



Critical raw materials and geopolitics: overview

For the past decade, many European countries have realised how dependent they have become on foreign imports to access non-energetic raw materials, which represents a major threat to Europe's industry and global competitiveness. Although there is little evidence of physical shortage of raw materials in the short term, the increasing demand has caused fundamental changes in the world market and has now become a political issue that threatens to affect the economic dominance of some Western countries.

China, Africa, South America, Russia and Australia are all leading suppliers of high-tech raw materials to Europe. The fact that some important raw materials sources are located in parts of the world that do not have a market-based system or are politically or economically unstable poses particular risks.

Rare earths are an example. China, which controls 95% of global production, began cutting back exports, raising tension in the European industry. Brazil produces more than three-fourths of the world's niobium, used in superconducting magnets, and the availability of coltan, indispensable for mobile phones, could suffer from political instability in the Democratic Republic of the Congo.

Both resource-rich and resource-dependent countries have adopted strategies either to protect their stock or to secure their supply. Many resource-rich countries have taken measures, in many cases protectionist, to keep their resources for their own industrial development, often causing severe distortions in the world market, such as China's recent measures to restrict exports of certain key raw materials. Many emerging economies are pursuing similar strategies aimed at protecting their resources to generate advantages for their industries. These include export taxes and quotas, along with subsidies, price-fixing, dual pricing systems, and restrictive investment rules. China, Russia, Ukraine, Argentina, South Africa and India are among the main countries applying such measures. However, they benefit in many cases from reduced or tax-free access to the EU market, which puts many EU industrial sectors at a competitive disadvantage.

To counterbalance these measures, resource-dependent countries, such as the EU, the United States and Japan have developed strategies or actions to secure access at fair prices. The European Commission presented in 2008 a Communication called "*The Raw Materials Initiative - Meeting Our Critical Needs for Growth and Jobs in Europe*", reflecting its concerns on the increasing global demand from emerging powers and the resulting possible supply shortages. The Communication outlines an integrated strategy and identifies 14 "critical raw materials". Today, this list has increased to 20.

The EU has stated that it would use all trade instruments possible to secure access to raw materials, including the use of trade defense instruments to protect its market and industries from unfair

competition, stronger disciplines at the World Trade Organization (WTO) and trade agreements with all its key trading partners. It also confirmed its intention to pursue a "raw materials diplomacy", in particular with Africa, by supporting a sustainable development and growth policy, and encouraging European institutions to fund infrastructure as well as mining and refining projects to facilitate the supply of raw materials.

Looking at the current context with the ever-increasing demand for raw materials, tensions and closer ties between resource-rich and resource-dependent countries are expected to continue in the international political arena in the coming years, which confirms Europe's ambition to secure its access at undistorted conditions, to develop a sustainable supply of raw materials from European sources, partly through recycling and to reduce its consumption through alternative solutions.

More information

Communication on the Raw Materials Initiative "Meeting our critical needs for growth and jobs in Europe" COM(2008) 699 final: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0699:FIN:EN:PDF>

Communication on commodity markets and raw materials - COM(2011) 25 final: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0025:FIN:EN:PDF>

Communication on the review of the list of critical raw materials for the EU and the implementation of the Raw Materials Initiative - COM(2014) 297: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0297&from=EN>