

PRESS RELEASE: Immediate

The EU's New Scramble for Africa's natural resources will increase poverty

A new report –*The New Resource Grab* – commissioned by Comhlámh in alliance with other European CSOs, and launched on 29th November 2010, shows how the EU's new trade policy on raw materials will lock poor countries in a cycle of poverty by denying them the right to manage their natural resources in the best interest of their people and the environment.

Speaking at the launch of the report, Alfred Hickey M'Sichili, Comhlámh's Trade Policy Officer, said "At a time when Ireland is facing its own daunting challenge of having to push through economic recovery in the face of limited policy space, we think it is wrong that it should be allowing Europe to impose even stricter policy limitations upon the poorest of the world." He went on to say "The EU's raw materials strategy looks worryingly like a grab for raw materials, a new scramble for Africa that will increase poverty and hardship, and prevent poor countries from developing economically".

The EU wants to curb developing countries' ability to levy taxes on the exports of their raw materials or to regulate foreign investment. But export taxes and investment regulation are both widely recognized as legitimate policy tools for development and are allowed under World Trade Organisation (WTO) rules.

Developing countries use export taxes to raise much needed government revenue to fund development programs such as education and healthcare for their people. Most importantly, levying such taxes helps developing countries to develop manufacturing companies and processing industries by providing an incentive to keep raw materials in a country.

The Kenyan government, for example, recently introduced a 40% tax on the export of raw hides and skins to help develop its own leather industry. As the report outlines, the result so far has been impressive. Around 7,000 new jobs have been created in Nairobi's tanneries, incomes increased for a further 40,000 people in cottage industries, and Government earnings from the sector increased by more than €8 million. This diversification away from dependence on exporting unprocessed raw materials is what the EU says it wants to help developing countries achieve. Yet in 'free trade' negotiations with Kenya, and other developing countries, Brussels is pushing for severe limits on the use of these export taxes.

The EU is also seeking to limit the ability of poor countries to regulate foreign investment in the public interest and to protect the environment. Regulation of foreign investment, however, has long been recognized as a legitimate policy tool for development. The most economically successful countries, including EU member states, have often restricted foreign investment to promote industrialisation. In the past, most EU states banned foreign investment in some sectors and imposed limits on foreign ownership.

Developing countries, therefore, should be allowed the policy space to use policy instruments that have proved successful for developed economies. To deny them such a right, would be equivalent to

consigning developing countries and millions of the world's poor to continued poverty and destitution.

Comhlámh is asking members of the public to contact their elected representatives, both at local and European level, to voice their concern and ask them to push for reform of the EU's new trade policy on raw materials so that it reflects the development interests of the world's developing countries.

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For further information please contact Alfred Hickey M'Sichili (01-4783490 / 087 7553495, email: Alfred@comhlamh.org) & Fleachta Phelan (01-4783490; email: Fleachta@comhlamh.org)

Notes to the Editors

1. Comhlámh – The Association of Returned Development Workers – is based on the 2nd Floor, Ballast House Aston Quay, Dublin 2
2. The Report: *The New Resource Grab: How EU Trade Policy on Raw Materials is Undermining Development*, was commissioned by a coalition of European CSOs working on trade issues in the developing world, namely, Comhlámh (Ireland), Traidcrat (UK), AITEC (France), World Economy, Ecology & Development (Germany), and Oxfam (Germany)
3. The policy report can be accessed at:
<http://comhlamh.org/assets/files/pdfs/The%20New%20Resource%20Grab.pdf>
4. The EU is pushing developing countries to provide it with unrestricted access to raw materials at the behest of its own industries, in spite of the potentially dire ramifications for poor countries in Africa and other parts in the world. The EU's 'Raw Materials Initiative' heralds a new scramble for raw materials like platinum, rare earth minerals, wood, and hides and skins. The Initiative, now two years old, was further reinforced in Europe's new Trade Strategy published last month in Brussels. The European Commission has twice delayed a Communication on this topic, although one is now expected in the New Year.
5. Developing countries have for many years been resisting the EU's insistence on free trade, most recently at the EU-Africa Summit in Tripoli on 29-30 November. They are resisting the efforts of the EU to restrict their right to use export taxes, and have for many years expressed their opposition to negotiating investment agreements with the EU.
6. For more information on Comhlámh, visit: www.comhlamh.org & www.volunteeringoptions.org