Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Nicola Beer

The EU cannot remain a bystander in the critical raw material chain

When US President Donald Trump and Chinese President Xi Jinping agreed to a one-year truce in their trade war, temporarily easing China's strict export controls on rare earths and other critical minerals, a quiet sigh of relief swept through corporate headquarters from Paris to Warsaw.

But the underlying structural reality has not changed: Because China controls global supplies – owing to its unrivaled extraction and processing capacity – Europe remains dangerously dependent.

Europe imports nearly all the rare-earth magnets it uses in manufacturing electric vehicles, wind turbines, and defense systems, as well as the lithium, cobalt, and graphite that underpin battery production.

With most of the refining of these materials occurring outside our borders, a temporary suspension of Chinese export restrictions merely buys us time.

Since Europe will remain vulnerable for the foreseeable future, the only question is whether we will use this reprieve to prepare for what could be coming.

When thinking about our own economic future, resilience – the ability to absorb shocks that would otherwise paralyze key industries – is what matters.

Unless Europe accelerates diversification, builds domestic capacity, and institutionalizes risk management, the next supply crunch will hit just as hard, if not harder.

Support for projects

With the Critical Raw Materials Act, the European Union has set ambitious targets to extract 10%, process 40%, and recycle 25% of its consumption of these materials domestically.

At the European Investment Bank (EIB), we are scaling up support for projects that strengthen the critical raw material chain – from exploration, extraction, and refining to recycling and innovation – both within and outside the EU.

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As a bank, we offer loans, equity-type financing for high-risk projects, and technical advisory resources for project sponsors.

Our recent support for a copper recycling facility in Germany, lithium production in Finland, and a battery gigafactory in France shows what can be achieved when public and private investment pull in the same direction.

The US strategy

While Europe pursues these ambitious targets and collaborative investments, the United States has opted for a more direct approach, with the US Department of Defense acquiring a significant share in MP Materials, which operates the country's only rare earth mine.

Backed by public funding and long-term purchase agreements, this move, too, is designed to secure domestic supply chains and reduce reliance on imports from China.

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US national security and industrial resilience are the main goals, and within this policy environment, major private-sector players like Apple are also committing to sourcing materials domestically.

Nor is the US strategy limited to domestic action. The government is also taking steps to secure access to rare earths and other critical materials globally, such as by acquiring stakes in Canadian mining companies.

The EU cannot afford to remain a bystander

The EU cannot afford to remain a bystander. But rather than competing in a subsidy race or relying on direct government ownership – which risks distorting markets and undermining the rules-based trading system that Europe still champions – the bloc should focus on building strategic alliances and partnerships. Resilience cannot be built in isolation.

With an eye toward securing alternatives to a single dominant supplier and strengthening its position in global supply chains, the EU has long been engaging with countries that value responsible resource development practices and fair competition.

It has already established strategic partnerships with 14 countries – including Canada, Chile, and Ukraine – each designed to foster cooperation on critical raw materials and support sustainable growth.

Building on this broader EU effort, the EIB is complementing these initiatives through its own actions.

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Australia – a mining powerhouse – is a key partner in this regard. Following my recent visit, we signed a declaration signaling our intent to deepen cooperation on critical raw materials, paving the way for future joint initiatives that promote sustainable growth.

Reliability and predictability are Europe's strongest currencies when it comes to partnerships.

These qualities underpin our alliances and can serve as the foundation for a coalition of likeminded countries that are committed to transparency and fair play.

By sticking together, we can counteract market manipulation and ensure stable, reliable supplies.

Strategic stockpiling and joint purchasing

In the meantime, though, we need buffers. Strategic stockpiling and joint purchasing, as proposed in the European Commission's ReSourceEU initiative, may not be silver bullets, but they do matter.

Even if strategic reserves do not eliminate risk, they can cushion the impact of sudden supply shocks, and a common EU purchasing platform can strengthen bargaining power and reduce volatility. Bundling creates market power. Both ideas deserve more than discussion; they demand action.

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Circularity offers another layer of resilience. We now have technologies that can recover up to 95% of materials from end-of-life batteries, but scaling up their use requires additional investment and regulatory clarity.

At the same time, research into substitutes for rare-earth magnets and cobalt-based chemistries should move from the margins to the mainstream.

Europe must act quickly. That means the engagement of not only EU institutions but also member-state governments and industry, which can chip in with clear commitments, particularly through mechanisms such as offtake agreements and investments in all steps of the value chain. The EIB is, and will remain, a strong partner to all those taking up this challenge.

If Europe is serious about strengthening competitiveness and reducing strategic dependencies, it must mobilize all the relevant public- and private-sector players.

Only through collective action can we amplify our market power and build resilience. Yes, this will require investment. But the price will be dwarfed by the cost of being unprepared for the next shock.

Nicola Beer is Vice-President of the European Investment Bank.