



How to improve security of supply of raw materials in Europe?

CHALLENGES AND ANSWERS

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Raw materials are the backbone of European industry. Securing the supply of high quality raw materials at competitive prices for EU industry has been a priority for BUSINESSEUROPE. As a strong supporter of the European Commission's Raw Materials Initiative – which aims at fair and sustainable supply of raw materials from both global markets and within the EU, as well as increasing resource efficiency and recycling – BUSINESSEUROPE has identified a number of challenges that need to be more effectively addressed by the European political leadership:

Secure open global markets

On the positive side, the introduction of trade disciplines on export restrictions in EU's bilateral and multilateral negotiations – such as in the EU-Korea FTA and the bilateral EU-Russia Agreement in the framework of the latter's Accession Protocol to the WTO – is welcomed by European industry. These agreements establish a continuous dialogue and common understanding with our trading partners on raw material policies, which provide a legal basis to promote free trade in raw materials. Furthermore, BUSINESSEUROPE supports the EU's efforts to reach out to the OECD and other fora in search of international consensus on the removal of trade distortions in raw materials.

Trade disputes with third countries in the context of the WTO, in cases where dialogue has not brought satisfactory results – for instance the removal of trade barriers and restrictions by China – also progress well. Strong signals should be sent to our trading partners pursuing these practices in breach of their WTO commitments that the EU is ready to use all instruments at its disposal to protect the rights of European industry.

In addition, the diversification of EU raw materials sources is absolutely critical to increase the security of supplies for European industry. Closer cooperation between the European Commission and companies operating in or depending on raw materials markets will help identify solutions. This could be done through joint industry-Commission projects to foster cooperation in good governance. BUSINESSEUROPE, through its vast membership from all over Europe, can significantly facilitate dialogue and support the development of international partnerships.

Sustainable supply within the EU

Overall, BUSINESSEUROPE recognises the progress that has been made to the implementation of European legislation at national level. This has contributed to better balancing and improving member states' raw materials strategies. A lot, however, remains to be done in this field. Increased regulatory harmonization would help in aligning best practices among member states further, which will in turn contribute to the creation of a stimulating environment for exploration and exploitation of raw materials within the EU.

BUSINESSEUROPE is ready to support initiatives that will help improve the knowledge base on EU raw materials deposits, assess their value and promote innovative practices in extraction and manufacturing. The issue of providing fiscal incentives to companies operating in the field of raw materials has for many years been a sensitive point in the discussions among stakeholders. In our view, the introduction of fiscal incentives could further increase the exploration of new extraction sites in the EU, improve the competitiveness of EU industry, create new jobs and ensure the supply of indigenous raw materials.

Resource efficiency and recycling

The development of this part of the Raw Materials Initiative has also delivered positive results. However, stricter implementation is needed at national level. For instance, research and innovation should be further promoted by the EU member states and in all stages of raw materials' value-chain, from exploration to extraction, processing, recycling and substitution. This can be achieved by making full use the EU Innovation Partnership on Raw Materials (EIP) and the Knowledge and Innovation Communities (KIC).

Awareness-raising and capacity-building initiatives could also enhance exchange of best practices among the member states. The reduction of administrative burdens – especially as regards access to secondary raw materials markets – could also increase the quantity of recycled materials that could be effectively reused in the raw materials production chain. Finally, the rapid introduction of better control over illicit waste shipments is necessary at EU ports. This not only lowers supplies to recycled raw materials but also sends waste to zones

with low environmental standards with disastrous ecological consequences.

Good governance

Despite progress in the three pillars of its Raw Materials Initiative, the EU has nevertheless failed to develop an effective 'resource diplomacy', that could be used as a leverage for European industry to engage in partnerships with resource-holding countries. Since this would require different angles of the EU policy to come together, complementarities between trade, development and external EU policies should be overall improved and their instruments better integrated.

Projects funded through the European Development Fund (EDF) and the European Investment Bank (EIB) are welcome and should be further reinforced by the launch of partnerships, not only with resource-holding countries but also with the private sector. It is our strong belief that trade and development policies can go hand-in-hand. They not only better leverage private sector's resources in development projects but provide useful tools to reduce poverty by contributing to job creation and improving governance.

BUSINESSEUROPE has been a strong advocate for the establishment of a more structured dialogue with different branches of the European Commission and the External Action Service on policy issues and instruments, including cooperation in raw materials. While some progress has been made, dialogue on raw materials issues, unfortunately, remains a sensitive area for the European Commission. At this point, we see a major contradiction in EU policy. On the one hand a reluctance to engage with large companies in the resource sector to address governance challenges, while on the other there is a propensity to legislate on the same issues. We would like to offer some examples.

- Transparency in the extractive sector is indeed key in order to promote good governance practices, especially when it comes to reducing fraud and corruption. BUSINESSEUROPE's concerns with legislation recently adopted by the EU lie nevertheless with the ramifications that stringent reporting requirements and compliance costs will have for the competitive position of the European industry relative to their competitors that are not obliged to follow similar rules.

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- Discussions on responsible sourcing have also been intensified in recent years, with the private sector taking on more and more initiatives. The European Commission is now exploring the possibility of adopting legislation in this area, more specifically in responsible sourcing from conflict-affected and high-risk areas. As experience from the US Dodd Frank Act section 1502 has shown, rigid legislation not only fails to contribute to the solution of conflict, but it rather creates a series of socio-economic problems in the conflict-affected areas, including trade embargoes, unemployment and social unrest. The EU should therefore avoid any binding legislation and focus its future initiatives to effectively contributing to improvement of the situation on the ground through building strong diplomatic relations with resource-holding countries and supporting voluntary business initiatives.

Final remarks

Although the implementation of the EU Raw Materials Initiative has indeed delivered successful results, especially in the area of guaranteeing access to raw materials markets for EU companies, more efforts should be made in order to achieve a balanced strategy for raw materials in Europe. Furthermore, the establishment of an EU 'resource diplomacy' has become an imperative and it requires the active participation of different policy branches and institutions. In this context, and in times of a fierce economic crisis which Europe is still struggling to overcome, it is not prudent of the EU to pursue policies that increase the burden and costs for European companies, whose competitiveness will help the EU's economic rebalancing and jobs growth. ■

