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EPP DINNER ON RARE EARTHS

SPEAKING POINTS RENÉ VAN SLOTEN

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Chairman, Members of the European Parliament, Ladies and gentlemen,

My name is René van Sloten and I am working for the European Chemical Industry Council (Cefic) but here speaking in my capacity of chairman of the BUSINESSEUROPE market access working group. BUSINESSEUROPE is the Confederation of European business and it represents companies from all sectors of European industry.

I first of all would like to thank Prof. Tsoukalas for giving me the opportunity to present the business perspective on the important issue of rare earths.

Less than a year ago, actually only very few people had even heard of rare earth elements such as cerium, lanthanum, yttrium, neodymium or terbium! the chemical industry, being at the start of the value chain, was the first to ring the alarm bell about problems with access to rare earth elements. This was due to export restrictions and export taxes introduced by China, which provides 95% of the world supply of REE. At first the reaction from the rest of business and the European authorities was lukewarm. The momentum changed around half a year ago. At that time, BUSINESSEUROPE joined a worldwide coalition of business associations which sent a letter to the G20 to call its attention for the rare earths situation, as well as the problems created by export restrictions and export duties more generally.

I think it is important to stress this point. On the one hand, we should be grateful that rare earths have captured the attention of policymakers and the media, but we should realize at the same time that the problem is not only about rare earths. This is not an East-West or North-South issue: it is a global problem. China is now singled out for its restrictions on export, but many countries nowadays have introduced discriminatory practices on raw materials. These range from dual pricing to export restrictions and export duties. The effect of such discriminatory practices is that they benefit the domestic industry, while putting industry world wide at a disadvantage.

Rare earths are essential elements for the production of energy efficient lighting, wind turbines, electronic data storage systems, magnets for motors (hybrid cars!), in short relevant materias for high-tech industries and the eco-industry. Isn't that exactly the kind of industry we envisage for Europe in the future? But if that industry does not have



access to these essential inputs, where will the production of these products take place? Where will R&D take place? Where will new solutions be developed? We run the risk that the production will take place, only not in Europe!

The situation we are in today with regard to REE is the result of a clear pattern in Chinese actions, which started with dumping of raw materials on the world market, forcing mines elsewhere to close. Now China is imposing export restriction or export taxes once the control has been gained to force industry using REE to locate in China.

So 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 of their natural resources. We also agree that exploration may need to be restricted for environmental reasons. WTO rules provide safeguards for that, and in fact this is the only governance we have. We don't deny other countries to develop. In fact that development is needed and welcome, as it creates markets for our products. **What we cannot accept is that countries subsidize their downstream industry by artificially increasing the price on world markets for their competitors. We cannot let viable and European companies meeting the highest environmental standards go under because they face unfair competition with regards to the cost of raw materials or even because of lack of raw materials, especially not at the present times of economic crisis when employment is already under heavy pressure.**

It is time for Europe to take responsibility for the security of its raw materials supply. We, in which I include the business community, have not been vigilant enough in doing this until now. Business needs to take its responsibility, but authorities have to set the right framework.

We thus welcome the vigilant stance of the European Commission as regards the trade aspects of the raw materials issue and support all endeavours to strengthen multilateral governance. Indeed, ultimately global governance under the auspices of the WTO would be the preferred solution but this is unlikely to result from the Doha Round. We therefore urge that all EU Free Trade Agreements or Cooperation Agreements contain a prohibition of export restrictions. However, whilst we welcome the Commission's action in the trade area, the other pillars of the raw materials initiative should not be neglected.

We would like to propose the following concrete measures the Commission could take to improve the situation with respect to rare earths:

- 1) Support recycling of rare earths by funding R&D which can bring a solution for the heavy rare earths
- 2) Support for development of RE mining and processing capacity outside China in the form of grants, pre-purchasing or securities, guaranteeing a certain level of off-take (like Japan and USA are doing)
- 3) Remove remaining EU import duties on all types of rare earths materials and try to reduce or suspend the mark up attributable to an "export license fee".



- 4) Negotiate a quota with China to close the price gap between domestic sold and exported rare earths to bridge the period until new capacity comes on stream
- 5) Put the raw materials issue more generally on the G20 agenda.

As regards rare earths, there are not quick-fixes available. Substitution and recycling will take time to develop. Ongoing mega trends with regard to de-carbonisation and resource efficiency will longer-term change the effect of raw materials on industrial competitiveness but in the short and medium term we need a level playing field.

Thank you for your attention!
