

# Free Trade Agreements with third countries

## Recommendations for Critical Raw Materials

### Introduction

Eurometaux, Europe's metals association, is supportive of the EU Critical Raw Materials Act's approach to developing local raw materials supply chains while diversifying global imports. Both will be necessary to secure the necessary metals supply for Europe's strategic manufacturing goals.

New free trade agreements are one important tool for securing a reliable global supply of materials. However, we are concerned that the European Commission's recent negotiations may not be fully aligned with the goals of the Critical Raw Materials Act. This misalignment could potentially harm Europe's existing strategic raw materials production.

In this paper, we provide our overall recommendations for the European Commission supporting the goals of its Critical Raw Materials Act through its free trade agreements and negotiations.

### Our five key messages

We call on the EU Commission to take into account the following points that are important for Critical Raw Materials success when negotiating Free Trade Agreements with third countries:

- 1. Take a tailored approach for tariff liberalisation:** EU decision-makers should pay careful attention to the EU's existing industrial capacity for strategic/critical raw materials when negotiating trade agreements with third countries. In order to unleash the full potential of future FTAs, a tailored approach in trade discussions is needed for the raw materials prioritised by the Critical Raw Materials Act.

The EU Commission should distinguish between critical raw materials where the primary goal is to preserve Europe's existing manufacturing industry (e.g., aluminium, silicon, base metal mining), and those where the EU currently lacks adequate industrial capacity. For raw materials whose domestic production is already battling unfair global competition, the EU must avoid unwarranted tariff liberalisation. Such liberalisation would further increase import dependency and exacerbate the current deindustrialisation trend.

Differently, for those raw materials where the EU will not have an adequate domestic capacity for the short-to medium-term, the liberalisation of existing trade tariffs may in specific cases be necessary to help secure sufficient supplies for climate and digital objectives (for example, certain battery raw materials). The European Commission must in all cases stay agile to adapt its trade policy approach to the developments in its domestic raw material supply chains.

Overall, we call on the EU Commission to adopt a tailored European industry value chain approach to tariff liberalisation for critical and strategic raw materials in its FTA negotiations.



**Example: EU-India Free Trade Agreement and aluminium**

Particular attention should be dedicated to the EU Commission’s proposal to remove tariffs in Chapter 76 in the framework of the EU-India FTA. The European aluminium industry is still recovering from the energy crisis, which led to a 50% reduction in primary aluminium production. In alignment with the objectives of the Critical Raw Materials Act, a consolidated EU domestic production of aluminium is crucial for achieving the EU green and digital transition.

Given India’s reliance on coal for aluminium production, opening the EU market to duty-free Indian aluminium would hinder the EU's goals for a carbon-neutral industry and undermine its efforts to promote higher sustainability standards. Moreover, the rapid expansion of the Indian primary aluminium industry, coupled with the risk of overcapacity, poses a significant threat to the competitiveness of the European industry.

Therefore, the removal of tariffs on aluminium in the EU-India FTA would jeopardise the resilience of the European aluminium industry, hinder efforts by European companies to revamp their operations and increase overall EU aluminium import dependency.

- 2. Ensure stricter Rules of Origin:** The EU must uphold stricter Rules of Origin in trade negotiations with third countries. Specifically, we reaffirm our stance on advocating stricter Rules of Origin for chapters 71, 74 – 81 and oppose any relaxation of these rules.

Relaxing the rules of origin for products coming from third countries could disrupt the EU’s metal producers and recyclers, as it would enable these products to attain origin status and enter the EU market under preferential conditions. Therefore, the EU should utilise the Rules of Origin outlined in the PEM Convention as a guiding framework for negotiating FTAs with partner countries.

- 3. Promote fair competition for EU companies:** To ensure that European industries fully benefit from FTAs, it’s crucial to establish a level playing field among all parties involved. European companies often encounter unfair practices like illegal subsidies, dumping and export restrictions, leading to global distortions and unfair competition. Therefore, we urge EU authorities to take necessary measures to ensure that European companies can compete on equal footing with businesses from other countries.
- 4. Prioritise the inclusion of clear sustainability standards:** Modern EU FTAs favour the inclusion of Trade and Sustainable Development (TSD) Chapters to enhance the protection of climate, environment and labour rights. As such, the EU Commission should take the European sustainability standards and practices as the benchmark in the negotiations of TSD chapters in the FTAs. Europe must move on from gaining access to materials at the lowest price to the detriment of an on-par sustainability performance.

The absence of clear sustainability provisions and binding clauses on climate, chemicals, and circularity objectives in EU trade agreements may hinder the EU's competitiveness and undermine the EU Green



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Deal goals. Ambitious sustainability provisions and binding measures should be a key priority for the EU in trade negotiations.

However, the implementation of European sustainability standards should be accompanied by supporting measures to help third countries navigate the EU landscape and abide by it. This will foster third-country compliance with international, social and environmental standards and help restore a level playing field.

- 5. **Strengthen cooperation towards ambitious Trade Agreements:** These agreements should serve as catalysts for significant administrative and economic reforms that improve the overall business environment for companies. Additional measures are needed to tackle unfair trade practices, aggressive pricing strategies and overcapacities that affect the EU's competitiveness.

In addition, lowering standards or ambitions in trade negotiations would represent a major step backwards. With this in mind, we urge EU authorities to address key outstanding issues to achieve progress in the ongoing negotiations and pending ratifications of ambitious trade agreements, such as Mercosur.

