Critical raw materials: Navigating the complexities
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The European Union aims to develop its own mining industry to reduce dependence on China for raw materials deemed essential to the bloc’s green transition. But successfully navigating the geopolitical and domestic complexities of raw material supply chains will be no small feat.

Read this EURACTIV special report to find out about EU plans to reinforce its raw materials supply chain and build new partnerships with producing countries.
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EU pushes alternative model to China in global race for raw materials

By Frédéric Simon | EURACTIV.com

The European Commission is looking to forge “win-win partnerships” with raw material-producing countries in a bid to develop new mining projects across the globe and reduce the bloc’s dependence on China.

Trade is “part of the solution” to the rise in demand for critical raw materials like cobalt, lithium and rare earths, that are needed for the green transition, said Leopoldo Rubinacci, deputy director general at the European Commission’s trade department.

Although necessary, EU efforts to increase mining at home “will never be enough” to meet all the demand coming from Europe, he told an event in Brussels hosted by the Friedrich Ebert Foundation, a think-tank affiliated with Germany’s Social Democratic Party (SPD).

“We will never be self-sufficient,” Rubinacci acknowledged, saying the EU would be wrong to close its market to protect its domestic mining industry. “On the contrary, we absolutely have to continue being open,” he said at the event, which took place on 24 May.

At the same time, Europe cannot be naïve and must also “act decisively against any attempt to restrict trade” in critical raw materials.
materials, the EU official added, referring to a recent OECD paper that found export duties rising “exponentially” over the past years.

Published in April, the OECD paper cited China, India, Argentina, Russia, Viet Nam, and Kazakhstan as the top six countries in the world regarding new export restrictions on critical raw materials in the period 2009-2020.

“And that creates a fundamental threat for us,” Rubinacci said.

The EU won a first case against China over raw materials at the World Trade Organisation (WTO) in 2012 and launched a second case the same year – alongside the United States and Japan – in reaction to Beijing’s export restrictions of rare earth metals.

But Rubinacci rejected accusations that the European Union was seeking to decouple from China.

“We have never said that decoupling was a good idea, never,” the official said. Instead, the EU is “talking about de-risking, not decoupling,” he added in reference to a March speech by European Commission President Ursula von der Leyen, which clarified the EU’s stance on China.

“Decoupling would be a mistake,” Rubinacci declared.

Providing an alternative to China

Europe has grown increasingly nervous as China tightened its stranglehold on global raw materials value chains and related green technologies such as solar panel manufacturing.

In the past decades, Beijing developed its domestic mining industry and acquired mines in Africa to expand its dominance in raw materials like cobalt and copper.

But China also suffered setbacks due to accusations of child labour in mines it operates in the Democratic Republic of Congo. Last year, a court suspended the Chinese owner of one of the world’s largest copper and cobalt mines in there in a dispute involving billions of unpaid royalty fees amid reports of declining worker safety and attempted bribery by the Chinese owners to cover up incidents.

What the EU is looking for, Rubinacci said, is to promote an alternative model for African countries and other raw material producers that makes European investors more attractive than Beijing.

That approach was laid down in the EU’s Critical Raw Materials Act, presented in March, which seeks to build a “win-win partnership” with resource-rich countries that is beneficial for both sides.

This includes the selection of “strategic projects” for raw materials mining, processing or recycling in Europe and foreign countries that will benefit from streamlined permitting processes and easier government financing under EU state aid rules.

“We have to propose something new – a new partnership that is not just about seeking to have access to the materials, then extract and leave,” Rubinacci explained, saying the EU was looking to ensure there is “local value addition” to mining activity for host countries.

For instance, the European Commission is currently working on a new strategic partnership with Chile for raw materials such as copper and lithium, which both appear on the EU’s list of critical raw materials, he said.

“And here, trade rules matter enormously,” Rubinacci added, saying those deals add legal security, transparency and enforceability to contracts in the area of raw materials mining, refining, and processing, which is “extremely risky”, with “huge capital” requirements and long lead times from inception to market.

Claude Chanson, general manager of Recharge, the European battery manufacturers association, said the industry welcomes the Commission’s focus on partnerships bringing added value to host countries.

“We are aiming to generate a new dimension of competition, which is a sustainability dimension,” he said, referring to the European battery regulation, which imposes sustainability and transparency standards for batteries including the origin of raw materials used in the manufacturing process.

The industry’s hope, he said, is that those standards will become worldwide so that European manufacturers can compete on a level playing field. And the sustainability dimension could be a way of making European manufacturers more competitive, he added.
Yet, there are plenty of questions as to how these new partnerships and standards will be enforced.

Diego Marin, a green campaigner at the European Environmental Bureau (EEB), praised the EU’s Critical Raw Materials Act for its comprehensive approach to new mining projects, which includes a development dimension involving countries in the Global South.

However, he also slammed the EU’s approach as “colonial greenwashing” because it doesn’t resolve the more fundamental issue of sovereign debt in the Global South, which is held by European and American banks.

“These countries are forced to sell their raw materials on the cheap because they have to service this foreign debt,” Marin said, criticising the role of Export Credit Agencies for fueling indebtedness in poor countries.

“There is a lack of transparency on how we’re going to fund these projects,” Marin said, questioning the benefits that new mining projects will actually bring to the Global South. “Is it even in their interest to provide these materials to the European market?” he wondered.

Chanson acknowledged issues related to poverty and child labour in the cobalt supply chain but said new transparency and traceability requirements for batteries in Europe “at some point will eliminate this type of business”.

The challenge for Europe, he said, will be to enforce those standards on imported goods and not only its home production. “We are worried that the custom controls will not be able to verify” the origin of raw materials, he said.
The energy map is being redrawn as geopolitical tensions continue to rise. How much room for manoeuvre does Europe have to tackle this challenge?

The climate is getting rougher. In an increasingly uncomfortable geopolitical and geo-economical world order, Europeans must carefully balance their strategic goals of security of supply, climate protection and competitiveness. Access to raw materials and energy imports plays a key role here. Without it, we risk losing our economic prosperity and social peace.

Claudia Detsch is the Head of the Competence Center for Climate and Social Justice of the Friedrich-Ebert-Stiftung in Brussels.

The elephant in the room is China. Whether in Africa, Latin America or Central Asia, wherever the West goes in search of much-needed raw materials, China is already there. And China will stay
there. Other global players are also intensifying their relations with the countries of the Global South. And they are adapting to new starting conditions. Until now, China has only seemed to be interested in raw materials and agricultural products in their unrefined state. These would simply be exported from the countries of origin to the People's Republic for further processing. But now China is clearly acting on its trading partners' wishes. The construction of a joint lithium-ion battery with a domestic company in Chile provides a taste of what's to come.

Europe will have a difficult balancing act to contend with here in the future. We want to meet our own high social and ecological standards in other parts of the world too, and not least promote our own values. This is also important in the geostrategic race of our time. Still, we must avoid appearing to lecture other countries on how they should act. Because that immediately creates a reputation of neo-imperialism and provokes resentment towards us.

The interests of local communities are often different from those of national governments. While communities are concerned with the negative impacts of resource extraction on health and livelihoods, governments are more interested in the positive impacts on national budgets and foreign exchange. The EU must find its way through this field of tension. And it must also keep the big picture in mind. On the one hand, it is local actors who are demanding compliance with very ambitious environmental standards. National governments as the negotiating partners in international trade, on the other hand, often reject these claims as unwanted interferences. Moreover, in the Global South, such standards often have the reputation of being a disguised form of protectionism if made a requirement by trading partners. Getting a foot in the door here while at the same time meeting one's own standards is by no means a given. Balancing this tension will rather be a difficult task for Europe in the years to come. This makes it all the more important to listen carefully and to understand the interests of the other side.

The countries of the Global South have no interest in taking sides. This attitude originates from their own convictions as well as their own interests. From a European perspective, this may be surprising and disappointing. But this will not change anything about it. Because the neutral stance of emerging and developing countries is likely to pay off in the future. If various potential trading partners are available, they can choose the best deal. And not only the price is likely to play a role here, but also the best offer for building up local industries and technology transfer.

When European heads of state visit the Global South, they still imply that it is now or never for the host countries to secure good trade relations – otherwise, Europeans would simply look elsewhere. At least, that is how it is often perceived there. This is a risky approach, not only because of Europe's desire and need to maintain good relations with the Global South in view of the geostrategic tug-of-war. Such a patronising attitude is also likely to be at odds with the position that Europe finds itself in. Without external supplies of raw materials and energy, it will become really difficult for industrialised countries to maintain their industrial base and to compete in the development of new industries. After all, raw materials are needed to keep pace with innovation in the age of ecological transition.

Last but not least, a number of new partnerships in the energy sector are currently being sought and promised. Europe must really deliver on this and serve not only its own pressing interests but also those of its trading partners. What exactly this should look like requires an open exchange with them - at eye level.
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