

EUROPEAN PARLIAMENT

2004



2009

Session document

A6-0134/2008

8.4.2008

REPORT

on Trade in raw materials and commodities
(2008/2051(INI))

Committee on International Trade

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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 298 E, 8.12.2006, p. 261.

⁵ OJ 287 E, 29.11.2007, p. 548..

⁶ Texts adopted, P6_TA(2007)0196.

⁷ Texts adopted, P6_TA(2007)0203.

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 forthcoming UNCTAD XII International Conference, scheduled for 20-25 April 2008 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 the EU economy depends considerably on imports of raw materials from third countries and access to raw materials plays a crucial role for EU competitiveness,
 - C. whereas the recent price increase for raw materials has led to a lack of economic growth in the European Union and threatens EU competitiveness,
 - D. whereas a further increase in worldwide demand for raw materials in the future is expected; whereas this increase will be due to economic growth in emerging economies,
 - E. whereas in the past the short-term variations of prices in raw materials and commodities have shown extreme volatility and become even worse over time with phases of overproduction being followed by periods of shortages, but in future the price level is expected to stay at a higher level,

- F. whereas the recent increases of prices 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,
- G. 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,
- H. whereas 95 of 141 developing countries derive at least 50% of their export earnings from commodity exports,
- I. 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,
- J. 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,
- K. 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,
- L. whereas the strengthening of research and innovation plays an important role in encouraging sustainable raw materials supplies,
- M. 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,
- N. 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,
- O. 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,
- P. 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,
- Q. 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,
- R. whereas climate change is taking place and is 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,

- S. 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,

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

1. 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;
2. 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;
3. 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;
4. 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,
5. 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;
6. Urges the Commission to address the issue of free and fair access to raw material markets in the framework of the World Trade Organisation (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);
7. Asks the Commission to give more weight to the issue of free and non-discriminatory access to raw material markets in all bilateral negotiations on free trade agreements or WTO accessions; sets out the objective of abandoning all trade distorting measures in the sector of raw materials as an important objective in all possible agreements, while fully respecting developmental goals; stresses that this objective will serve as an important criterion in the evaluation of all possible agreements by the European Parliament;
8. 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 elaborate a coherent strategy on the supply of raw materials; asks to be involved in all phases of these activities,

Making developing countries and in particular LDCs benefit from raw materials

9. 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 lay in the own exploration and management of raw material deposits when fundamental rules of transparency and fair competition are respected;
10. 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;
11. 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, to also 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;
12. 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;
13. 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;
14. 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 also would 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;
15. Encourages the Commission and EU companies to promote and invest in the transfer of environmentally friendly technologies;
16. Recognises that the Doha Development Agenda (DDA) 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;

17. Asks the European Union's Member States as well as partners around the world, including the emerging economies, to ratify core International Labour Organisation labour standards and relevant Organisation 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;
18. 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;
19. 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 there is a need for relevant measures to be taken at national level in order to support the work being done by UNCTAD;
20. 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;
21. 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;
22. 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;
23. 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;
24. 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;
25. 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;

26. 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;
27. 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;
28. Renews its call on the Commission and the Council 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;
29. Is concerned that a growing proportion of the earth's resources are used for livestock raising; recalls the 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;
30. Believes that the EITI, which aims to strengthen governance by improving transparency and accountability in the extractives sector shall be implemented world wide, in order to provide better opportunities for developing countries to receive the equivalent value of their natural resources;
31. Stresses that high oil prices reinforce the need for an urgent and different approach in energy policy aiming at improving energy efficiency and increased use of other energy sources, including renewable energy;
32. 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;
33. 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 and must be tackled using all available instruments, including through reinforced dialogue;

- 34 Points out that the new trading policy of some emerging countries, especially China, searching for raw materials worldwide, in particular in Africa, is having a major and negative impact on the European Union's access to commodities in this continent, because of an approach based on one-to-one relations between states and neglecting references to human rights, corporate social responsibility and environmental and social standards;
35. 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 COM(2008)0108;
36. 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.

EXPLANATORY STATEMENT

The Millennium Development Goals (MDGs) adopted by the UN in 2000 were a hopeful promise from the world's leaders to the world's poor. Within 15 years, eight goals were to be achieved which would perceptibly improve the situation of the world's poorest countries and peoples. The aim was to eradicate extreme poverty and increase equality between men and women. All children were to be given the chance of primary education, and the spread of AIDS was to be halted. The various objectives were allocated numerical indicators so as to permit continuous assessment of the progress of work.

In 2005 a third of the allotted time had elapsed and it was time for an initial assessment of progress. In September 2005 the UN met for a special session. It emerged from that meeting that, although some progress had been made, significant efforts were needed if the objectives were to be attained by 2015, particularly in the world's poorest countries.

The possibility of attaining the Millennium Goals depends on a number of factors. There is a need both for international initiatives, and for national measures to be carried out in the various countries. In other words, there is probably no single patent remedy which the world's leaders can use to eradicate poverty.

Rapid climate change is the greatest threat of all to achieving the MDGs. Although the industrialised world accounts for the largest proportion of historic greenhouse gas emissions, it is the developing countries which are most seriously affected. Floods, droughts and drastic weather changes are already a fact caused by global warming.

In November 2007 the IPCC noted, in the last part of its fourth assessment report, that greenhouse gas emissions need to be cut by 25-40% by 2020, which was also stressed at Bali in December 2007. All policy areas must be co-ordinated to achieve the measures needed for a major reduction in greenhouse gas emissions. Trade policy must also bear its responsibility for combating climate change; unnecessary emissions must be reduced and policy instruments must be found to facilitate trade in 'green goods' (new smart technology, etc.). The EU must take the lead in combating climate change.

However, to a great extent this depends on funding and access to various resources. This can be done via international transfers from the rich to the poor areas of the world in the form of aid and appropriate development initiatives. However, it also depends on large-scale cancellation of the debts of poor countries. What is needed today from the USA, the EU and some other rich countries is not more rhetoric and more promises: it is for the promises already made to be kept. This would be a shot in the arm for worldwide work towards achieving the MDGs.

Another decisive step would be to create and improve the conditions for generating prosperity and resources at local level in the developing countries. This is where it starts to become clear how crucial the trade in raw materials is for development. A very large proportion of developing countries are at present heavily dependent on the export of one or a very few raw materials such as coffee or cocoa.

The prices of these products have been stagnating for some time, particularly in comparison with the development of prices for industrial products or capital goods. This means that many developing countries have seen their export revenue fall while at the same time imports have become dearer.

Over and above the general price stagnation, another very important characteristic of trade in raw materials is the short-term price sensitivity which has occurred on several markets. In some cases this has meant the price of a commodity rising or falling very steeply within just a few months. This sensitivity is partly due to production difficulties caused by changes in the weather and/or technological innovations which have changed production or transport systems.

For a developing country where a significant proportion of state revenue depends on the export of one or just a few raw materials these sharp price and income fluctuations can lead to major problems. This has a knock-on effect on the country's national planning and public expenditure. Moreover, it can also make it harder for primary producers to plan or predict what investments to make.

Only in recent years have raw material prices begun to rise strongly. This trend is largely caused by the sharp rise in demand from newly emerging economies such as China, by production problems owing to climate change and by the use of cereals for livestock feed or biofuels.

And yet the prospects for the future are uncertain. If the US economy falls into recession or if there are multiple bottlenecks in Chinese industry, the situation may change rapidly. This will also affect the trade in raw materials. Rapid changes may also come about as a result of the speculation on raw materials which is also occurring on international markets, which may either drive up or hold back the prices of individual goods.

From a development point of view, the trade in raw materials is bringing a number of matters to a head. These include the continued need to stabilise revenue in the face of price fluctuations and thus increase predictability in the producer countries. Many different policy instruments may be used to that end. One possibility is to develop an international financial system for revenue stabilisation in individual exporting countries. Important experience in this area may be gained from the EU's FLEX system, which gives support to the ACP countries, and the work carried out by UNCTAD and others.

Another aspect is the need to reduce dependency on the export of raw materials by boosting diversification of the economy in individual developing countries. More advanced production systems, which would permit the processing and production of goods with a higher added value, would generate greater prosperity and more predictable revenues. In this connection, more support should be given to local diversification strategies and regional integration and investments.

In this respect, agriculture in particular has a crucial role to play. In many poor countries, agriculture is the main industry, creating all kinds types of employment and providing food for the country's own population. Investments and initiatives in the agricultural sector can have important effects throughout the social economy of the developing countries. They

would also have significant effects for women, who often play a very central role in indigenous agriculture.

Barely seven years remain to achieve the MDGs in 2015. Time is running out. At the same time, ongoing development work is burdened by the risks entailed by climate change. Further efforts and more resources are needed. This calls both for international cooperation and for the ability to take action at national level. But the rapid changes we are currently seeing on the international raw materials markets underline the need for action with a view to sustainable development and global solidarity.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	27.3.2008
Result of final vote	+: 23 -: 1 0: 0
Members present for the final vote	Daniel Caspary, Françoise Castex, Christofer Fjellner, Béla Glattfelder, Ignasi Guardans Cambó, Jacky Hélin, Syed Kamall, Marusya Ivanova Lyubcheva, Erika Mann, David Martín, Vural Öger, Georgios Papastamkos, Peter Šťastný, Robert Sturdy, Gianluca Susta, Iuliu Winkler
Substitute(s) present for the final vote	Jean-Pierre Audy, Harlem Désir, Jens Holm, Sajjad Karim, Rovana Plumb, Zuzana Roithová, Zbigniew Zaleski
Substitute(s) under Rule 178(2) present for the final vote	Sepp Kusstatscher