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EXPERT MEETING ON RAW MATERIALS INITIATIVE EUROPEAN PARLIAMENT, 17 NOVEMBER 2009

SPEAKING NOTES - RENÉ VAN SLOTEN

Ladies and gentlemen,

My name is René van Sloten and I am normally working for the European Chemical Industry Council (Cefic) but today speaking in my capacity of chairman of the BUSINESSEUROPE market access working group. BUSINESSEUROPE is the confederation of European business representing all sectors of European industry. I would like to thank the Evert Vermeer Foundation for having invited us to this meeting to give us the opportunity to present our views.

I would like to stress upfront that BUSINESSEUROPE is approaching the issue first and foremost from the perspective of industrial consumers of raw materials.

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 a recent OECD Workshop on Raw Materials. I would like to stress that it is indeed a global and not a North-South issue.

Indeed, 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.

The issue is complicated by a number of often conflicting objectives. There is the obvious conflict between food, fuel and feedstock. Environmental and development aspects also need to be taken into account. We are therefore pleased to see that the communication of the Commission – The Raw Materials Initiative –, which we strongly support, deals with the issue of access to raw materials in a comprehensive manner. It



is obviously important that all elements of the strategy are implemented, including the ones relating to the development dimension.

What is the position of European industry on this complex issue? As business we don't contest the right of countries to decide on the exploration or extraction of their natural resources. We also agree that exploration or extraction should be subject to environmental regulation and that 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.

However, we as business also have to meet societal expectations. European industry wants to continue to create wealth and provide employment in a region with an ageing population and with increasing pressures on pension and health care systems. However, in order to do so, we need to be able to compete on an equal footing with other regions.

Emerging countries such as 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?

Typical measures that are used to manipulate prices include:

- Export taxes and restrictions
- Dual pricing of energy and raw materials
- Strategic raw materials sourcing through state owned enterprises
- Abuses of taxation systems to prevent the export of raw materials
- Economic regulations of, for instance the commodities exchange, with a view to lowering domestic prices for industry.

But these practices are by no means limited to these three emerging countries. To date there are already around 450 export restrictions applied by roughly 1/3 of WTO members. Export taxes are put in place for the following reasons: 1) source of revenue, 2) industrial policy and 3) to counter rising food prices. Studies show that export taxes are:

- Sub-optimal policies for the implementing country
Other policy initiatives are more beneficial for developing downstream industries or for revenue purposes (example: Chile tax on mining industry).
- A 'beggar-thy-neighbour' policy for the rest of the world
Export taxes distort the global economy. Especially developing countries are affected disproportionately. An export tax can undermine the access gained to third-country markets (example: Mexico export market destroyed by export tax).



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 cannot 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.

As regards real developing countries, BUSINESSEUROPE believes that business, development agencies and resource-holding countries can work together to promote freer and more sustainable development and trade in raw materials. The European Commission should take greater account of the raw materials sector in development policy cooperation. It should support investment in infrastructure and capacity building. Partner governments should be encouraged to strengthen authorities and institutions responsible for raw materials. This should be done by establishing constructive development relations with resource holders by helping them to implement an effective and sustainable minerals policy, investment framework and taxation regime.

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