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European Economic Security and Access to Critical Raw Materials: Trade, Diversification, and the Role of Mercosur

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Brussels, 13 July 2023 - Access to a secure and stable supply of critical raw materials (CRMs) is crucial for Europe's economic security. Recognising the vulnerability caused by dependency on a limited number of countries, the European Commission has proposed a Critical Raw Materials Act intending to increase the domestic production of CRMs. However, recent analysis reveals that focusing solely on domestic production is not a realistic solution to reduce Europe's dependency on imported CRMs in the near future.

Our new Policy Brief argues that the key to combating trade dependencies in CRMs lies in expanding trade. ***"The European Union can diversify its sources of CRMs by strengthening trade relations with other exporters"***, emphasises Oscar Guinea, one of the authors of the study. ***"Mercosur, in particular, emerges as an obvious partner in achieving this goal"***, he adds. Brazil, a member of Mercosur, is currently the largest supplier of SRMs to the EU by volume, and the Mercosur countries are democratic market economies seeking deeper relations with Europe.

To foster trade and investment in CRMs between the two regions, the EU-Mercosur Association Agreement includes binding provisions that ensure a robust institutional arrangement for bilateral trade and investment relations. While other policies, such as those outlined in the EU's CRM Act, can complement this approach, they cannot substitute for a trade-oriented strategy aimed at improving the structure of SRM supply.

"By embracing a comprehensive and trade-focused strategy, the EU can strengthen its economic security, reduce vulnerabilities, and establish a more diversified and stable supply of critical raw materials," highlights Vanika Sharma, co-author of the report.

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