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EU Strategic Raw Material Partnerships

Challenges and future directions

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Abstract

In response to growing critical raw material (CRM) demand and increasing instability in global supply chains, the European Union (EU) has established Strategic Partnerships with resource-rich third countries. These partnerships aim to connect raw material projects in third countries with European industries, while promoting 'mutual benefits' and more sustainable raw material supply chains. Yet their effectiveness is limited by restricted policy space resulting from EU Free Trade and Investment Agreements, insufficient funding mechanisms, and weak consultation with affected communities, carrying the risk of legitimizing extractive projects rather than delivering genuine mutual benefits. This policy note assesses the potential and limits of Strategic Partnerships, highlighting the need for policy alignment to protect partner countries' policy space, support local value addition, provide dedicated financing, and promote demand reduction to ensure resilient and sustainable CRM supply chains.[1]

Introduction

Raw materials such as rare earth elements, graphite, and lithium, are experiencing a global mining boom, driven by the energy and digital transitions as well as increasing militarization. When the EU first published a list of critical raw materials (CRM) in 2011, it identified 14 materials considered both of high economic importance and at a high risk of supply disruptions. By 2023, this list had expanded to 34 CRMs.

Renewable energy technologies, electric mobility, energy-intensive industries, information and communication technologies, aerospace, and military devices – the range of sectors relying on CRMs is long and includes many sectors in which EU production capacities are expected to grow. Europe is thus looking at the prospect of sharply rising demand for CRMs. Already today, however, the EU cannot fulfill its demand through domestic extraction and production – and even less so as demand continues to rise (Melcher/Dunkel 2025).

While for much of the past, Europe's reliance on raw materials from abroad was not seen as problematic, as supply was relatively secure and international competition limited, increasing geopolitical tensions have made it clear that reliable raw material supply chains cannot be taken for granted, but must be politically fostered and supported (Tröster et al. 2025). This has become evident through several developments: China's emergence as the dominant actor in many CRM value chains and its willingness to leverage this position in trade disputes, the COVID-19 pandemic and the war in Ukraine have all demonstrated the vulnerability of global value chains.

As a result, the EU has significantly intensified its raw materials policy agenda (see in detail Tröster et al. 2024). In recent years, the EU has included Energy and Raw Materials Chapters into new Free Trade Agreements, adopted the Critical Raw Materials Act as the first binding EU legislation on raw materials, and co-founded the Minerals Security Partnership. The European Commission (EC) has introduced the designation of so-called Strategic Projects in relation to 'strategic raw materials', a sub-category of CRMs, both within and outside of the EU. Among the most prominent approaches are Strategic Partnerships, which are examined here in more detail to assess the extent to which they can contribute to more reliable CRM supply chains while delivering higher benefits for third countries.

Strategic Partnerships

Strategic Partnerships with third countries have been used by the EU in different policy domains in the last years. Concerning raw materials, where dependence on a small number of countries is evident, the EU was particularly prolific: 14 Partnerships on raw materials were concluded in the past years: in 2021 with Canada and Ukraine, in 2022 with Kazakhstan and Namibia, in 2023 with Argentina, Chile, Zambia, the Democratic Republic of Congo and Greenland, and in 2024 with Rwanda, Norway, Uzbekistan, Australia and Serbia.

Legally speaking, these partnerships are non-binding agreements concluded between the EU (represented by the EC) and third countries. They take the form of Memoranda of Understanding (MoU), which range between one and thirteen pages, and are to be further specified with roadmaps, most of which are not publicly available.[2]

The four thematic pillars of almost all MoUs are the development and integration of raw material value chains, cooperation in research and development, promotion of environmental, social, and governance (ESG) standards, and financial and investment instruments for raw material projects. Across these pillars, focuses vary between the individual MoUs, and some have additional pillars, such as skill and capacity building, regulatory alignment, or infrastructure.

The underlying idea is to cooperate closely with selected states to create 'win-win situations': increased extraction of raw materials for European consumption on the one side and local value addition on the other (Tröster et al. 2025). Taken together, the different policy pillars are intended to secure the supply of European manufacturing companies from existing and future raw materials projects in third countries. At the same time, these supply relationships are promoted as leading to value addition in the partner countries. The opportunity for mutual benefits has been highlighted by the EC (2023) as juxtaposition to the cooperation opportunities offered to resource-exporting countries by competing powers, especially China.

Country conditions define partnership outcomes

However, the actual impact of Strategic Partnerships depends heavily on country-specific circumstances: Some partner countries attract substantial interest from European investors, but often in competition with other major raw material importers (e.g., in the case of Kazakhstan, documented interest from US, UK and Japanese investors). The difference therefore lies less in the different contents of the MoUs, but in the different conditions found in the respective countries.

Factors such as political and economic stability, the strength of the rule of law, the accessibility of deposits and prices of the respective raw materials, the cost of labor, energy, and infrastructure, play a crucial role, which the Strategic Partnerships alone cannot change (Küblböck et al. 2025).

Soft law vs hard law

Local value addition is a key goal of most resource-exporting countries (ibid.). While the MoUs contain goals such as 'local value addition', 'upgrading', 'industrialization', how these goals are to be achieved in the absence of specific EU obligations or any benchmarks, remains unclear.

Importantly, Strategic Partnerships do not exist in a vacuum, but within the framework of international laws, some of which severely restrict how countries can pursue these goals. This has been observed in particular for Free Trade Agreements (FTAs) and Investment Agreements that the EU itself has concluded with its partner countries. Their provisions limit the policy scope of the parties, making it more difficult to achieve some of the goals outlined in Strategic Partnerships, such as greater local value creation or more stringent ESG requirements.

Chile serves as an illustrative example of this. Export and import monopolies for energy and raw materials as well as preferential pricing for the domestic market compared to exports, are prohibited in the EU-Chile FTA signed in 2023.[3] Similarly, Kazakhstan, another partner country, has accepted EU-imposed restrictions on local content requirements in the EU-Kazakhstan Enhanced Partnership and Cooperation Agreement.

Funding as a key bottleneck

Funding is a major hurdle for the endeavor of both the EU and partner countries to facilitate more CRM projects. Explorations and extraction are costly, prices and technological development are unpredictable, making investments risky.

References to finance are therefore found across partnership agreements. All MoUs mention the facilitation of investments or business opportunities as key instruments. Most foresee joint ventures. Half of the MoUs, promise cooperation in resource mapping, i.e. exploration. Less than half of MoUs, mention de-risking. Lastly, only two of all MoUs mention off-take agreements.

This fragmentation of how financing is mentioned is not coincidental but corresponds to the fragmented funding mechanisms of the EU. In contrast to earlier considerations, no dedicated fund for raw material projects has been introduced in the Critical Raw Materials Act (Tröster et al. 2024). Instead, existing funds are to be used. These include the European Fund for Sustainable Development Plus (EFSD+), the Global Gateway Strategy, export credit agencies and development banks of Member States. However, such funds are neither accessible to all partner countries nor for all possible raw materials projects. Similarly, other funding mechanisms used for domestic raw material projects – such as InvestEU, the European Bank for Reconstruction and Development (EBRD) or the European Investment Fund – are available only to some of the EU's partner countries.

Without suitable funding, partner countries can find themselves in the situation of European investors withdraw if market prices for the respective raw materials fall, or if they encounter other financial difficulties (as examples in Chile and Kazakhstan show).

Civil society sidelined

Local resistance to mining projects – due to disputes over pollution, water shortage, or land use – are a major hurdle for their implementation (Tröster et al. 2024). Strategic Partnerships contain little to nothing that would improve the practices of consulting locally affected communities or prevent illegal and irresponsible mining practices (fern et al. 2023; Koch et al. 2025; Lobacheva/Sedova 2024).

While the MoUs all contain references to ESG criteria, the practice of the partnerships must call into question whether the MoUs adequately protect adherence to these against the 'raw materials boom'. Two examples are particularly illustrative in this regard: In the case of Serbia, the MoU was concluded in the context of the Jadar lithium mine project, a project which the Serbian government is promoting despite strong local resistance. With the MoU signing, Serbia also received investment commitments from several European firms, the EBRD, and the German development bank KfW (DW 2024). Given that the Serbian government had only shortly before signing the MoU been under harsh critique from the EU – the suggestion that it leveraged its CRMs to buy off European scrutiny (Rhotert 2025), appears plausible and shows the soft power that non-binding, political agreements wield.

In the case of the Strategic Partnership with Rwanda, critique has been brought forward that the Partnership legitimizes Rwanda's illegal looting, smuggling, and re-branding of CRMs from the neighboring DRC as originating from Rwanda (Küblböck et al. 2025). Rwanda's role in global CRM trade is so controversial that Members of the European Parliament have urged suspending the Partnership (European Parliament 2025). The EC has decided to maintain it, leading to a paradoxical situation, where Rwanda is considered a 'Strategic Partner' of the EU, while the head of Rwanda's raw material agency, and one of the two refineries in the country are both sanctioned by the EU (Gahigi 2025; Matabaro 2025).

Policy implications

If Strategic Partnership are to move beyond political symbolism and evolve into instruments of genuinely sustainable and mutually beneficial raw material cooperation, partner countries must see tangible benefits from concluding Strategic Partnerships with the EU. This requires a stronger alignment of EU policy instruments vis-à-vis third countries, funding mechanisms that enable private sector investments, and better bind them to the goals of local value addition, a more strategic approach to partnerships as an instrument, and better alignment of domestic and foreign raw material policy by the EU.

Aligning EU trade instruments with partnership approach

Most raw material-exporting countries are pursuing strategies to expand domestic refining and processing capacities, also based on industry policies. If FTAs with the EU continue to constrain the space of such policies, e.g., by restricting local content requirements or export taxes, this cannot be outweighed by Strategic Partnerships, which remain non-binding and have no legal implications.

Linking public funding to local value addition

Major raw material importers, ranging from Japan, South Korea, and China to the UAE and Saudi Arabia, increasingly use public funds to spur investments in raw material projects (Carry et al. 2025; Schulze 2025). While Germany's first attempts to establish Strategic Partnerships on raw materials with third countries are largely regarded as failures, later efforts built on the lessons learnt, in particular, by enabling EU buyers to access raw materials through a dedicated fund managed by the state-owned development bank KfW (Carry et al. 2025).

In the case of the EU, by contrast, only limited public funding is available, and where it does exist, it lacks clear benchmarks for 'mutual benefits' and 'local value addition'. To address this, public funds must be designed to ensure that investments support the necessary skills and infrastructure needed for local value addition. Since the benefit of the host country, and of affected local communities, are not inherent in private companies' interests, public funds used to de-risk raw material projects must insist on tangible local benefits. Without such provisions, the de-risking approach risks to amplify "the volatile nature of profit-driven investments" (Kampourakis 2024).

Strategic selection: Who should be a partner country?

Whether partnerships attain their objectives, such as mobilizing investment or fostering integration into value chains, depends less on the content of the agreements themselves than on partner country conditions. Again, the longer-standing German experience in building raw materials Strategic Partnerships is illustrative: After the relative failure of the first generation of Strategic Partnerships, German efforts now concentrate on countries that already exhibit good governance (Korn et al. 2024).

Moreover, the stated aims of the Strategic Partnerships, such as increased attention to ESG standards can only be realized where partner countries themselves are genuinely committed. Otherwise, these Partnerships risk serving less as vehicles for sustainability than as instruments of legitimization extraction: for example, by whitewashing illicit and illegal mining practices, as in Rwanda, or by helping to suppress resistance, as in Serbia.

Rethinking EU's raw material policies

For Strategic Partnerships on raw materials to be more than EU-centered instruments, broader shifts are essential:

First, industrial policies aimed at building manufacturing capacities for decarbonization and digital technologies need to be more closely aligned with their underlying raw material requirements. Otherwise, ambitious manufacturing targets risk driving up material demand in ways that directly contradict sustainability goals.

Second, this points to the central blind spot in EU raw materials policy: the reduction of its exceptionally high consumption of primary raw materials. The Critical Raw Materials Act fails to address this issue – a missed opportunity (Tröster et al. 2024). Without reducing its domestic demand for raw materials, the EU's foreign policy instruments will continue to focus on extracting higher volumes of raw materials abroad, which is unsustainable by definition.

Third, demand for certain raw materials will inevitably rise in the short term as the EU builds up the infrastructure needed for its energy and digital transitions. However, this demand should gradually decline over time, once that infrastructure is in place and circular economy strategies gain traction. Crucially, both phases require the active involvement of partner countries, in terms of cooperation and policy space to diversify their economies and develop alternatives to resource exports. The EU must therefore complement near-term supply policies with long-term cooperation on circularity, helping partner countries build the skills, infrastructure, and institutions necessary for a less extractivist global economy.

With such policy shifts the EU Strategic Partnerships can evolve from being primarily EU-centered instruments into genuinely mutual frameworks that balance the EU's transition with the sustainable development interests of resource-exporting countries.

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1 This policy note draws on a Research Report that analyzed the EU's Strategic Partnerships on Raw Materials with detailed case studies of Kazakhstan, Chile, and Rwanda (Küblböck et al. 2025) and a Briefing Paper on EU raw materials policy with third countries (Tröster et al. 2025).

2 All MoUs can be accessed here: https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/raw-materials-diplomacy_en

3 This applies both to the Interim Trade Agreement, which has entered into force, and the Advanced Framework Agreement, which will repeal the Interim Trade Agreement, once it is ratified.

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