depletion. We have no intention therefore to force any country to extract resources any more rapidly than it wishes according to its own development plans.

The main concern of European industry focuses on what happens to the global market for raw materials once they are extracted and sold for industrial production. We will not accept government intervention to manipulate the price of raw materials for industrial development purposes. Therefore, **BUSINESSEUROPE objects to any policy that leads to price manipulation or that significantly distorts the global industrial market.** The EU must take all necessary multilateral legal action as well as unilateral countermeasures to prevent the escalation of government distortions of the global industrial market. But let's be clear: No one will win in a global trade battle for raw materials. The industrialized and emerging countries have a common interest in both economic and environmental terms to cooperate on common rules to establish a level playing field for a predictably global raw materials market. The EU raw materials initiative sets out a number of ways in which that cooperation can thrive. I hope that our Canadian partners today, with their vast experience and interest in global raw materials markets will join us in pressing for open markets globally.
