

GLOBAL AND REGIONAL ORDER

# RAW MATERIAL PARTNERSHIPS

Navigating Industrial Transformation,  
Human Rights and Economic Sovereignty

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Raw material partnerships are central to German and European security of supply. They diversify supply chains and reduce dependency on China.



Partnerships should contribute to economic, social and environmental development in resource-rich third countries. That means supporting their industrialisation and diversifying their labour markets, as well as respecting of human rights and environmental standards.



A coherent overall strategy is needed, with efficient and dependable funding. International development policy needs to be closely coordinated with industrial and economic policy.



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## ABBREVIATIONS AND ACRONYMS

ASM	Artisanal and small-scale mining
BDI	Bundesverband der Deutschen Industrie (Federation of German Industry)
BGR	Bundesanstalt für Geowissenschaften und Rohstoffe
BMWi	Bundesministerium für Wirtschaft und Energie (German Federal Ministry for Economic Affairs and Energy; until 2021)
BMWK	Bundesministerium für Wirtschaft und Klimaschutz (German Federal Ministry for Economic Affairs and Climate Action; since 2021)
BMWT	Bundesministerium für Wirtschaft und Technologie (German Federal Ministry for Economic Affairs and Technology; until 2013)
CRMA	Critical Raw Materials Act
ESG	Environmental, Social and (corporate) Governance
FPIC	Free, Prior and Informed Consent
ILO	International Labour Organisation
IRENA	International Renewable Energy Agency
KfW	Kreditanstalt für Wiederaufbau
MoU	Memorandum of understanding
OECD	Organisation for Economic Cooperation and Development
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

## Foreword

Global demand for raw materials is rising steeply. Germany and the EU are no exception. The reasons are diverse. The necessary social-ecological transformation and advances in digitalisation will certainly require reliable raw materials imports. But the past decade has witnessed the emergence of enormous dependencies, especially on China. The scale of the problems that can ensue became glaringly obvious in the financial crisis of 2008, the Covid pandemic and the ongoing energy crisis associated with Russia's invasion of Ukraine.

Responding to these crises and geopolitical shifts, Germany and EU are looking for new partners – and seeking to reduce their dependency on China. The EU is courting resource-rich countries with deals that strengthen local economic development and strengthen observance of human rights and environmental standards.

In 2023 the Friedrich-Ebert-Stiftung held a series of meetings on the role of value-based partnerships for security of supply of raw materials. The discussions explored how bilateral and multilateral partnerships need to be shaped in order to contribute to diversification of raw material supplies while strengthening human rights and environmental standards. The discussions were co-hosted by two members of the German Bundestag: Sebastian Roloff, member of the economic affairs committee and rapporteur for raw materials policy, and Manuel Gava, member of the economic cooperation and development committee and rapporteur for the Supply Chain Act and raw materials. Participants included politicians, researchers, business representatives, trade unionists and civil society leaders.

This publication is based on those discussions. We outline how Germany and the European Union are responding to geopolitical shifts by pursuing raw material partnerships, and identify the strengths and weaknesses of the German Key Issues Paper and the recently adopted European Critical Raw Materials Act. Finally, we lay out ten recommendations for raw material partnerships that boost security of supply while guarding sustainability in the social-ecological transformation. Clearly, coherent development cooperation needs to be integrated with industrial and economic policy – and social democratic ideas point the way to real, equal, strategic partnerships.

We express our gratitude to all those who participated in the discussions, and wish you a good read.

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## 1

# INTRODUCTION

Raw materials form the basis of all value chains. And Germany, with its significant manufacturing sector, is one of the world's biggest consumers of primary raw materials. A strong export sector has always been central to Germany's economic model, and almost one quarter of German jobs depend on exports (Destatis 2023). But the German and European economies rely heavily on imported inputs, including raw materials (Felbermayr 2021). They have always counted on specific countries such as China to supply their raw material needs. Those dependencies have increased enormously over the past decade. The problems came to attention during the 2008 financial crisis, when supply chain disruption caused production stoppages, and became glaringly obvious during the Covid pandemic and the energy crisis associated with Russia's invasion of Ukraine.

At the same time, the volume and complexity of industrial products has grown, further increasing demand for inputs. So, Europe's ability to accomplish its digital and green transformation of industry will depend crucially on raw materials, principally metals. In other words, a secure supply of raw materials is not merely an end in itself for the German and European economy, but the key to a green transformation of energy and mobility for a climate-neutral future.

The German government's coalition agreement of 2021 acknowledges this. It calls for measures to create a sustainable raw material supply and make domestic mining easier and more ecological, as well as harnessing economic and ecological potential and reducing overall resource consumption. The coalition agreement also commits to an effective EU supply chain law based on the United Nations Guiding Principles on Business and Human Rights and underlines the importance of the German Supply Chain Act (Coalition Agreement 2021, pp. 31–32). The coalition's goals for e-mobility and renewable energy (Coalition Agreement 2021, pp. 44–45) will also lead to further increases in demand for metals. The spike in energy prices following Russia's invasion of Ukraine only added to the incentives to expand renewable energy sources. According to calculations prepared for *Stiftung Klimaneutralität*, Germany's demand for so-called critical raw materials such as nickel, cobalt, graphite and rare earths<sup>1</sup> (which are crucial for the

transition to green energy) will increase up to eightfold (Prognos, Öko-Institut and Wuppertal Institut 2023). Notably, the authors forecast a demand peak in 2030–2035. In other words, security of supply is particularly crucial within the present decade.

Given that it will take time to achieve the ultimate objective of an effective circular economy and domestic mining will not suffice, secure raw material supply chains are urgently needed. The search for reliable suppliers has already begun, and the concept of the raw material partnership has (re)appeared. The idea is more complex than it sounds: to address the interests of resource-rich partner countries (such as local value creation and observance of human rights and environmental standards) while securing an adequate supply of critical raw materials for European industry.

Although such partnerships have been around for quite some time and are already employed by Germany and the EU, it remains unclear how, by whom and with whom they are actually to be put into practice. The 2023 Key Issues Paper from the German Federal Ministry for Economic Affairs and Climate Action (Eckpunktepapier; BMWK 2023c) and the European Critical Raw Materials Act of 2024 provide pointers as to the theory. But a glance at the practice reveals open questions and conflicts of goals between Europe's interests and those of the resource-rich third countries. For example there is a risk that the EU's economic objectives will be prioritised over environmental and human rights objectives in the resource-rich countries, or that lack of investment by multinational corporations means that production processes are not relocated to partner countries.

Clearly, raw material partnerships need to be embedded in a coherent and coordinated overall strategy. Industrial and climate policy, development cooperation, and security policy need to be closely coordinated if attractive offers are to be created for third countries.

<sup>1</sup> Definition as per the European Commission's Critical Raw Materials list.

## 2

## RAW MATERIALS POLICY: THE NEW HEART OF GEOPOLITICS

Europe's strong dependency on raw material imports makes their availability a key geoeconomic and geopolitical concern. Russia's invasion of Ukraine put the question at the top of Europe's agenda. In the meantime Europe has significantly reduced its natural gas imports from Russia, but it still imports other raw materials. China's dominance in refining and processing gives particular cause for concern in view of growing geopolitical tensions. In 2021 China accounted for 93 percent of refined products subject to high supply risks (Carry et al. 2023, p. 7). Since 2013 China's Belt and Road Initiative has been investing in ports and transport infrastructure to bring raw materials from the Global South to China for refining and processing. By contrast reshoring of global value production processes to Germany and Europe has been very sparse, especially where raw materials are concerned. The cost advantages of imports – especially from China – are unbridgeable and the dependencies practically unavoidable. Instead, Germany and the EU are pursuing various strategies intended to secure access to products and services from other countries.

### 2.1 GERMAN RAW MATERIALS GEOPOLICY: REDUCING DEPENDENCY ON CHINA

According to its coalition agreement, the German government seeks to »support our economy in securing a sustainable supply of raw materials, facilitate domestic raw material extraction and orient it ecologically« (Coalition Agreement 2021, p. 31). It proposes a number of strategies and instruments to secure access to a sustainable supply of raw materials. For example, Germany's economic vulnerability – or to put it in positive terms, its resilience – features prominently in the German National Security Strategy published in June 2023, which concentrates on avoiding one-sided dependencies, fundamentally diversifying raw material supply chains, expanding resource extraction in Europe and promoting circularity. In other words, the National Security Strategy addresses raw material supply in terms of security of supply, diversification, sustainability and innovation.

The National Security Strategy proposes reducing dependency on China for mineral raw materials without laying out concretely how this is to occur. China is by far the largest producer and consumer of important industrial raw materials

and has acquired a monopoly position for many, in particular refined products (BGR 2022). The ramifications of China's growing power in this area include a series of incidents that suggest it is using raw material exports as a strategic trade weapon (Nayar 2021). For example in August 2023 Beijing restricted the export of gallium and germanium, which are required by the semiconductor, telecommunications and electric vehicle sectors.

The German government's China Strategy published in July 2023 addresses Germany's strong dependency on Chinese raw materials, noting that initiatives like Beijing's Made in China 2025 strategy seek to establish economic and technological dependencies. The German government's response is de-risking, to reduce dependencies in critical areas while maintaining »the openness of our political, economic and social system« (Strategy on China of the Federal Republic of Germany 2023, p. 34). The China Strategy is particularly critical of Germany's dependency on industrial inputs and names a series of measures for de-risking raw material supply chains: »assist the German economy in the exploitation of diversified, sustainable sources of supply«; »instruments of foreign trade and investment promotion and development cooperation«; »raw materials partnerships and strategic stockpiling, as well as research and development relating to substitution and the improved circulation of raw materials« (Strategy on China of the Federal Republic of Germany 2023, p.36). It also devotes a great deal of attention to raw material partnerships to diversify supply chains and reduce Germany's dependency on China:

The Federal Government will ensure that its raw materials partnerships benefit all countries involved. The objective is to support our partners in keeping more value creation in their own countries. In so doing, we are not only promoting prosperity in the countries of origin, but also the long-term competitiveness of the companies there by acquiring expertise and innovations, independent from the mere extraction of raw materials. Our raw materials partnerships are thus helping to diversify our supply chains, promote relations with third countries in a spirit of partnership and strengthen environmental, social and governance standards (Strategy on China of the Government of the Federal Republic of Germany 2023, p.36).

## 2.2 EU INITIATIVES: FROM GLOBAL GATEWAY TO CRITICAL RAW MATERIALS ACT

Germany's geopolitical strategies fit well with the European initiatives of recent years. The European Union has launched a series of programmes that influence extraction of and access to raw materials indirectly (Global Gateway, EU Chips Act) and directly (European Green Deal, European Industrial Plan). In response to the Covid-19 pandemic the European Union created the Global Gateway programme to invest more than €300 billion in global infrastructure between 2021 and 2027. It will promote investment in digital services, energy, transport, health, education and research. The offer is value-based, with six core principles: democratic values and high standards, good governance and transparency, equal partnerships, green and clean, security focused, catalysing the private sector. Global Gateway thus seeks to create an alternative to China's Belt and Road Initiative. The infrastructure investment is clearly intended to contribute to de-risking the European economy and in particular to improving access to resources and raw materials (EEAS 2023).

The European Green Deal of 2020 underlines the importance of a European raw materials policy for securing strategic autonomy. The associated Action Plan (European Commission 2020) named ten measures to promote resilience in raw material supply chains. This formed the basis for the European Green Industrial Plan of 2022 and the ensuing Critical Raw Materials Act of 2023. Also in 2020 the Commission published the EU Chips Act to raise €43 billion in public and private funds to expand European semiconductor production and research and secure the relevant supply chains. Under the Critical Raw Materials Act, the Commission also proposes a Critical Raw Materials Club to bring together resource exporters and importers to further diversify raw material supply chains through new international partnerships. The Critical Raw Materials Club will also fit into the Global Gateway strategy by promoting infrastructure projects designed to secure raw material supply chains (European Commission 2023a, 2023b). Otherwise the details of the Critical Raw Materials Club remain unclear. Its success will depend strongly on whether the level of public funding is sufficient to attract private investment. More broadly, it will need to ensure that the resource-rich countries and the participating EU member states address or avoid the collective action problem. Ideally the Critical Raw Materials Club would help the EU member states to access raw materials and assist the resource-rich countries in establishing downstream industries. In the first place this means displacing decisive refining operations from countries like China. But it also implies establishing additional manufacturing activities (such as battery manufacturing) in third countries. Ultimately, this could mean that the EU helps to build direct competition to its own industries (Findeisen 2023). On the other hand, the European Union's strong export orientation means it has a fundamental interest in creating strong trade partners. Given the risks decent jobs in the EU are facing, complex processes need to be thoroughly monitored and backed up by industrial policy.

Through its Critical Raw Materials Club the Commission »seeks to complement the US-led Minerals Security Partnership (MSP)« (Findeisen 2023). Washington initiated the MSP in June 2022 as an international cooperation of raw material importers »to foster demand pooling alongside value chain investments in resource-rich countries« (Findeisen 2023). The founding members are Canada, Finland, France, Germany, Japan, South Korea, Sweden, the United Kingdom and the European Commission. The initiative's declared objectives are: »diversifying and stabilizing global supply chains; investment in those supply chains; promoting high environmental, social, and governance standards in the mining, processing, and recycling sectors; and increasing recycling of critical minerals« (US Department of State 2023).

Other European countries have also launched national initiatives of their own to secure access to raw materials. For example France announced a raw materials fund of €2 billion, and Italy one of €1 billion (Handelsblatt 2024). And in June 2023 France, Germany and Italy created a trilateral working group on critical raw materials, noting that the »industrial sectors in our three countries need a secure and sustainable supply of raw materials, and this is especially true for the technologies that are facilitating the green and digital transformations«. The trilateral group will »exchange views on aspects of the sustainable supply of raw materials and, in particular, on the implementation of strategic projects in the extraction, processing and recycling of these raw materials.« (BMWK 2023b).



## 3

## GERMAN AND EUROPEAN RAW MATERIAL STRATEGIES

As well as preparing strategies, founding clubs and initiatives, and adopting European legislation, Germany and the European Union are promoting raw material partnerships. Various incentives have been introduced to encourage cooperation with resource-rich countries and reduce dependency on China. And greater emphasis is now placed on both offering support to and placing obligations on German and European businesses operating in raw materials sector.

### 3.1 CORPORATE RESPONSIBILITIES: GERMANY'S RAW MATERIAL STRATEGY 2010–2020

The German Federal Ministry for Economic Affairs published its first raw materials strategy in 2010 (BMWT 2010), with a revised version in 2020. The key objective was to conclude so-called raw material partnerships with resource-rich countries to »achieve mutually beneficial effects by linking development goals with concrete corporate raw material partnerships« (BMW 2019).

In the original formulation it is notable that the principal responsibility for initiating raw material partnerships was attributed to economic actors, which were encouraged to develop concrete projects that would support economic development in the partner country (BMWT 2010, p. 24). Further objectives included establishing manufacturing industries, supporting observance of environmental and social standards, and knowledge transfer through scientific and technological collaboration. The concrete details and need for political support remain unclear however.

The initiative produced a number of raw material partnerships, but their success was limited (Rüttinger et al. 2016). The first was concluded in October 2011 with Mongolia; Kazakhstan followed in February 2012 and Peru in 2014; a memorandum of understanding was also signed with Chile in 2013. NGOs and trade unions criticised the agreements for their lack of binding standards on environmental, social and governance issues, and their failure to promote sustainable development of the raw materials sector in the respective countries. In particular there was »a lack of value creation perspectives for the partner countries and an absence of development projects« (Rüttinger et al. 2016, p. 29).

Businesses also felt that the partnerships lacked purpose. In fact the Federation of German Industry (BDI) even asked for a moratorium on new partnerships until those already agreed had demonstrated their effectiveness (Dahlmann and Mildner 2013). German businesses saw little incentive to invest in complex long-term projects abroad in that environment. Important aspects – such as expanding manufacturing industry in the partner country – were widely criticised as non-binding and vague (Rüttinger et al. 2016, p. 28).

Nor was it clear why raw material partnerships should be attractive to partner countries. Where Germany was able to offer any incentives at all they were marginal (for example dismantling trade barriers) (Rüttinger et al. 2016, p. 29). The lack of a comprehensive and coordinated raw materials strategy has been widely criticised. To date there has been no official evaluation of existing raw material partnerships by the responsible federal ministry.

### 3.2 REBOOTING GERMANY'S RAW MATERIALS POLICY: THE NEW BMWK KEY ISSUES PAPER

The problem of dependency on individual countries for unrefined and refined raw materials have worsened dramatically since 2010, in particular in relation to China. At the same time demand for raw materials has grown immensely in connection with new – especially green – technologies. Manufacturers therefore had high hopes when it was announced in 2020 that the raw materials strategy would be reworked. In January 2023 the German Federal Ministry for Economic Affairs published a Key Issues Paper titled »*Wege zu einer nachhaltigen und resilienten Rohstoffversorgung*« (Paths to a sustainable and resilient raw materials supply; BMWK 2023c) and announced that it would now play a more active role in securing a sustainable long-term supply of raw materials. This new policy is based on three pillars: 1. Circular economy, resource efficiency and recycling; 2. Environmental, social and governance standards (ESG); and 3. Diversification of raw material supply chains. The three pillars combine economic and security aspects with ecological and social concerns, and future raw materials policy is to be more closely coordinated with the proposed national circular economy strategy. Germany also intends to draw on its expertise in the field of corporate due diligence to support the EU Commission in developing ESG

standards. Experience gathered through the German Supply Chain Act and the EU's Conflict Minerals Regulation is to be included more comprehensively in German raw materials policy and at European level, for example in the Critical Raw Materials Act. Furthermore, existing raw material supply chains are to be stress-tested and businesses required to diversify where necessary. The heart of the new strategy is security of supply. That means increasing production capacity at home and abroad and ensuring it can be accessed. To this end, raw materials projects are to be initiated by businesses and financed through a public-private fund (whose financial details and criteria are not laid out in further detail). Recently it became known that the German government also intends to participate in raw materials projects at home and abroad through a national programme. The German development bank Kreditanstalt für Wiederaufbau (KfW) will provide €1 billion in capital for strategic raw material projects between 2024 and 2028, 85 percent of which will be provided through the federal budget (Handelsblatt 2024). The eligible activities include mining, refining, processing and recycling. The projects will be selected by an inter-ministerial committee that includes the Ministry for Economic Affairs and the Finance Ministry. The KfW will coordinate the process. In the first place projects are to be pursued in countries with good governance, in other words within the OECD or for example in South America. A commencement date for the KfW programme has yet to be announced.

One intriguing aspect of the Key Issues Paper published in 2023 is its emphasis on bilateral and multilateral partnership agreements. For example cooperation is to prioritise countries that »share the same values as the German government«. And Germany should create long-term incentives for (raw materials) partnerships by promoting value creation approaches and strengthening the industrial base of the resource-rich countries (BMWKc 2023, p. 9).

However both the concept of shared values and the concrete details of the incentives offered to states and businesses remain undefined. Who Germany defines as »sharing the right values« remains unclear, as does exactly what Germany can and will offer to resource-rich countries within a partnership. The Ministry for Economic Affairs has produced no further official documents on raw materials strategy.

### 3.3 THE COMEBACK OF THE GERMAN RAW MATERIAL PARTNERSHIPS

In the absence of an official raw materials strategy, the German government revived its raw material partnerships in 2023, in no small part in response to the global crises. Parliamentary State Secretary Franziska Brantner travelled to Chile, Mongolia and Australia to discuss raw material partnerships and conclude agreements. Energy projects are also involved, in particular in the cases of Mongolia and Australia. In Chile a concrete collaboration in the area of environmental technology was agreed.

All three partnerships touch on aspects of the industrial transformation, such as energy efficiency, circular economy

and expanding renewable energy. The credo of the Key Issues Paper – to promote economic development in partner countries – is clearly recognisable, in particular in the cases of Chile and Mongolia. For example during her trip to Mongolia Parliamentary State Secretary Franziska Brantner underlined the holistic nature of the approach:

We should not restrict our cooperation to the field of raw materials. I rather see a lot of potential for the expansion of renewable energy, energy efficiency, mechanical engineering, collaboration on education and training, and in the field of sustainable tourism. We are all very interested in expanding the economic relations with our Mongolian partners to the benefit of both sides. (BMWK 2023a)

Nonetheless the German government stated in November 2023 that it had »no plans to expand the specific model of the raw material partnerships« (parliamentary question, Deutscher Bundestag, Drucksache 20/9096: pp. 14 ff.).

The statement goes on to mention that the only relevant recent activities had been to expand existing cooperation with Canada, Australia, the United States, Japan, Chile and France and Italy; it also confirms the existence of partnerships with Mongolia, Peru and Kazakhstan. Nevertheless it also underlines the potential of raw material partnerships in particular for development cooperation, for example strengthening responsible supply chains or increasing value creation and processing in the partner countries, creating training and employment opportunities, and promoting sustainability and transparency in the sector.

Under the current government the Ministry for Economic Affairs thus appears to be pursuing a course correction in the area of raw materials policy. Initially raw material partnerships were discussed principally as a trade policy instrument. The ministry seems to have rather stepped back from its ambitious announcement – in the Key Issues Paper – of wanting to forge ahead with (new) »value partnerships« with third countries. Although the Key Issues Paper has not to date led to inter-ministerial agreement on a new raw materials strategy, the German government continues to push for raw materials agreements at the international level. So it would appear that any new agreements or partnerships are likely to emerge in particular at the European level.

### 3.4 THE CRITICAL RAW MATERIALS ACT: EUROPE'S SOLUTION?

In her 2023 State of the Union speech, Commission President Ursula von der Leyen announced a European Critical Raw Materials Act and initiated a reorientation of European raw materials policy. She called for the European Union to reduce its dependency on imported critical raw materials by diversifying its external suppliers and securing sustainable domestic production. Instead of being dependent on just a handful of countries (or only one), the EU, she said, should step up its cooperation with dependable trade partners across the world. At the same time, she argued, Europe's

own refining, processing and recycling of key raw materials should be significantly expanded. That, she said, was the only way to secure access to the raw materials the EU needed for manufacturing key technologies (European Commission 2023b).

In early 2023 the Commission published its proposal for a Critical Raw Materials Act (CRMA). The European Parliament and the Council responded within just a few months and the subsequent trilogue was completed in record time in November 2023, when EU Industry Commissioner Thierry Breton unveiled the political compromise. In line with von der Leyen's announcements, the agreed objective was to secure Europe's resilience and economic security. Much less prominence was given to the issues of fighting global climate change and promoting economic development in the resource-rich countries.<sup>2</sup>

The Critical Raw Materials Act lays out ambitious targets. By 2030 the EU should be covering 10 percent of its annual consumption of strategic raw materials from domestic mining and 25 percent from recycling – raising the original recycling target by 10 percentage points. Also 40 percent of processing should be occurring within the EU and dependency on a single supplier should never exceed 65 percent. The EU is currently a long way from meeting any of these targets. Nevertheless, it hopes that this path will allow it to achieve its objectives of securing security of supply and meeting its climate and digital targets for 2030. The Act covers thirty-four raw materials whose security of supply is regarded as economically important. The EU has been publishing a regularly updated list since 2011. Recently a second list has been added, for strategic raw materials which are subject to strong demand and frequently required in strategic industries (European Union 2024).

For implementation the CRMA relies on strategic projects and strategic partnerships.

**Strategic projects** concern the extraction, processing and recycling of strategic and critical raw materials and the production of relevant substitute materials. Businesses in the EU will be able to apply for funding for projects. Projects should involve an EU member state and a third country, or two or more EU member states.

By speeding up approval processes and providing financial support the EU hopes to create suitable incentives for businesses and to develop new sources of raw materials. Currently many businesses shy away from investments of that scale – especially after the failure of certain projects. Finance will be provided through various existing funds.

<sup>2</sup> Shortly before this, in 2021, the European Union had begun concluding memoranda of understanding on raw materials partnerships with countries including Canada (2021) and Ukraine (2021). These were followed by Namibia (2022), Kazakhstan (2023), Argentina (2023), Chile (2023), the Democratic Republic of Congo (2023), Zambia (2023), Greenland (2023), Rwanda (2024), Norway (2024) and Uzbekistan (2024). These were all (non-binding) memoranda of understanding MoUs (Wolf 2023).

Further details are not yet known, as business and civil society actors note critically. Civil society actors also criticise the abridged approval process, pointing to serious problems if environmental issues and stakeholder consultations are skipped over.

The Commission will select the strategic projects, assisted by a Critical Raw Materials Board. The Board will also advise the Commission on the development of strategic projects and their funding, on geological exploration programmes, on monitoring capacities, and on the creation of strategic reserves.

The central criterion for strategic projects is their contribution to security of supply, along with technical feasibility, observance environmental sustainability and human rights, cross-border benefits within the EU, and mutual benefit for the EU and the partner country. There are conspicuous deficits concerning human rights, development and environmental protections. Important aspects that could make a project sustainable are named, but systematic corporate due diligence for human rights and environmental standards is not prioritised.

#### CRMA / Article 6:

##### Criteria for the recognition of Strategic Projects

(excerpt)

(1) Following an application of the project promoter and in accordance with the procedure established in Article 7, the Commission shall recognise as Strategic Projects raw material projects that meet the following criteria:

- a) the project would make a meaningful contribution to the security of the Union's supply of strategic raw materials;
- b) the project is or will become technically feasible within a reasonable timeframe and the expected production volume of the project can be estimated with a sufficient level of confidence;
- c) the project would be implemented sustainably, in particular as regards the monitoring, prevention and minimisation of environmental impacts, the prevention and minimisation of socially adverse impacts through the use of socially responsible practices including respect for human rights, indigenous peoples and labour rights, in particular in the case of involuntary resettlement, potential for quality job creation and meaningful engagement with local communities and relevant social partners, and the use of transparent business practices with adequate compliance policies to prevent and minimise risks of adverse impacts on the proper functioning of public administration, including corruption and bribery;
- d) for projects in the Union, the establishment, operation or production of the project would have cross-border benefits beyond the Member State concerned, including for downstream sectors;
- e) for projects in third countries that are emerging markets or developing economies, the project would be mutually beneficial for the Union and the third country concerned by adding value in that third country.

Source: European Union, Regulation 2024/1252.

Applications for a strategic project are submitted to the Commission. Supporting documents are required, including a plan laying out measures to promote public acceptance

(including participation of affected communities and establishment of channels of communication with social partners). Where projects affect indigenous peoples and their lands, a plan for constructive consultation is required. It must show how negative effects on the rights of indigenous peoples will be prevented or minimised and how fair compensation will be ensured. The application must also include estimates of the potential number of jobs created and the skilled labour required.

Certain human rights, environmental and development aspects are thus found both in the criteria and in the modalities of application. The Preamble to the Act notes that

»compliance with relevant Union or national law, international standards, guidelines and principles, as relevant, or participation in a certification scheme recognised under this Regulation should be considered to be sufficient«

to class a project as sustainable (European Union 2024). In other words, if certification is provided, verification is unnecessary. This equates certification with comprehensive due diligence. Experience shows, however, that certification is not necessarily a reliable guarantee that human rights and environmental standards are actually observed in reality. It is no substitute for verification.

All in all, economic criteria are very clearly prioritised over human rights and environmental standards. Projects with negative environmental impacts may be approved, as long as »a case-by-case assessment« concludes that »the public interest served by the project overrides those impacts« (CRMA, Preamble, no. 27; European Union 2024). The failure to explicitly cite the ILO Indigenous and Tribal Peoples Convention (C169) is also problematic. Instead the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) is named. Although the UNDRIP does confirm the right of indigenous peoples to free, prior and informed consent (FPIC), it is not legally binding and merely represents a kind of moral high ground. It thus remains unclear what a constructive consultation with indigenous peoples needs to include and what happens if an indigenous group declines to agree to a strategic project (EURMC 2024).

Strategic partnerships are the second pillar of the raw materials policy. Article 2 (63) of the CRMA defines them as follows:

»Strategic Partnership« means a commitment between the Union and a third country or an overseas country or territory to increase cooperation related to the raw materials value chain that is established through a non-binding instrument setting out actions of mutual interest, which facilitate beneficial outcomes for both the Union and the relevant third country or overseas countries or territories. (European Union 2024)

The definition states that the partnership should be mutually beneficial. So it is interesting that the CRMA remains relatively vague when it comes to the details of the incentives. The criteria for strategic partnerships are mentioned

solely in relation to the Critical Raw Materials Board. As in the case of the strategic projects, the Board's role is to advise the Commission, for example on the benefits proposed partnerships offer for the EU and the respective partner country, how to ensure coherence and synergies between bilateral EU/third country projects and the EU's strategic partnerships, how to prioritise partnership proposals, and finally how to ensure coherence with other European policy instruments. In this context the Board may invite evidence from third countries and experts (politicians, trade unions, civil society). But a hearing is not obligatory, so the views of stakeholders do not have to be heard.

**CRMA / Article 37:**

**International cooperation and Strategic Partnerships**  
(excerpt)

(1) The Board shall periodically discuss:

- a) the extent to which Strategic Partnerships concluded by the Union contribute towards:
  - i) improving the Union's security of supply including the benchmarks set in Article 5(1), point (b);
  - ii) improving cooperation along the critical raw materials value chain between the Union and partner countries, including capacity building and technology transfer programs to promote circularity and responsible recycling of critical raw materials in producing countries;
  - iii) the economic and social development of partner countries, including by promoting sustainable and circular economy practices, decent working conditions and respect for human rights along their raw material value chains;
- b) the consistency of and potential synergies between Member States' bilateral cooperation with relevant third countries and the actions carried out by the Union in the context of Strategic Partnerships;
- c) which third countries could be prioritised for the conclusion of Strategic Partnerships, taking into account the following criteria:
  - i) the potential contribution to security of supply as well as resilience thereof, taking into account a third country's potential reserves, extraction, processing and recycling capacities related to critical raw materials;
  - ii) whether a cooperation between the Union and a third country could improve a third country's ability to ensure the monitoring, prevention and minimisation of adverse environmental impacts through its regulatory framework and the implementation thereof, the use of socially responsible practices including respect for human and labour rights, in particular on forced and child labour, meaningful engagement with local communities, including indigenous peoples, the use of transparent and responsible business practices, the prevention of adverse impacts on the proper functioning of public administration and the rule of law;
  - iii) whether there are existing cooperation agreements between the Union and a third country and, for emerging markets and developing economies, the potential for the deployment of Global Gateway investment projects, including with a view to facilitating investment in Strategic Projects;

iv) for emerging markets and developing economies, whether and how a partnership could contribute to local value addition, including downstream activities, and would be mutually beneficial to the Union and the partner country;

d) advise the Commission on how to ensure that the Strategic Partnerships referred to in this paragraph are consistent with the Union's policies on emerging markets and developing economies.

*Source: European Union, Regulation 2024/1252.*

Here again, it is clear that the primary interest is to secure European raw material supplies. Although human rights and environmental concerns are mentioned, there is no clear statement that workers and stakeholders could cite. It is also unclear how added value for partner countries is actually secured, who implements it and how it is funded.

## 4

## TEN RECOMMENDATIONS FOR RAW MATERIAL PARTNERSHIPS

Raw material partnerships are an established feature of German and European raw materials policy. But their implementation and objectives have shifted over time – especially recently. Both the new Key Issues Paper from the Ministry for Economic Affairs and the recently enacted Critical Raw Materials Act offer greater incentives for resource-rich countries, including economic development and observance of human rights and environmental standards. They also seek to involve German and European businesses more closely and to encourage them to invest. But the detailed analysis reveals discrepancies between the goals and expectations of European countries and those of their resource-rich partners. The partnerships themselves face myriad challenges, such as lack of coherence between European instruments and prioritisation of economic interests over human rights and environmental aspects.

If partnerships are to satisfy both the objective of security of supply for European states and the economic, social and environmental development of resource-rich third countries, the following points will need to be observed.

### 4.1 CONTEXTUAL ANALYSIS AND MULTI-STAKEHOLDER NEGOTIATION

The existing partnerships between EU member states and between the EU and third countries are based largely on MoUs. Roadmaps now need to be prepared spelling out activities. Then partnership agreements should be concluded. The existing MoUs appear to be very similar (Fern et al. 2023) and adequate context-specific analysis does not appear to have been conducted. It is also unclear whether and to what extent expertise from civil society, trade unions and business has been included.

- Each partnership requires a precise analysis of the specific context of the relevant resource-rich country: the economic development issues, social challenges and environmental aspects associated with extraction. The existing bilateral relations, for example between Germany and the resource-rich third country or the EU and the third country will naturally also influence the details of the partnership agreement.
- Trade union and civil society expertise should be included when preparing partnership agreements (multi-stakeholder approach). Business should also be included

directly given that private-sector investment is essential.

- The process should be characterised by transparency and consultation. Agreements should be freely accessible to all involved.
- Acceptance of partnerships and their objectives can be improved by contextual analysis and participation of business, trade unions and civil society.

### 4.2 TECHNOLOGY AND KNOWLEDGE TRANSFER

Raw material partnerships should promote technology and knowledge transfer in order to achieve multiple positive effects in resource-rich countries. An effective technology and knowledge transfer can make a decisive contribution to sustainable development, by supporting economic diversification and local value creation, as well as improving environmental standards and protecting natural resources by introducing more efficient and less harmful mining methods.

- Technological modernisation plays a key role in many resource-rich countries. It can help to reduce water consumption, lower harmful emissions and minimise energy use. The employed technologies and know-how need to be tailored to the specific national ecological, social and economic conditions.
- Multinational corporations have an important contribution to make, as they can supply the required expertise. Where compatible with free trade and investment agreements, they should be required to transfer technology and employ local staff, as these are the most effective means of transferring know-how. Ideally there should be joint research and development projects with local universities and research institutes.
- Technology transfer is an important mechanism for increasing local value creation. Private-sector investment and innovative technologies can enable partner countries to increase the productivity of individual production stages and to profit more strongly from mining, refining and processing.

### 4.3 DEVELOPING THE LABOUR MARKET

The mining sector is capital-intensive and rarely creates secure local employment. As research shows, multinational corporations frequently use imported labour and resources



rather than strengthening the local labour market (Lebdioui 2020). This weakens the positive effects for local populations.

- Partnerships must be configured to strengthen the local labour market and the local working population. Resource-rich countries often have above-average youth unemployment rates, and thus a pool of skilled labour that could be tapped through appropriate (dual) training programmes. Raw material partnerships should therefore specifically promote vocational training aligned to the needs of the local labour market in a modern sustainable economy. This should include the establishment of training centres, university collaborations and scholarships in order to train skilled workers in rising sectors.
- At the same time, programmes should work towards long-term diversification of the labour markets of resource-rich countries, so that they acquire other value creation options alongside resource extraction. This is especially important in light of the expectation that demand will decline due to technological innovations or the development of alternative sources.
- The foremost objective must be to improve the quality of jobs, and not just their quantity. This includes observance of international labour standards, ensuring decent pay, securing fair working conditions and social protections for all workers, and promoting safe and healthy working conditions.

#### 4.4 STRENGTHEN LABOUR RIGHTS IN THE INFORMAL SECTOR

Informal employment plays a significant role in the raw materials sector across the world. The World Bank (2020) estimates that »44.75 million people working across more than 80 countries make their living directly in ASM« (artisanal and small-scale mining). If indirect labour is included the figure could be as high as 269 million – overwhelmingly in the informal sector (80 to 90 percent).

ASM is characterised by simple, labour-intensive methods and minimal use of machinery. It represents a vital source of income for many of those involved. But its informal nature also means their work is unregulated by the state, and violations of workers' rights are rife. Given the need for raw materials that are produced in this way (in particular cobalt), it is impossible to avoid sourcing from countries where these methods are prevalent.

- Raw material partnerships must therefore consider the entire working population and include appropriate supportive measures covering workers who have hitherto been employed informally.
- The long-term goal should be to formalise small-scale mining and ensure that workers enjoy fundamental rights including health and safety, fair pay and freedom of association.
- New formal employment opportunities should be created through industrialisation in upstream and

downstream sectors. These measures offer a real alternative to the informal sector and promote sustainable economic development.

#### 4.5 SUPPORT FOR INDUSTRIAL DEVELOPMENT AND LOCAL VALUE CREATION

Promoting economic development means strengthening the industrial sector. Resource-producing countries wish to establish their own processing industries rather than simply exporting unprocessed ores. That is the path to creating employment, increasing income, contributing to economic diversification and ultimately producing higher tax revenues and stronger growth. Given that most of the refining and processing currently takes place in China, establishing processing industries would diversify raw material supply chains and thus improve security of supply in Germany and Europe. All the relevant MoUs promise opportunities to increase value creation. And all the German and European raw materials strategies also name support for economic development in resource-rich countries as a decisive incentive. How this is to be realised in practice remains a mystery.

It is crucial that these commitments to relocating value chains are not merely rhetorical. That will require a strategy tailored to each country, prepared in collaboration with all relevant stakeholders including business. The agreements must ensure that the partner countries are supported in developing their own industrial base and that local value creation is promoted. In resource-rich countries backward and forward linkages offer solid opportunities (Morris et al. 2011).

- In the mining sector (as elsewhere) companies are increasingly concentrating on their core business and outsourcing other activities to suppliers. This offers an opportunity for resource-rich countries to establish and/or strengthen local ancillary industries. Programmes can be developed to promote local businesses and reduce dependency on foreign suppliers. Another important factor for local processing of raw materials is the establishment of reliable infrastructure in key areas like energy, transport and communications. Here the EU's Global Gateway offers a suitable platform for strategic, sustainable and value-led investment in global infrastructure.
- The EU explicitly wants to promote value creation in resource-rich countries. Yet current EU trade policy deprives partner countries of most of their industrial policy space for initiating their own local value creation. For example the EU regularly takes action at the World Trade Organisation against countries that place export restrictions on their raw materials. The EU also works to prohibit export taxes. While there is still resistance to such a ban at the multilateral level, export taxes are explicitly forbidden in the EU's free trade agreements (for example with Vietnam and Canada). Other free trade agreements that are currently under negotiation (for example with Australia, Indonesia and Tunisia) or already negotiated (Chile, Mexico and New Zealand),

contain a chapter explicitly dedicated to energy and raw materials. And they too constrain the partner's industrial policy space in some respects. Trade policy and raw materials policy need to be coherently joined up, with trade and investment agreements configured so as not to obstruct the objective of encouraging the development of local industries.

- Local value creation can only develop if private-sector investors are found to complement state investment. This requires lending designed to leverage private investment. In the first place that is the role of development banks such as Germany's KfW (see also 4.6).

#### 4.6 SECURE FUNDING FOR RAW MATERIAL PARTNERSHIPS AND PROJECTS

Secure funding is decisive for realising raw material partnerships and projects. Public-private partnerships and loan guarantees are regarded as suitable incentives to encourage companies to commit to costly long-term extraction projects. In recent years a series of funding instruments have been announced, for example within the Global Gateway programme, the EU Chips Act and the national raw materials funds (France, Italy, potentially Germany). But the exact funding conditions, target groups, countries and processes remain obscure. And so the incentive is lacking.

- Clarity and transparency are important in connection with funding sources. Which source is best for a specific business with a specific project? What are the funding criteria? How does the process function? Which countries are the funding possibilities aimed at?
- The extent to which funding is actually intended for projects in Latin America, Africa and Asia is also unclear. It would appear that although partnerships with many countries across the world are under discussion, programmes for stimulating and promoting investment relate primarily to Europe or to a selected group of resource-rich third countries. While Global Gateway is still fairly clearly orientated on the Global South, the same can not necessarily be said of the other European and national programmes. Given that Washington's raw materials policy and Mineral Security Partnership also come with strict ESG and security requirements and appears to be restricted to OECD members, it would make strategic sense to establish additional dedicated funding options for countries in the Global South.
- When German and European funds and loan guarantees are granted to businesses, observance of human rights and environmental standards must be given high priority. In Germany the role of the KfW development bank needs to be fundamentally rethought. As a recent study for *Stiftung Klimaneutralität* argues, the KfW is not living up to its role as a development bank (Hirsch et al. 2024), and is underperforming in its funding for transformative projects in the Global South. Unlike other national development banks, KfW is not in a position to leverage large-scale private investment. Moreover the KfW's impact assessment are still not aligned with the Paris climate targets. Its criteria ur-

gently need political reform in order to create meaningful offers to businesses for investment supporting the social-ecological transformation.

- If the KfW realises the announced German raw materials fund, it must be ensured that ESG-standards and corresponding corporate due diligence are incorporated in the funding rules and selection criteria. However the interests of the German governing parties may diverge, it must be ensured that human rights and environmental criteria are not sacrificed to the economic objectives of European partners.

#### 4.7 RESOURCE EFFICIENCY AND CIRCULAR ECONOMY: TOWARDS A SUSTAINABLE RAW MATERIALS STRATEGY

In the medium term the transformation to a sustainable economy will involve great dependency on primary raw materials. Yet in the longer term, the German and EU strategies outlined above consistently formulate the goal of reducing raw materials consumption by establishing a functioning circular economy. That is particular challenging for Germany, whose consumption of primary raw materials is above average, and creates a foreseeable dilemma. Demand for primary raw materials in industrialised countries is currently growing at unprecedented rates, with researchers predicting the peak for 2030 (Prognos, Öko-Institut and Wuppertal Institut 2023). As soon as a circular economy has been established and other measures to reduce primary raw materials take effect, long-term demand will fall off dramatically. And the resource-rich countries of the Global Souths will bear the consequences.

The next generation of partnerships should therefore include social safeguards that would take effect if demand fell dramatically. The possibilities include technology transfer and promotion of research and innovation in the resource-rich countries, as well as the green economic transformation in general and specifically an expansion of their own circular economies. Employers and trade unions should also participate in the creation of raw material partnerships and trade union actors should be included in any discussion of redundancy plans, especially in mining.

- A significant reduction in consumption of raw materials should be promoted in all sectors, especially in construction and transport, as laid out in the German government's coalition agreement (Coalition Agreement 2021, p. 33). Dittrich and colleagues (2024) demonstrate the possibilities for reducing the consumption of base metals.
- The current government is expected to publish a National Circular Economy Strategy under the auspices of the Federal Ministry for the Environment. One of the questions it will have to address in relation to raw material partnerships will be how high value scrap (for example aluminium) is to be handled and how the National Circular Economy Strategy fits into the European Circular Economy Action Plan.



## 4.8 OBSERVANCE OF HUMAN AND LABOUR RIGHTS: IMPLEMENTING CORPORATE DUE DILIGENCE

The raw materials sector is often characterised by grave human rights and environmental violations. Trade unions report repression including violations of freedom of association and the right to strike. Deficits are also widely observed in fair pay, social protections, and health and safety at work (World Bank 2020). The discovery of new resource deposits can also have deep impacts on local populations, including disruption and forced displacement (Korinek and Ramdoo 2017). Serious environmental harms are also commonplace.

- Without observance of human rights and environmental standards the EU will achieve neither its objective of security of supply nor the far greater goal of social-ecological transformation. Consistent priority must therefore be given to human rights and environmental standards. Corporate due diligence must apply to strategic projects and partnership agreements alike.
- The German Supply Chain Act and the European Supply Chain Directive require corporate due diligence. German and European businesses are obligated to respect human rights and observe environmental standards. Companies operating in the raw materials sector are required to identify relevant risks in their supply chains and institute measures to prevent and remedy them. They must establish complaints procedures and ensure that there is genuine consultation with trade unions and civil society actors. They must also review their procurement practices and ensure they comply with human rights and environmental standards.
- The German and European authorities must provide political backing and support for the implementation of corporate due diligence as required by the European Supply Chain Directive. That includes for example supporting companies with national helpdesks and industry dialogue formats. Greater attention must be paid in particular to state and corporate complaints mechanisms. This also includes reviewing the efficacy of industrial standards and certification systems and making lasting improvements. Here the German government can draw on experience with the German Supply Chain Act.

## 4.9 THE RIGHTS OF INDIGENOUS PEOPLES

According to the International Renewable Energy Agency 54 percent of the minerals required for the green energy transition are located in or near the territories of indigenous communities (IRENA 2023); in the case of lithium the figure exceeds 80 percent. It is therefore crucial that raw material partnerships explicitly cite the legally binding ILO Indigenous and Tribal Peoples Convention (C169), which lays out the right of indigenous peoples to be consulted.

- Indigenous communities must be actively included in all phases of planning, realisation and follow-up of

projects that affect their lands and resources. This includes application of the principle of free, prior and informed consent, which is also mentioned in the CRMA. It is essential that these processes are real participatory dialogues, and not merely box-ticking exercises.

- Raw material partnerships with indigenous communities should be sustainable and long-term. Individual, isolated projects will fall short; a coordinated approach is needed. The goal should be continuous improvement of the living conditions and rights of indigenous peoples.

## 4.10 OVERALL POLITICAL STRATEGY AND COHERENCE

Achieving the multiple objectives of raw material partnerships requires an overall political strategy at the European and international levels. This must ensure coherence between the various approaches and instruments, and tackle the associated conflicts of goals.

- In order to preserve their economic sovereignty, Germany and the EU need a comprehensive raw materials strategy encompassing domestic resource extraction, circularity and dependable raw material partnerships. This has already been recognised at the political level. But what is often not adequately reflected is that a partnership agreement must contribute positively to economic development (and transformation) in the partner countries – in order to ensure that the social-ecological transformation is not accomplished by the Global North at the expense of the South. The collective action problem must be addressed: if the resource-importing countries encourage and assist partner countries to develop their own processing industries, value creation will migrate there. That could mean displacing production steps out of the EU to these third countries (and thus not just out of China) and potentially even contribute to the loss of good industrial jobs in the EU. This conflict of goals needs to be discussed among the social partners rather than ignored.
- A coherent overall strategy must also include better coordination of strategic projects and strategic partnerships. Strategic projects should be initiated in the first place with the countries with which partnerships are sought.
- The various legal instruments must be coherent. This applies for example to the European Supply Chain Directive and the Critical Raw Materials Act. The differences between the various due diligence standards create legal insecurity, potentially harming the rights they set out to protect. In the long term a UN agreement on human rights and economic activity is needed, covering all countries.
- Inter-ministerial coordination (covering economic affairs, development cooperation, security) will be decisive for the success of raw material partnerships. This should occur through the adoption of a new German raw materials strategy in the cabinet, taking into account the existing and future strategies, including the National Security Strategy, the China Strategy and the forthcoming

ing revision of the Federal Economic Cooperation Development Ministry's raw materials strategy. Otherwise miscommunication with partner countries could cause irritation and squander incentives. Partnerships will only be fruitful if industrial and climate measures are combined with development measures, with due consideration for security.

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## GLOBAL AND EUROPEAN POLICIES

The section »Global and European Policies« offers, in Germany, Brussels and the UN locations Geneva and New York, consultations to political decision makers, unions and civil society organizations addressing important topics of discussion on European and international policies. We identify opportunity for transformation, formulate concrete alternatives and support our partners in forming alliances towards implementation of alternatives. We think

together in national, European and international policy terms. We are committed to the Agenda 2030 for Sustainable Development and are oriented on comprehensive social and ecological transformation.

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## RAW MATERIAL PARTNERSHIPS

### Navigating Industrial Transformation, Human Rights and Economic Sovereignty



Global demand for raw materials is rising. The reasons are diverse. The necessary social-ecological transformation and advances in digitalisation will certainly require reliable raw materials imports. Raw material partnerships are key to German and European security of supply. Germany currently sources more than 90 percent of its refined critical raw materials from China. The current geopolitical environment calls for new partnerships with dependable resource-rich third countries, in order to diversify supply chains, reduce dependencies and ensure a secure supply of raw materials for Europe's industries.



If Germany and Europe are to create effective partnerships, they need to be perceived as attractive and reliable partners. That means contributing to economic, social and environmental improvements in resource-rich third countries: supporting industrial development, relocating value chains, diversifying labour markets, and observing human rights and environmental standards.



Creating attractive offers for third countries requires a coherent overall strategy. While Germany's National Security Strategy and China Strategy already address the problem of dependency, the German government's raw materials strategy needs to be renewed. The potential of raw material partnerships lies in intelligent integration of industrial policy and development cooperation with consideration to security aspects.

Further information on the topic can be found here:  
[www.fes.de/themenportal-die-welt-gerecht-gestalten/  
weltwirtschaft-und-unternehmensverantwortung](http://www.fes.de/themenportal-die-welt-gerecht-gestalten/weltwirtschaft-und-unternehmensverantwortung)