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Statement

Delivered by

Ms. Kimberley Botwright

Head, Sustainable Trade, World Economic Forum

World Economic Forum will soon issue a new white paper: *Translating critical raw material demand into development benefits.*

This white paper does three things:

1) It maps the evolving landscape in state-to-state critical raw material partnerships
2) Surfaces elements these partners might include to drive sustainable development
3) It reflects on how regional integration might encourage more investment in downstream industries beyond the extractive sector

The white paper is published by the Forum's Climate Trade Zero initiative – which is a public-private community of over 100+ experts on trade, climate change and investment.

The paper also benefited from inputs by the Securing Minerals for the Energy Transition (SMET) platform. The SMET community has identified 30 risks emerging from the supply-demand gap around critical minerals. They have further outlined 25 strategies to address these risks and 10 high priority actions.

As the race for energy-related CRM accelerates, the development community's key question should be: *how do we ensure broad benefits for developing countries, limiting negative environmental impacts?*

This white paper cannot provide all the answers. Rather, it is a starting point for various communities to engage in discussion, particularly when stakeholders may come at these topics with different perspectives and levels of understanding. A trade policymaker may not be familiar with critical mineral market challenges, nor will a mining company be able to track different countries' NDCs and what that means for their CRM supply chains (though they may have to get better at this)!

Let me dig into the three aspects of the paper in turn:

EVOLVING LANDSCAPE STATE-TO-STATE DEALS

For a range of reasons, states are getting more interested in intergovernmental deals on CRM. That mirrors a surge in unilateral commercial policy in this sector, although we should note that such interventions are not greater in the mining sector than for other materials, amid an increasingly complex geopolitical landscape.

Recent state-to-state deals can be characterised as:

- *investment focused* – where parties agree to jointly invest or provide public financing (including development assistance) for mining, processing or recycling projects. Example: The US-led Critical Minerals Security Partnership: India's CRM deal with Australia; or the MoUs through the EU Global Gateway such as with the DRC and Zambia
- *policy or market access* – where parties collaborate on key policy issues and provide access to domestic incentives. Example: Japan-USA CMA, potential EU-US CMA
- *data collection and analysis* – where parties collaborate around supply transparency and demand forecasts as well as risk analyses. Example: IEA Voluntary Critical Minerals Security Programme

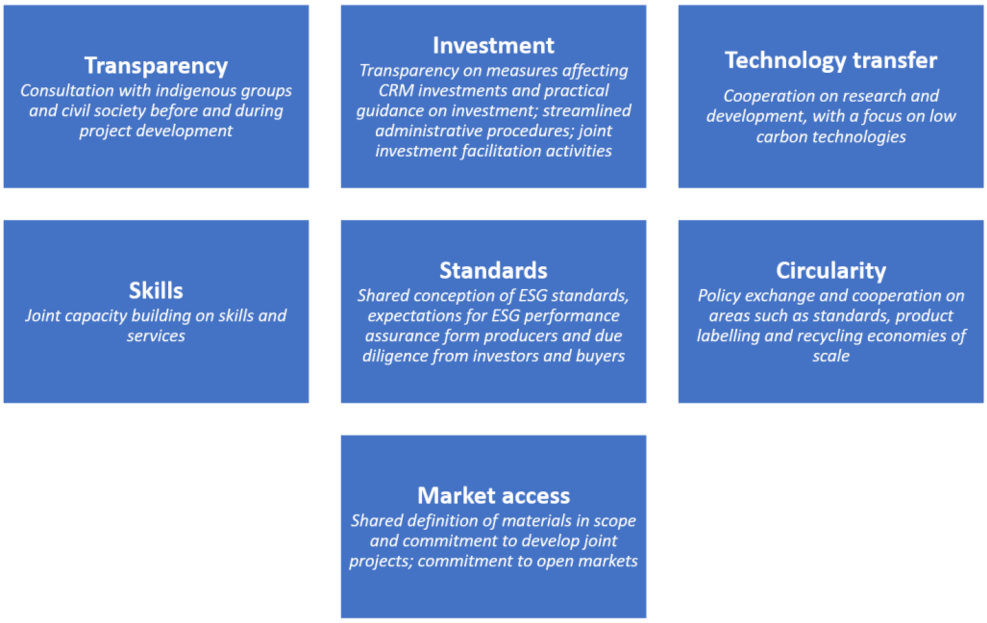
ELEMENTS TO INCLUDE FOR DEVELOPMENT

Important for parties to build a shared definition of "value addition". There is no global definition, but it is clear that economic value addition cannot come at the expense of environmental or social subtraction.

Many nations also want downstream investment. However, several considerations:

a) much value does come in a primary extraction phase, so downstream industrialisation policies need to be carefully considered based on market size and other factors, to avoid disruption
b) there are a range of factors that impact investor appetite and feasibility around downstream, including transport, green power availability, water constraints, among others
c) downstream investments may also look more interesting in some regions than others, based on the strength of x-regional value chains and manufacturing capacities

With these considerations in mind, partners should consider the following categories:



LEVERAGING REGIONAL INTEGRATION

Regional integration could create a larger market and encourage x-regional value chains that will be appealing to downstream industry investors.

Our white paper explores aspects of AfCFTA implementation:

Instrument(s) and tools	Relevance
Protocol on Trade in Goods; GTI; AfCFTA Automotive Task Force	*Leverage Africa's existing place in automotive value chains to attract investment in battery production and related electric vehicle component manufacturing*
Protocol on Investment, Article 6 (joint investment promotion)	*AfCFTA parties could leverage this instrument for regional value chain investment, such as in regional battery value chain and downstream manufacturing, among others. Parties could also create a unified geological data portal to enable better targeting of mining investment promotion*
Protocol on Investment, Article 7 (investment facilitation)	*Investment facilitation activities within the AfCFTA are not sector specific, but special attention to and campaigns around targeted projects could demonstrate a commitment to create stable conditions for industry investment. This should be done in parallel with efforts to encourage sustainable investment*
Protocol on Investment, Article 25 (labour, environment); Article 26 (climate)	*The Protocol on Investment includes provisions on minimum standards for the environment, labour and consumer protection. Demonstrating a commitment to adhere to these will encourage capital flow; the Protocol also encourage specific investment promotion for mitigation and adaptation that could be applied to focus on lower emissions mining activities*
Protocol on Trade in Services	*Cross-border movement of skilled labour can help ease operational costs and create greater market attractiveness for investments. Countries within the region can share mining expertise via services exports, while importers demonstrate the necessary resources are available. State Parties could prioritise these types of services in their ongoing liberalisation efforts on services trade*
Protocol on Trade in Goods; Protocol on Trade in Services	*Distribution and transportation are vital to a successful minerals value chain. AfCFTA Heads of State and Governments have endorsed a corridor approach to addressing outstanding trade facilitation challenges through the deal's implementation. That will include both border reforms as well as transport services liberalisation*

However, although these are good starting points, there are still some important questions for countries on the continent to consider:

Challenge	**Description**
Value chain assessment	More details are needed on which value chains should be targeted and to what extent current tariff reductions act as an incentive for regional activity. Further, Annex 5 of the Protocol on Trade in Goods establishes a reporting, monitoring and elimination mechanisms for non-tariff barriers, where traders can file complaints on specific trade obstacles. To what extent is there a need for and appetite to highlight NTBs around minerals-related value chains? Battery cell assembly and, eventually electric vehicle (EV) production, are one value chain to consider
Nationalism	As it stands, many countries in the region are looking to move up the minerals value chain, creating tensions between regional coordination and national interests. Are there specific areas where these tensions can be overcome, for example, through regional investment promotion?

Trust	Regional cooperation to secure spillover benefits from increased mining activity, such as improved infrastructure, social benefits or new capacities, requires trust between partners (between nations, as well as with the private sector, along a value chain). What mechanisms or approaches can be used to improve confidence in long-term benefit sharing?

FINAL WORD

There are several existing capacity building initiatives around sustainable mining, governance and contract negotiation. These are orchestrated by international organisations such as the World Bank Group, the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, among others, as well as civil society.

It would be helpful for stakeholders to examine how these programmes might dock into CRM partnerships or other trade policymaking forums.