

Trade in raw materials and commodities

European Parliament resolution of 20 May 2008 on trade in raw materials and commodities (2008/2051(INI))

The European Parliament,

- having regard to its resolutions of 3 September 2002 on trade and development for poverty eradication¹, of 30 January 2003 on world hunger and the elimination of barriers to trade with the poorest countries², of 10 April 2003 on the crisis in the international coffee market³, of 1 June 2006 on trade and poverty: designing trade policies to maximise trade's contribution to poverty relief⁴, of 15 February 2007 on the macroeconomic impact of the increase in the price of energy⁵, of 22 May 2007 on Global Europe - external aspects of competitiveness⁶, of 23 May 2007 on the EU's Aid for Trade⁷ and of 29 November 2007 on Trade and Climate Change⁸,
- having regard to the Millennium Declaration of 8 September 2000, which sets out the Millennium Development Goals (MDGs) as criteria established collectively by the international community for the elimination of poverty, and the review and update thereof at the United Nations 2005 World Summit of 14 –16 September 2005,
- having regard to the reports of the three working groups of the Intergovernmental Panel on Climate Change (IPCC) entitled "Climate change 2007: The Physical Science Basis", "Climate change 2007: Impacts, Adaptation and Vulnerability" and "Climate change 2007: Mitigation of Climate Change", all published in 2007,
- having regard to the Communication from the Commission to the Council and the European Parliament entitled "Agricultural Commodity Chains, Dependence and Poverty - A proposal for an EU Action Plan" (COM(2004)0089),
- having regard to the Communications from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions entitled "Global Europe: Competing in the world – A contribution to the EU's Growth and Jobs Strategy" (COM(2006)0567) and "Global Europe: A Stronger Partnership to deliver Market Access for European exporters" (COM(2007)0183),
- having regard to the Communication from the Commission to the Council and the European Parliament entitled "on the Competitiveness of the Metals Industries – A contribution to the EU's Growth and Jobs Strategy" (COM(2008)0108),

¹ OJ C 272 E, 13.11.2003, p. 277.

² OJ C 39 E, 13.2.2004, p. 79.

³ OJ C 64 E, 12.3.2004, p. 607.

⁴ OJ C 298 E, 8.12.2006, p. 261.

⁵ OJ C 287 E, 29.11.2007, p. 548.

⁶ OJ C 102 E, 24.4.2008, p. 128.

⁷ OJ C 102 E, 24.4.2008, p. 291.

⁸ Texts adopted, P6_TA(2007)0576.

- having regard to the Beijing Declaration and the Platform for Action adopted on 15 September 1995 by the United Nations Fourth World Conference on Women,
 - having regard to the report by the Food and Agriculture Organization (FAO) entitled "Livestock's Long Shadow", published in 2006,
 - having regard to the work of the United Nations Conference on Trade and Development (UNCTAD) and the Accra Accord and Declaration concluded on 25 April 2008 at UNCTAD XII in Accra, Ghana,
 - having regard to the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions entitled "Thematic Strategy on the Sustainable Use of Natural Resources", published on the 21st of December 2005 (COM(2005)0670),
 - having regard to the G8 Summit declaration on "Growth and responsibility in the world economy" signed in Heiligendamm on 7 June 2007, in particular to its chapter on 'Responsibility for raw materials: transparency and sustainable growth' according to which "free, transparent and open markets are fundamental to global growth, stability and sustainable development",
 - having regard to the Fourth report of the High Level Group on Competitiveness, Energy and the Environment of 11 June 2007 which supports the development of a raw materials policy, built on a well operating free and fair global market for raw materials using trade policy, in particular international multilateral and bilateral agreements, to ensure that EU and third countries support open and undistorted markets,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade (A6-0134/2008),
- A. whereas raw materials and commodities should be understood as agricultural food products, agricultural primary commodities, metals, minerals and energy products, which serve as input in the industrial process, whether processed, unprocessed, or recycling products such as scrap,
 - B. whereas since 2002 the price index for non-fuel commodities has risen by 159%, metal and mineral prices by 285% and agricultural raw material prices have increased by 133%,
 - C. whereas the EU economy depends considerably on imports of raw materials from third countries and access to raw materials plays a crucial role in ensuring EU competitiveness,
 - D. whereas the recent price increase for raw materials has led to a lack of economic growth in the European Union and threatens EU competitiveness,
 - E. whereas a further increase in worldwide demand in raw materials in the future is expected; whereas this increase will be due to economic growth in emerging economies,
 - F. whereas in the past the short-term variations in prices of raw materials and commodities have shown extreme volatility and become even worse over time with phases of overproduction being followed by periods of shortages,

- G. whereas the recent price increases in international markets should not conceal the fact that prices of raw materials and commodities, compared with those of manufactured goods, have been characterised by a long-term downward trend,
- H. whereas these price increases - especially when instituted for industrial purposes by emerging economies - have posed competitiveness challenges to the EU's manufacturing industry and have raised longer term issues related to security of supply of raw materials,
- I. whereas 95 of 141 developing countries derive at least 50% of their export earnings from commodity exports,
- J. whereas the European Union is a major competitor in international trade in raw materials and commodities not least as a net importer of raw materials,
- K. whereas the European Union, due to the characteristics of the European industrial base, is highly dependent on imports of raw materials for its competitiveness and for its economic development,
- L. whereas there are many examples of policies and measures introduced by third countries, as well as a trend of creating obstacles to free and fair access to raw materials in emerging countries, which have the effect of limiting access by EU industries to raw materials and commodities,
- M. whereas the strengthening of research and innovation plays an important role in encouraging sustainable raw materials supplies,
- N. whereas the systems of STABEX, SYSMIN and FLEX reflect past and current efforts by the European Union to support developing countries affected by price and income instability,
- O. whereas the recent price increases on international markets for raw materials and commodities are due to a significant increase in the demand from emerging economies such as China, India and Brazil, changed weather patterns, some restrictive practices from some exporting countries and a boom in the market of agro fuels, livestock production, as well as stock market speculation,
- P. whereas women make up a significant majority of the world's poor who are often dependent on the acquisition, production and transformation of raw materials and commodities for their survival and livelihood,
- Q. whereas the international community has stated the need for an international effort to eliminate poverty through the concrete goals set out in the MDGs which ought to be fulfilled before 2015; whereas sufficient attention must be paid to the vital importance of commodity issues for developing countries,
- R. whereas the sustainable exploitation of natural resources could reduce poverty and foster economic growth if good governance is promoted; whereas weak governance in countries rich in natural resources may also result in poverty, corruption, and conflict,
- S. whereas the preservation of biodiversity and the availability of cultivated land are essential elements for the future of any economy on earth; whereas any form of extraction of raw

materials should keep these imperatives in mind,

- T. whereas climate change is taking place and is partly caused by human activity; whereas the extraction, production and transformation of raw materials and commodities results in significant emissions of greenhouse gases; whereas EU industry is facing increasing constraints for the purpose of addressing this issue, at the expense of its competitiveness,
- U. whereas the European Union currently does not provide a coherent strategy to face the challenges for the competitiveness of its economy due to enhanced competition in access to raw materials,
- 1. Urges the Commission and the EU's trade partners to address seriously, in all negotiations for trade agreements, the climate change imperatives of sharply reducing the extraction and exploitation of natural resources and to foster the expansion of energy-saving, renewable and resource-efficient technologies;

Secure supplies of raw materials for the EU and ensure access to raw materials on world markets

- 2. Recognises that access to raw materials and commodities is vital for the EU economy, due to its lack of domestic supply of several raw materials;
- 3. Notes with concern the prospects of an increasing demand for raw materials on world markets; is worried about the limits of exploration capacity for the near future; takes note of the limited involvement of European companies in the exploration of raw materials in third countries;
- 4. Is concerned about the trend to restrict free access to raw materials in third countries by trade distorting measures; recognises however the right of countries to restrict access to their raw materials for environmental purposes or to address critical shortages of supply when necessary; this right must be exercised in conjunction with other domestic measures;
- 5. Is concerned about those investment activities aimed at better access to raw materials which neither comply with standards of fair and free competition nor to the principles of good governance and sustainability;
- 6. Asks the Commission to promote investment in research and development in technologies for the recycling of raw materials and the efficient and economic use of raw materials; calls on the Commission and the Member States to give more weight to this objective in their research activities;
- 7. Urges the Commission to address the issue of free and fair access to raw material markets in the framework of the World Trade Organization (WTO); asks the Commission to pursue actively the objective of multilateral elimination of trade distorting measures in the sector of raw materials, while fully respecting restrictions based on developmental grounds for least developed countries (LDCs);
- 8. Asks the Commission to negotiate non-discriminatory access to raw material markets in return for access to energy-saving, renewable and resource-efficient technologies in all bilateral negotiations on free trade agreements; sets out the objective of abandoning all trade distorting measures which lead to an increase in the use and consumption of raw materials

as an important objective in all possible agreements, while fully respecting developmental goals;

9. Asks the Commission to include the issue of raw materials in the market access strategy; welcomes the consultation on the supply of raw materials; calls on the Commission to draw up a coherent strategy on the supply of raw materials; recalls that Parliament is to be involved in all phases of these activities;

Making developing countries and in particular LDCs benefit from raw materials

10. Regrets that many developing countries, and in particular LDCs, have been locked into the production and export of raw materials and commodities whose volatile prices have been declining over the long term, constituting a serious impediment to the alleviation of poverty as well as the realisation of the MDGs, but recognises that increasing commodity prices have contributed to significant improvements in the external accounts of some developing countries dependent on primary commodities; underlines the opportunities for the producer countries which lie in the own exploration and management of raw material deposits when fundamental rules of transparency and fair competition are respected;
11. Calls on the Commission to seek the effective elimination of the causes of distortions by firmly raising these issues in bilateral consultations and negotiations and to promote the development of new WTO rules at a multilateral level;
12. Supports current efforts in developing countries, and in particular in LDCs, to diversify their economies and develop economic activities at more advanced stages of the production process, in order to include processing and marketing and to enhance the quality, productivity and production of products with a higher degree of value added; urges the Commission to support national commodity development and diversification strategies with support from the European Development Fund when necessary;
13. Considers the set-up of regional economic frameworks and increased regional cooperation among developing countries to be of the utmost importance for the sustainable economic development of those countries; underlines in this respect the importance of South-South trade for the economic development of those countries;
14. Considers that, in the long term, regional economic and trade cooperation should be fostered and could lead to free trade agreements; notes at the same time that in different regional contexts free trade agreements face difficulties; considers that the EuroMed free trade agreement should be a priority given the importance of trade in raw materials in this region;
15. Encourages developing countries, and in particular LDCs, to raise the necessary investments and consolidate economic diversification through strengthened infrastructure and institutional capacity building, promoting good governance in managing economic development as well as facilitating access and distribution of products from small scale producers to local markets which would also strengthen regional integration and economies of scale, urges the Commission to use aid-for-trade as an important tool for development as well as strengthen existing mechanisms for transfer of technology, especially as a means to manage climate change; asks the Commission to promote transparency of the revenues stemming from raw materials via programmes like the Extractive Industries Transparency Initiative (EITI) process;

16. Encourages the Commission and EU companies to promote and invest in the transfer of environmentally friendly technologies;
17. Considers that the outcome of the Doha Development Agenda should ensure fair, balanced, equitable and market-opening commitments in all raw materials markets;
18. Recognises that the outcome of the Doha Development Agenda negotiations would significantly reduce tariff escalation; notes that the European Union has already phased out its tariffs on agricultural products from the LDCs (through the Everything But Arms initiative) and from many ACP countries (through Economic Partnership Agreements), and supports developing countries in identifying and implementing rules regarding special products and effective safeguard mechanisms for the sustainability of their markets and production;
19. Asks the European Union's Member States as well as partners around the world, including the emerging economies, to ratify core International Labour Organization labour standards and relevant Organization for Economic Co-operation and Development guidelines, especially regarding the exploration and refining of raw materials; believes that the involvement of civil society and national parliaments is crucial to achieve environmental and socio-economic sustainable development;
20. Acknowledges that speculation plays a significant role in the setting of prices of raw materials and commodities with increased volatility as a consequence;
21. Calls on the Commission to implement a comprehensive and balanced strategy in the field of access to raw materials taking into account the interests of EU industry and developing countries;
22. Calls on the Commission to review its compensatory finance scheme, FLEX, to ensure it is responsive and effective in supporting developing countries and in particular LDCs; believes that there is a need for relevant measures to be taken at national level in order to support the work being done by UNCTAD;
23. Calls on the Commission to collect data and generate statistics on international trade in raw materials and commodities that takes place in real terms; believes that there is a need to get a clear picture of global trade flows in commodities and raw materials not falsified by purely speculative transactions in order to better target economic policy measures;
24. Recognises that liberalisation of trade in agricultural food products and agricultural primary commodities has exposed small scale farmers in developing countries and in particular in LDCs to many new challenges. As small scale farmers are largely comprised of women, this can have a disproportionately negative effect on them if they are not able to cope with external competition;
25. Stresses the fundamental nature of the right to food and the need to improve access by all people at all times to enough food for an active, healthy life;
26. Strongly recommends, therefore, that all necessary measures are taken on a European and international scale in order to ensure moderate prices as an immediate way out of the food crisis; in the longer run, the creation of adequate regulation to better deal with speculative activities is needed; recommends in addition the examination of the powers and

competences of national and international supervisory bodies in the field of food commodities in order to ensure that stable and secure markets are guaranteed in the future, and that speculation does not violate the right to food;

27. Welcomes the establishment of the UN high-powered task force, which addresses the current food crisis and its impact on poverty; encourages world leaders to participate at the High-Level Conference on World Food Security to be held in Rome (3-5 June 2008);
28. Supports developing countries in their endeavours to secure access to food for the local populations; believes that viable policy space must be further strengthened to enable national rules and measures for the development of this sector, as well as support women who carry the main responsibility for feeding their families and the local communities;
29. Acknowledges that increased prices of agricultural food products and commodities can have detrimental effects on food security and the actual access to food in developing countries, with a risk of hunger, malnutrition or food riots among the poorest people in developing countries; urgently demands increased levels of humanitarian aid to alleviate the food crisis which is threatening the lives of 100 million persons;
30. Calls on the Council and the Commission to ensure that multilateral, regional and bilateral trade agreements signed by the European Union are in accordance with the objective of sustainable development; calls on the Commission to take the necessary legislative measures to ensure the integration of its trade Sustainable Impact Assessments in developing the EU's trade policy, in particular from a climate, gender and sustainable development perspective;
31. Welcomes the Commission's announcement to present a Communication in 2008 aimed at improving conditions of sustainable access to minerals and secondary raw materials at EU and international level;
32. Takes note of the increased criticism regarding the economic and environmental benefits of agro fuel production; calls on the Commission to stimulate research and innovation on sustainable raw material supply through efficient resource extraction and development, material use and recovery of end of life;
33. Believes that the extraction, gathering and production of raw materials and commodities should be done in accordance with the principle of sustainability, which respects the natural processes of the ecosystems instead of altering them;
34. Urges the Commission to step up its efforts to obtain an international agreement on conflict resources whose primary objective would be to prohibit all trade in resources fuelling or resulting from armed conflicts, insists in the meantime on the development of a regulation prohibiting the trading and marketing of conflict resources in the European Union and urges all countries involved in the diamond trade to subscribe fully to the Kimberley certification scheme for international trade in rough diamonds; calls for the promotion of transparency via the EITI and other initiatives;
35. Renews its call on the Council and the Commission to promote Fair Trade, and other independently monitored trading initiatives contributing to raising social and environmental standards in supporting small and marginalised producers in developing countries, encourages public authorities in the European Union to integrate Fair Trade and

sustainability criteria into their public tenders and purchasing policies;

36. Is concerned that a growing proportion of the earth's resources are used for livestock raising; recalls the abovementioned FAO report 'Livestock's Long Shadow' from November 2006 which estimates that the meat industry and livestock raising contribute 18% to the world's total greenhouse gas emissions, which also accelerate deforestation in developing countries; calls on the Commission to take the necessary action within this sector as well as to establish incentive mechanisms to avoid deforestation within the framework of international climate negotiations;
37. Believes that the EITI, which aims to strengthen governance by improving transparency and accountability in the extractives sector should be implemented world wide, in order to provide better opportunities for developing countries to receive the equivalent value of their natural resources;
38. Stresses that high oil prices reinforce the need for an urgent and different approach in energy policy aiming at improving energy efficiency and increasing use of other energy sources, including renewable energy;
39. Realises that climate change will hit hardest the communities that already face significant social and economic problems; understands that especially women are a particularly vulnerable group; encourages efforts to adapt at local level through relevant financial and technical international support;
40. Is concerned that China does not allow foreign companies to have a majority stake in sectors such as steel and has introduced a variety of mechanisms that restrict the export of metals raw materials or provide governmental support for buying them from external sources; recognises that such practices create serious difficulties for EU industry interests in respecting climate change goals and exporting energy-saving, renewable and resource-efficient technologies, and that this must be tackled using all available instruments, including through the facilitation of technology transfer both politically and financially;
41. Points out that the new trading policy of some emerging countries, especially China, for raw materials worldwide, in particular in Africa, is having a major and negative impact on global security of access to commodities; stresses the need to overcome the current approach based on one-to-one relations between states and neglecting references to human rights, corporate social responsibility and environmental and social standards, in favour of a multilateral approach based on the criteria of sufficiency and sustainability of resource use;
42. Welcomes the Commission's initiative to continue to use all existing instruments to address trade practices in violation of international trade agreements as announced in its above-mentioned Communication on the Competitiveness of the Metals Industries;

o

o o

43. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and relevant international organisations

such as UNCTAD, the WTO, the World Bank, the Common Fund for Commodities (CFC) and the FAO.