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Editor: Antonio Missiroli (Tel. 84147)

Coordinator: Isabelle Ioannides
(Tel: 87407)

Assistant: Aurélie Therace
(Tel. 64925)

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EDITORIAL

By Philippe Legrain

When the price is not right

Commodities and raw materials are now hot topics on the European and global agendas. Whether in agriculture, industry or the energy sector, their pricing and supply are key issues. After plunging when the financial crisis hit home in late 2008, commodity prices have soared again over the past 18 months. The CRB-Reuters index of commodity prices (see chart below) is up 80% in EUR since its 2008 low. But prices have fallen back somewhat since their February 2011 peak – dramatically so in the case of oil prices.

While conditions in individual commodity markets differ, there are several common explanations for these trends. One is rooted in the real economy: soaring demand from rapidly industrialising and urbanising emerging economies, notably China, has run up against short-term supply constraints, pushing up prices. Another is monetary: central banks in advanced economies have pumped torrents of liquidity into the

global economy and loose credit conditions have driven up asset prices across the board. A third is financial: anticipating future price rises and potential shortages, both end users and financial investors have piled into the market, amplifying the upward momentum. The silver market has looked particularly bubbly. As in the case of other assets, such financial speculation is prone to sudden reversals as the mood and underlying circumstances change.

For consumers, rising prices are a key concern. For instance, while higher food prices benefit farmers, the urban poor suffer, especially in developing countries. At the same time, an increase in prices encourages farmers to plant more crops and, in the longer term, encourages research in yield-enhancing technologies, helping to boost output and stabilise prices.

While it may be understandable, in the short term, that governments wish to intervene in markets to keep prices down or boost domestic supplies – through export restrictions, for example – such measures can be self-defeating, driving global prices even higher and impeding the desired output response.

Volatility, insecurity, and other constraints

Big price swings can be unsettling for both consumers and producers. Commodity prices have always been volatile, because both demand and supply can be sticky in the short-term. If demand for iron ore rises, prices may shoot up because it takes time to develop new mining capacity, and then collapse when lots of new mines come on-stream. Or if oil supplies are disrupted, it is costly for consumers and companies to adjust, so large price hikes may be needed to curb demand. The first derivatives were developed to cope with this volatility, but these financial contracts are now used not only to hedge against the risk of price changes, but also to speculate on them. Some believe that commodity derivatives now often amplify volatility rather than dampening it – and that regulation is therefore needed. Other issues include the transparency of derivatives' markets, and the potential for manipulation.

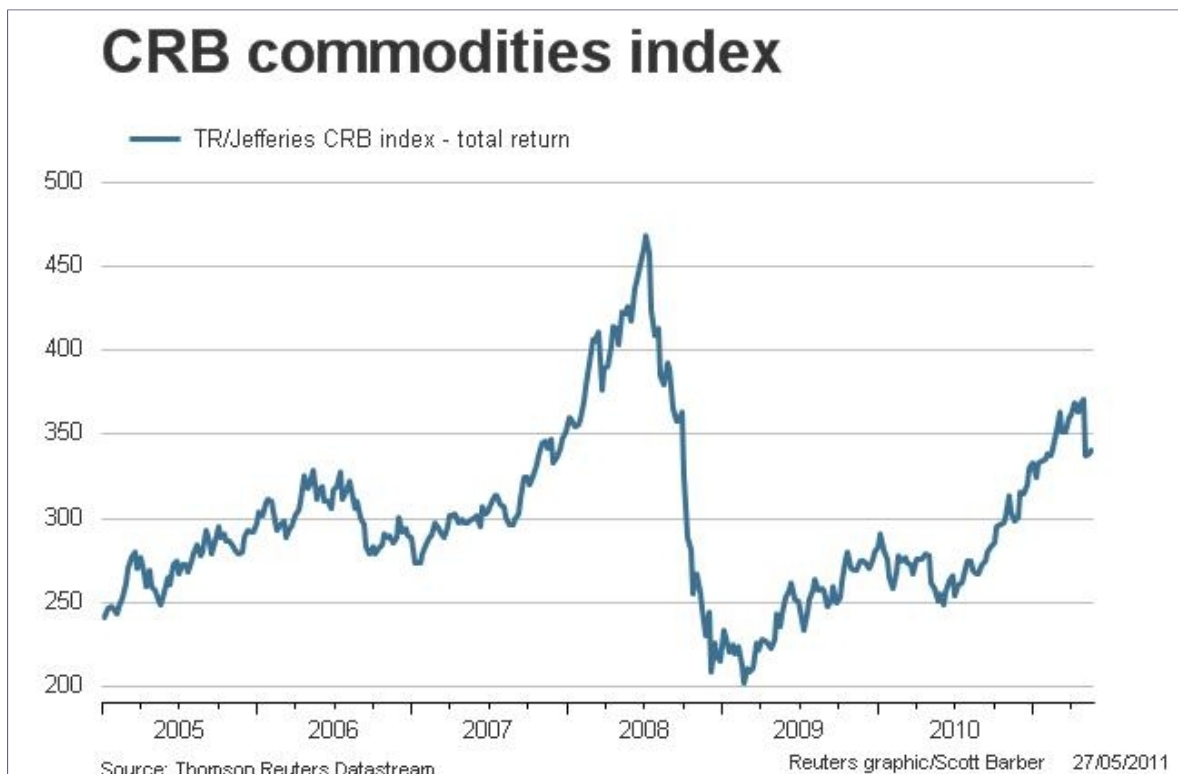
Longer term, a pressing concern is security of supply. Will global output be sufficient to meet the expected growth of total demand in future?

Will individual countries and regions in particular be able to ensure a secure supply? At a time when a record number of Americans and Europeans are obese and so much food goes to waste, it seems odd to be worrying about running short. Even if global supplies tighten, people in rich regions will not go hungry. For the world's poor, however, it is essential that agricultural productivity and production continue to grow.

In the case of fossil fuels, the constraint is climate change, not supply: coal is abundant, as is shale gas, while rising oil prices makes it economic to drill for oil in deep waters off Brazil or to extract it from Canadian oil sands. But solar energy alone could power the world's energy needs countless times over, so again the real issue is price (and technology), not output.

These are just a few of the issues that will be discussed at the conference on commodities and raw materials that BEPA is organising in Brussels on 14 June on behalf of President Barroso and France's Presidency of the G-20.

This BEPA Monthly Brief offers a foretaste of the debate and some additional food for thought.



1 A common material challenge

By *António Cabral**

At the meeting of the G-20 Sherpas in April, the EU representative proposed a concept paper outlining why the G-20 should address the issue of raw materials. The EU is proposing a medium- to long-term approach emphasising the common interest of all G-20 in ensuring a fair, undistorted and sustainable supply of raw materials. The paper successfully initiated a discussion among Sherpas and the debate now continues during France's Presidency of the G-20. This article summarises the EU paper.

Background, context and state of play

Raw materials are an essential component of industrial production and innovation, which generates a big share of growth and employment in many economies. Over the past decade, the rapid rise in demand for raw materials has highlighted their importance. Demand soared in the pre-crisis boom years before declining sharply when the crisis hit in 2008. It is now taking off again, driven in particular by the rapid industrialisation and urbanisation in many parts of the world.

Balanced global economic development depends on a global market and an open trading system for raw materials that is undistorted, sustainable and transparent. WTO figures for 2008 show that natural resources account for 24% of total merchandise trade, with raw materials representing around a fifth of this share. Given the major differences in resource endowments across the world, interdependence is real and unavoidable for all economies. No country is fully – or even largely – self-sufficient in all the raw materials it needs to sustain its economic growth. Our economies need to import in order to export. The G-20 as a forum that guarantees inclusion of both users and producers of raw materials is therefore particularly well-placed to promote international dialogue in this area.

As technology advances, all countries' needs for raw materials expand and diversify. This includes the rapid diffusion of new environmentally-friendly technologies that boost energy efficiency and reduce greenhouse gas emissions. For example,

platinum is used in car catalysts, lithium in batteries for electric cars, and gallium in solar panels. Global demand for raw materials resulting from foreseeable technical innovations is expected to increase significantly in coming years.

Increased recycling, the promotion of resource-efficient technologies and research into substitutes should help meet the expected growth in raw materials demand. This will, nevertheless, need to be accompanied by a further increase in global production of primary raw materials. Without reliable supplies, manufacturing cannot perform adequately. This would put at risk sustained and evenly distributed economic growth.

Against this background, an international co-ordinated response involving a number of different policy areas and activities needs to be developed. Given the interdependence between countries and the connections between different policy strands, and given that raw materials are fundamental to the successful functioning of the world economy, there is a need to identify how best to promote a better international framework and closer cooperation, pulling together activities in various fora.

The G-20 is already working intensively on other commodities, fossil fuels and food. Including raw materials in this work could improve the functioning of markets for all commodities.

Open and transparent global markets

The growing interdependence between countries using and supplying raw materials underlines the importance of ensuring that global markets are open and well-functioning, on the basis of known raw material flows, clear price signals and framed by clear, fair and transparent regulations.

A better shared understanding of global raw materials flows, the location of resources and raw material demand are essential to ensure the smooth functioning of materials markets. More accurate and timely market information will help industry and governments make better strategic decisions. In addition, it reduces the potential for market manipulation.

* *António Cabral is Senior Adviser to the President of the European Commission.*

The G-20 can support the collection, dissemination, and quality assurance of global information that builds on existing member governments' data collection processes. For example, enhanced cooperation among national geological services could substantially improve collective knowledge on the availability of raw materials and facilitate the identification of resource location.

This goes in tandem with key investment and supply decisions which have a major influence on efficiency, innovation and demand. Open trade and investment ensure that when countries need raw materials, they can access them on a fair basis – but also, that when countries supply raw materials, they receive fair returns, maximising the economic and social benefits of their resource endowments. All countries are – at different times and for different materials – both buyers and suppliers.

While public policy challenges and priorities may differ according to an economy's stage of development, there is clearly a shared interest in engaging in further international cooperation. The cross-border free flows of raw materials are a cornerstone of the 21st century global economy.

Responsible development

Balanced and mutually beneficial partnerships between raw materials producing and consuming countries can create win-win situations: satisfying the need for a sustainable supply, and creating opportunities that generate resources in support of sustainable development, inclusive growth and poverty reduction.

As the body representing the major industrialised and newly industrialised countries, the G-20 bears particular responsibility for the conscientious use of the world's resource wealth. It should therefore discuss relevant issues such as standards governing raw materials extraction, how to promote technological cooperation (appropriate transfer of technology and expertise), and measures for increased cooperation on establishing the relevant institutions required.

In resource-rich countries, upstream value creation and positive spill-over effects from extractive activities should further enable economic diversification and industrialisation, business capacity building, innovation, skills and jobs.

Enhancing governance and transparency – solid institutions together with consultations of stakeholders – as well as the trade and investment climate in the raw materials sector is also essential.

International cooperation can contribute to exchanging best practices and developing standards in supporting and promoting good governance, environmentally sound technologies, and transparency in this sector. This could be achieved via responsible economic development (including a stable legal, regulatory, and fiscal environment that facilitates investment in local value creation), and the transfer of technology and expertise where necessary for the extraction and local processing of raw materials.

Examples of initiatives driven by industry are the Extractive Industries Transparency Initiative (EITI), industry-specific codes of conduct, and corporate social responsibility initiatives. The Africa-EU cooperation in the area of raw materials, under the Africa-EU Joint Strategy 2011-13, is an example of a government-driven initiative.

Coordination and cooperation with international organisations and multilateral development banks such as the IMF, the World Bank, and the African Development Bank should be promoted. Efforts also need to be made to support developing countries in meeting their needs for transport, energy and environmental infrastructure.

Making supplies sustainable

Mining will continue to play a vital role in meeting increasing demand for raw materials. Efforts are needed to ensure that sustainable mining contributes to sustainable development. Recycling, substitution and resource efficiency can reduce the pressure on demand for primary raw materials, help reuse valuable materials which would otherwise be wasted, and soften the environmental impact of mining, energy consumption and greenhouse gas emissions.

Developing substitutes, especially environmentally-friendly ones, may also help. Universal answers will be needed to improve resource efficiency, adapt the eco-design of products, promote recycling and ensure sound waste treatment worldwide, and prevent illegal export of waste.

2 Réguler les marchés des matières premières

Par Xavier Musca*

Nous ne pouvons plus ignorer la volatilité des prix des matières premières qui s'est grandement accentuée ces dernières années. En 2008, les cours du pétrole ont été divisés par trois en six mois, passant de 140 dollars à 40 dollars le baril de Brent alors que la consommation d'énergie, elle, n'a pas été divisée par trois en six mois. En parallèle, la volatilité des prix des matières premières agricoles a été multipliée par trois au cours des vingt dernières années.

La volatilité excessive des cours conduit à une mauvaise allocation des ressources et pénalise les investissements car elle perturbe les anticipations de prix et maintient un haut niveau d'incertitudes. La volatilité excessive déstabilise aussi les banques centrales qui font face à des poussées inflationnistes difficiles à anticiper et encore plus difficiles à maîtriser. Or, les marchés financiers dérivés de matières premières qui ont connu un développement sans précédent, ne fournissent pas les instruments de couverture efficaces du risque car ce sont encore des marchés opaques et mal régulés qui laissent la place à des manipulations de cours et à des abus de marché difficiles à surveiller.

En outre, la hausse des prix des matières premières agricoles et énergétiques met en danger la sécurité alimentaire, la croissance économique et la stabilité sociale mondiale. Tous les indicateurs ont atteint des records, qu'il s'agisse des prix des matières premières agricoles qui s'établissent à des niveaux supérieurs à ceux de juin 2008 qui avaient provoqué des émeutes de la faim, ou des prix du pétrole qui ont repris une dynamique de hausse soutenue après le point bas de 2009. Les conséquences sur la reprise de la croissance et sur les populations les plus vulnérables sont dramatiques.

Enfin, nous devons préparer l'avenir dès aujourd'hui si nous voulons que la planète puisse nourrir les neuf milliards d'hommes et de femmes que comptera notre planète en 2050 : nous savons qu'il nous faut augmenter la production agricole mondiale de 70% pour cela. Nous ne pourrions pas le faire en un jour.

Les propositions de la présidence française

Pour la présidence française du G-20, il ne s'agit pas de contester le fonctionnement des marchés de matières premières mais de pallier leurs défaillances dans un contexte de montée des risques. Le G-20 doit apporter des réponses : il s'est engagé au Sommet de Séoul à améliorer le fonctionnement des marchés d'hydrocarbures, à renforcer la régulation financière et à assurer la sécurité alimentaire.

L'Union européenne doit être un moteur dans ces domaines. Trois domaines d'actions sont à investir. La présidence française du G-20 en a fait ses priorités :

- *les marchés physiques* : il faut accroître leur transparence, que ce soit sur les stocks, la demande ou l'offre.

Le marché du pétrole nous fournit un exemple de dialogue entre producteurs et consommateurs et d'effort de transparence sur les données avec « JODI » (Joint Oil Data Initiative). Cette initiative doit être encore renforcée afin de fournir des données plus fiables, plus complètes, plus rapidement et plus régulièrement. De même le dialogue au sein du Forum international de l'énergie doit continuer à être promu. Ces dispositifs gagneront à être étendus aux autres matières premières fossiles.

Dans le domaine des matières premières agricoles, les ministres de l'agriculture du G-20 proposeront à l'issue de leur réunion des 22 et 23 juin 2011 la mise en place d'une base de données publique « AMIS » (Agricultural Market Information System) rassemblant les données de production, de consommation et de stocks, y compris privés, au niveau mondial.

Cette base de données serait hébergée à l'Organisation des Nations Unies pour l'alimentation et l'agriculture qui disposerait ainsi d'un véritable outil pour prévenir les crises alimentaires et instaurer des mécanismes d'alerte. AMIS permettrait aussi d'apporter plus d'informations aux producteurs, aux importateurs et aux acteurs de

* Xavier Musca est Secrétaire Général de l'Elysée et Sherpa du Président de la République Française pour le G-20.

marchés, limitant les phénomènes de paniques, en cas d'incident climatique par exemple, la volatilité et les tensions et permettant des décisions d'investissement plus rationnelles.

- *les marchés dérivés* de matières premières : il faut renforcer leur régulation et leur supervision.

Au Sommet de Pittsburgh en septembre 2009, le G-20 a pris l'engagement d'améliorer la régulation, le fonctionnement et la transparence des marchés. Réguler les marchés financiers, cela signifie aussi réguler les marchés de produits dérivés de matières premières. On ne peut plus les ignorer car les volumes qui y sont échangés sont désormais colossaux.

Il est nécessaire que le G-20 adopte des principes communs de régulation pour l'ensemble des marchés d'instruments financiers dérivés de matières premières et que ces principes soient ensuite mis en œuvre dans les législations nationales ou régionales, au sein de l'Union européenne en particulier.

Ces règles communes doivent permettre de lutter contre les manipulations de cours et contre les abus de marché. L'établissement de limites de position pourrait constituer une réponse utile à cet égard ; les solutions retenues par les États-Unis avec la loi Dodd-Frank méritent d'être saluées.

- *la sécurité alimentaire* : il faut l'assurer pour les pays les plus vulnérables aujourd'hui et travailler à la sécurité alimentaire de long terme pour faire face à la dynamique de la population mondiale.

Suite aux travaux des organisations internationales mandatées par le G-20 à Séoul, les ministres de l'agriculture du G-20 seront en mesure de proposer un plan d'actions global à l'issue de leur rencontre des 22 et 23 juin 2011.

La présidence française s'attachera à ce que ce plan d'actions aborde l'ensemble des questions agricoles dans toutes leurs dimensions. L'objectif est d'encourager la production agricole, d'accélérer les gains de productivité agricole, d'améliorer la prévention et la gestion des crises alimentaires notamment via l'interdiction des restrictions aux exportations en cas de crise humanitaire et de faciliter le recours à des instruments financiers pour pallier les effets de la volatilité des prix sur les populations les plus vulnérables.

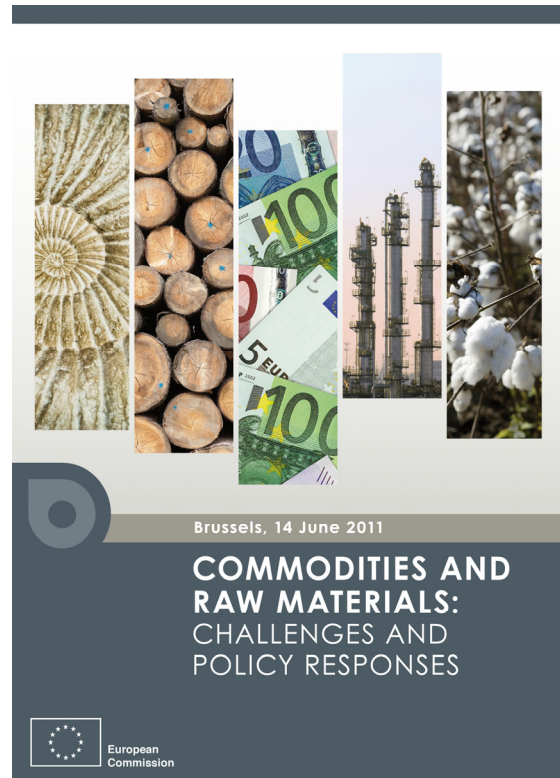
La présidence française fera également en sorte que la gouvernance et la coordination des organisations internationales en charge des enjeux alimentaires et agricoles soient renforcées par le plan d'actions du G-20.

L'Europe doit montrer l'exemple

La France, en tant que présidente du G-20, mais aussi l'Union européenne qui est un acteur majeur au plan international, doivent montrer l'exemple. Nous devons produire toutes les données utiles sur nos marchés de matières premières.

Nous devons aussi être à la pointe de la régulation des marchés dérivés en avançant sur les projets de directives et de règlements européens qui constitueront des bases solides pour faire des marchés financiers européens des marchés plus efficaces et plus attractifs.

Nous devons enfin assumer notre rôle de producteur, d'importateur et de bailleur majeur afin de contribuer à améliorer la sécurité alimentaire mondiale.



3 Solving the resource puzzle

By Reinhard Bütikofer*

Back in 2009, resource security was still a niche confined to a handful of experts. Since then, it has dramatically entered the mainstream. Policymakers all over the world have finally understood the relevance of raw materials as an essential pillar of any comprehensive industrial policy. Hitherto little known minerals, such as the rare earth elements, have received ample coverage by the media. Having turned into a topic of regular political small talk, no self-respecting consultancy or think tank can today afford to ignore this issue.

In this context, a panoply of national resource strategies is emerging. EU Member States Germany, Finland, and the Netherlands have already put theirs on the table. Japan published its strategy last year, backing it with a \$1 billion dollar strong budget. The US Congress is currently considering four legislative proposals. The European Commission communicated its raw materials policy last February, and the European Parliament is also entering the fray with its current deliberations on a Report on raw materials.

While national policies have continuously progressed in the field of raw materials, the G-20 has so far failed to prominently address the issue – despite the fact that a large business coalition, spearheaded by the US Chamber of Commerce, attempted to force the topic on the agenda of the Seoul summit in 2010. Now Paris, with its current G-20 Presidency, hopes to put the matter up for debate again – this time, with a special focus on agricultural commodities and commodity speculation. All of these resource policies and discussions share one distinctive commonality: they showcase that the debate oscillates, by and large, between two aspects: foreign supply-side measures focusing on access to resources, and demand-side measures such as resource efficiency and recycling. Access to raw materials (particularly access to reasonably priced raw materials) has by far received the lion's share of industrialists' and policymakers' attention.

This comes as no surprise. After all, it is the decreasing access to raw materials – due in part to

increasing export quotas and taxes – that sparked the whole debate. Demand-side measures such as resource efficiency or cradle-to-cradle recycling have received less attention in this context. One particular example is the European Commission's EU-2020 Strategy, where the European Parliament had to fight hard with the Commission only to get an explicit mentioning of resource efficiency. Prioritizing access to raw materials, however, does not come without some of its own historical baggage. Many development NGOs, for example, see such a prioritization as sowing the seeds for a new wave of neo-colonialism.

Reframing the discourse

It is in this context that the framing of the international discourse on raw materials becomes crucial. An excessive and self-serving focus on accessing foreign supplies will do little more than promote an antagonistic, Manichean scramble for resources. Pushing resource efficiency to the centre of the debate, on the other hand, would reduce the likelihood of such a scenario – while simultaneously contributing to our transformation into a low-carbon, efficient and competitive economy. Increasing industrial efficiency will, after all, play an increasingly important role in ensuring resource security.

Take the example of rare earths. By now, everybody knows that 97 per cent of these indispensable minerals – vital for the high-tech and green industry – are produced in China. This was not always the case. Beijing systematically built up its current monopoly over the last 20 years, while we in the West were naively pleased with importing these resources on the cheap and leaving the Chinese to deal with the associated environmental problems – never mind the fact that rare earths are not rare with deposits existing in a wide range of countries such as the United States, Canada, India, Vietnam, Kazakhstan, Greenland, and even Sweden.

Intent on no longer being the West's resource appendage, however, China is increasingly claiming

* Reinhard Bütikofer is a German MEP and the Rapporteur on Raw Materials in the European Parliament

the lion's share of its domestic production as it builds up its own value chain: hence the increasing export quotas and tariffs. In addition, Beijing is using this leverage also as a tool for power projection, as it did when it blocked exports to Japan.

But, even if there were unrestricted access to Chinese rare earths, this would only be of temporary benefit. The drastic development of "green" technologies is increasing global demand. While in 2010 demand equaled around 120,000 tons per annum, current projections predict a nearly double demand in the coming years, with production hardly keeping pace. Within the next decade, even China is expected to become a net importer of rare earths.

It is in this context that, besides diversifying sources, efficiency strategies to reduce our demand will be of utmost importance. Practical strategies for the recycling of rare earths, for example, will have to be implemented – as proposed by the Berlin-based Oeko-Institut in a study commissioned by the Greens in the European Parliament.

Rethinking the approach

The West will also have to rethink its approach to accessing raw materials in a more general sense. If it wants to ensure an adequate and reliable supply from foreign sources, it will have to offer mutually beneficial partnerships to resource-rich countries and respect these countries' resource sovereignty. China bashing will not bring any tangible results. And while the WTO dispute settlement mechanism provides a specific recourse to action, it is unable to solve the general problem of increasing international competition over resources. China, after all, is not the only competitor. India is also quietly following in China's footsteps – as are Brazil and Argentina.

Regrettably, this situation of increasing competition over resources is also inadequately addressed at international level. There is a real lacuna regarding global governance on raw materials, in spite of the fact that this is desperately needed. An international platform where grievances can be voiced, mutual understanding increased and, ideally, some common rules set would help contain a worsening scramble for resources. Several fora

already exist, such as the OECD, the International Metal Study Groups, or the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (MMMSD). But none of them includes all the necessary players from the industrial, emerging and developing countries. Something more akin to the International Energy Forum (IEF) – which includes energy ministers from 86 countries – is needed for metals and other important minerals.

In this context the G-20, under the leadership of its current French Presidency, should either press for the establishment of a new international forum on raw materials or upgrade the existing MMMSD to include at least more EU Member States, the United States, China and Australia. As an interim step, the European Commission should already support both widening the scope of the International Metals Study Group (currently focusing on copper, lead, zinc and nickel) – to include other metals such as iron and other high-technology metals – and increasing their membership. Track II diplomacy should also be reinforced by supporting exchanges between academics, non-governmental organizations and think tanks among resource-relevant industrial, emerging and developing countries.

All these measures should be in the interest of everybody. After all, no country is completely autarchic in today's interdependent world; industrialized, emerging and developing countries have a shared interest in improving i.a. statistics on supply and demand (as indeed the IEF is doing with its Joint Oil Data Initiative) as well as good governance and transparency in commodity markets. To paraphrase Winston Churchill: a forum for dialogue is needed for countries to jaw-jaw rather than war-war over raw materials.

The times when the economic heavyweights of the West could guarantee open doors to resources are over. With globalization, a new wave of industrial countries is emerging. If we continue our current use of raw materials and do not engage in an open and mutually beneficial dialogue, scrambling for (and possibly fighting over) resources will be inevitable. This is particularly the case as our global environment will not be able to cope with the new industrial countries producing as resource-intensely as we currently do.

4 Decoupling: the new IRP Report

By Ernst Ulrich von Weizsäcker *

The International Resource Panel, an independent scientific body set up by the United Nations Environment Programme (UNEP), has published a new Report on decoupling human well-being from resource consumption. The lead authors are Professors Mark Swilling (South Africa) and Marina Fischer-Kowalski (Austria).

The Report collects facts about long term trends on resource use. It shows that in the past resource consumption and gross domestic product (GDP) typically grew hand in hand. Only in more recent times some “relative decoupling” of the two can be detected – and can be explained primarily through saturation phenomena. Early phases of economic development tend to be more resource-intensive, for instance through the build-up of infrastructure. The key “decoupling” figure for the past 30 years is that, globally, some 25 per cent less materials were needed for the same GDP turnover in 2002 as compared to 1980.

The Report addresses four classes of material resources: construction materials, ores and industrial minerals, fossil fuels, and biomass. Together, they are extracted at a rate of 60 billion metric tons per year, and the figure is growing steadily. Total material extraction grew eightfold in the course of the 20th century. Resource prices declined in the same period by at least 30 per cent. The McKinsey Global Institute estimates the decline of prices as reaching 60 per cent.

Since the turn of the millennium, however, prices have been rising – bar a short break during the 2008/09 financial crisis. One of the strongest drivers of the recent price increase was the massive entry into commodities markets of China and India as purchasers of natural resources. As nobody expects this trend to be discontinued, predictions see prices rising further in the foreseeable future. This is one of the most important reasons for “decoupling”, notably in those countries that are heavily dependent on the import of raw materials.

Best practice and better future

The body of the Report, in line with the mandate of the Panel, is cautious about policy recommendations. But four case studies included in the Report – on decoupling policies in China, Germany, Japan, and South Africa – show that government action can help speed up decoupling. In developing countries the efforts to decouple economic output from material resource and energy inputs remain modest for the time being, whereas Germany has made serious efforts to make its economy less energy-intensive and Japan has been quite successful in reducing material resource intensity.

One of the instruments adopted in Germany has been a five-step ecological tax reform making energy more and labour less expensive, thus leading to a net gain of roughly 300,000 jobs. In Japan the main political intervention was a set of legal instruments often characterized by the “3R” doctrine: “reduce, re-use, recycle”. In 2009 China sort of copied the Japanese legislation for the “cyclical economy”. Moreover, in its 11th Five Year Plan, China made a commitment to reduce the overall energy intensity of the economy by 20 per cent. This goal was more or less achieved by 2010 and has now its follow-up commitments in the 12th Five Year Plan.

The Report is full of facts and figures, including fancy graphs on current global trends of resource consumption, and offers different scenarios for future trends. It also makes clear that active policies should be adopted at country level to reduce resource-intensity considerably faster than has been the case in the past.

The Panel is currently working on two more reports: one focusing on technologies and policies of decoupling, and the other on decoupling at city level.

The first decoupling Report (both a full and a shortened version) can be downloaded from <http://www.unep.org/resourcepanel/decoupling/>

* Ernst Ulrich von Weizsäcker is Co-Chair of the International Resource Panel

5 Think Tank Twitter

Think Tank Twitter (TTT) aims to provide regular information and updates on what is produced by think tanks and research centres across Europe (and beyond) on EU policy issues. As an analogy to the original Twitter, each summary – or tweet – does not exceed 140 words, rather than characters. Those who wish to signal new publications for possible inclusion can send them to the email address bepa-think-tank-twitter@ec.europa.eu

Resource scarcity – A global security threat?

In line with the EU recognition that “competition for natural resources is a global challenge, this paper focuses on the potential for conflict among countries as a result of increased competition for and shortage of natural resources. The paper indicates how to contain and regulate such conflicts. The enumerated causes of conflict include: unequal distribution and access to natural resources; price fluctuations of natural resources; control over resource competition; perception of scarcity; and problem-solving capacities of key stakeholders. Recommendations embrace an integrated and inter-departmental approach to resource strategy that ties together economic and development policy, foreign and security policy, environmental and technology policy. Such an approach should rest on three pillars: good resource management, comprehensive resource governance and robust conflict regulation.

http://www.swp-berlin.org/fileadmin/contents/products/research_papers/2011_RP02_lag_mdn_rsv_ks.pdf

Rare earths and clean energy: Analyzing China’s upper hand

The report takes a comparative geopolitical look at the rare earth crisis from a Japanese, American and European angle and highlights their relative comparative position. It concludes that only China has thus far recognised the significance of rare earth metals, which constitute fundamental components in the latest generations of technologies and in the fields of defence and energy. China has succeeded in gaining a near monopoly on their production, much to the disadvantage to the rest of the world. Furthermore, China has increasingly limited the rest of the world’s access to rare earth elements. This paper emphasises the need for debate on raw materials and urges rare earth consuming countries to develop their supplies outside China and thus pre-empt destabilising shortcomings in the near future.

www.ifri.org/downloads/noteenergieseaman.pdf

Rare earth metals and US national security

The report outlines the national risks of US reliance on China as the sole supplier of rare earth metals, which are essential to US military and economic needs. It urges US policymakers to develop a coherent, long-term strategy to reduce US dependence on rare earth metals from China. The report asserts that the first nation or defence company to develop an effective and reliable rare earth substitute or more efficient technologies will gain a competitive advantage. It recommends that the US immediately stockpile rare earths and develop new mines; encourage increased international cooperation; file a case against China in the WTO; develop rare earth substitutes used in defence systems that do not compromise performance; and develop new technologies that increase the efficiency of rare earth metals and allow for their better recycling.

<http://americansecurityproject.org/wp-content/uploads/2011/02/Rare-Earth-Metals-and-US-Security-FINAL.pdf>

Scarcity of Minerals – A strategic security issue

This report looks at whether minerals may be scarce in the near future and the geopolitical and security implications this may have. It argues that scarcity of minerals is not about depleting existing stocks but about the amount of extraction that becomes profitable under existing market conditions. Scarcity also depends *inter alia* on mining technology, demand and production, supply, and the respective price of energy and minerals. The US and China pursue mineral policies that secure supplies, assuming growing scarcity, thus automatically distorting free market dynamics and tightening supply. The report concludes that in order to mitigate scarcity and prevent its harmful effects, prudent and long-term approaches rather than short-term actions based on fears of depleting reserves, are needed. A united European position on these issues should be actively promoted in multilateral fora.

<http://static.hcss.nl/files/uploads/49.pdf>

Shopping for raw materials: Should Africa be worried about EU raw materials initiative?

This paper focuses on the EC's Raw Material Initiative as a strategy to ensure undistorted access to natural resources from Africa, a region of strategic importance and a major supplier for the developed world and new emerging powers. Particular attention is paid to the Union's objective to eliminate export restrictions, a strategy that has raised concerns among African countries which believe it limits their policy space to respond to economic policy challenges, including moving up the value chain and developing downstream and infant industries. Just as raw materials are essential for the development of the EU, they are even more so for Africa. While the EU needs to continue to seek access to raw materials, this should not come at the expense of Africa's own development.

[http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/3AAAD0B0700CAFE6C1257837004D9511/\\$FILE/DP105_RawMaterials_final.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/3AAAD0B0700CAFE6C1257837004D9511/$FILE/DP105_RawMaterials_final.pdf)

Libya: Too Hot to Handle

The reports points to the challenges the international community faces in tackling the current intervention in Libya, especially for European countries that lead diplomatic efforts against Qaddafi. It emphasises that the international community has not learned from past interventions in Iraq and in Afghanistan. The crisis demonstrates that despite unified condemnation of Qaddafi's rule of Libya, deep divisions exist among and within NATO, the EU and the arrayed coalition itself. While this operation is both high-risk and potentially high-gain, it is not proven that Qaddafi has completely lost popular support or that the opposition speaks on behalf of the majority of Libyans. As the awakening wave sweeps the Middle East, events in Libya set a precedent for other Arab countries and citizens, torn between their quest for democracy and reluctance to accept outside intervention.

http://www.pism.pl/files/?id_plik=6303

Egypt's hybrid revolution: A bolder EU Approach

The report argues that, while European leaders have realised that Arab transitional states deserve help – money, market access and easier travel – proposals so far tabled do not measure up. It calls on the EU to offer Egypt a task force to look into the crucial issue of market access, since Egypt's battered economy needs better opportunities to sell to Europe. It also recommends that the EU considers the possibility of cancelling Egypt's crippling debt, in exchange for a programme of benchmarked reform. The report calls for the creation of a European Endowment for Democracy that supports institution-building and democracy without picking (and tainting) Western-backed winners. A longer term vision of constructive relations between the north and south shores of the Mediterranean, based on enlightened European self-interest rather than simple altruism, is also needed.

<http://www.ecfr.eu/page/-/Egypt%20brief%20PDF%20060511.pdf>

Integration or Imitation? EU policy towards its Eastern Neighbours

The paper takes stock of the EU's policy towards its Eastern neighbours from 2004 to 2011. It outlines the major challenges which any strategy aimed at drawing the region closer to the EU must face and then analyses actions taken by the EU towards Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan (for the period during which they are considered EU neighbours). The report argues that since 2004 the EU has certainly intensified its activity towards and in Eastern Europe. These activities, however, have led above all to the development of a network of contacts and a set of instruments for policy implementation. While the EU has also taken some preventive actions to stop conflict escalation and contain authoritarian tendencies in the region, the real integration process has been very limited.

<http://www.osw.waw.pl/en/publikacje/osw-studies/2011-04-02/integration-or-imitation>

6 BEPA News

Départs

Dana Puia Morel a quitté l'équipe Outreach du BEPA pour rejoindre la DG Entreprise et Industrie où elle travaillera sur le dossier Europe 2020 et les politiques de compétitivité nationale.

Evénements

Le directeur général du BEPA Jean-Claude Thébault s'est rendu à Beijing du 3 au 6 mai pour des rencontres bilatérales avec des membres du gouvernement chinois et des experts de *think tanks*. Dans le cadre de cette visite, le BEPA a signé un protocole d'entente et de coopération avec le Bureau des Conseillers du Conseil des Affaires d'Etat (COSC). M. Thébault a également participé à une conférence internationale portant sur les perspectives croisées pour la Chine et l'UE à l'horizon 2030, organisée par le COSC et la Délégation de l'UE en Chine.

Le 3 mai, le BEPA a rencontré une délégation de la Fondation sur le Développement Economique (IKV), y compris des membres de la société civile turque. Cette délégation était en visite à Bruxelles afin de contribuer aux discussions sur les relations entre l'UE et la Turquie qui ont eu lieu au Parlement européen.

Le 12 mai, le BEPA en coopération avec l'Institut d'Etudes de Sécurité de l'UE (EUISS) a organisé un séminaire qui a abordé les défis que pose le projet démocratique dans le bassin sud de la Méditerranée, se focalisant tout particulièrement sur les tendances économiques et sociales. On comptait parmi les orateurs des experts de la Banque mondiale, de la Banque européenne d'investissement, du Service d'action extérieure, de la DG DEVCO et de l'université du Caire.

Le 16 mai, le BEPA a participé à la 7^e réunion du groupe de travail interinstitutionnel du projet ESPAS qui a eu lieu au Parlement européen.

Du 22 au 24 mai, le BEPA était représenté, au travers de son directeur adjoint Margaritis Schinas, à une conférence internationale qui s'est déroulée près de Washington, DC et portait sur les tendances mondiales 2030. Cet événement, organisé par l'Atlantic Council, le National

Intelligence Council (NIC), le Bureau du Département d'Etat pour le renseignement et la recherche (INR) et la Fondation Stanley a rassemblé des experts de laboratoires d'idées et des gouvernements d'Asie, Afrique, Amérique latine, Europe, Eurasie et Amérique du Nord.

Le 30 mai, le Président Barroso a reçu des représentants de diverses communautés religieuses dans le contexte d'une réunion de haut niveau qu'il présidait avec les présidents du Parlement européen et du Conseil européen et qui était dédiée à "un partenariat pour la démocratie et la prospérité partagée : une volonté commune de promouvoir les droits et libertés démocratiques".

Activités à venir

Le 7 juin, le BEPA en coopération avec le Carnegie Endowment for International Peace organise le 2^e forum annuel sur les relations entre l'UE et la Russie. Des experts européens, russes et américains réfléchiront notamment au rôle de la Russie d'ici 2020, aux relations énergétiques entre l'UE et la Russie et aux priorités transatlantiques.

Le 14 juin, le BEPA organise une conférence internationale sur "Les produits de base et les matières premières: les réponses politiques aux enjeux". La conférence servira de contribution aux discussions actuellement en cours au sein du G-20. Le Président Barroso et le Président français Sarkozy seront tous deux des intervenants principaux à cette conférence. Le vice-président Tajani, les Commissaires Cioloș, Oettinger, Barnier et de Gucht et des représentants de haut niveau de gouvernements, de l'industrie, du secteur financier, d'associations professionnelles ainsi que des leaders d'opinion influents de l'Australie, Afrique, Chine, Brésil, Russie et des Etats-Unis ont également accepté de participer à cet événement.

Le 27 juin, le BEPA et les entités fédératives des Eglises chrétiennes (COMECE) organisent un débat sur le thème "L'inclusion des Roms: un besoin, un défi et un devoir". Le séminaire vise à identifier la contribution des Eglises – notamment de l'Eglise catholique romaine – à la stratégie de l'UE pour l'intégration des populations Roms.