

## **Critical raw materials and the EU-Mercosur agreement : policy recommendations on sustainable mining**

### **Introduction**

**January 2026 marks an important evolution in Latin American geopolitics. On 3 January the US conducted a military operation in Venezuela, resulting in the capture of the President Nicolás Maduro. On 9 January 2026 the Council of the European Union gave the green light to proceed with the signature of the European Union - Mercosur association agreement, after a long stalemate caused by divergences on the chapters of the agreement related to agriculture. This sequence of events marks a critical juncture for the Latin America and Caribbean (LAC) region, which can be seized as a window of opportunity for significant developments such as the trade agreement with the EU.**

On 6 December 2024, after 25 years of negotiations,<sup>1</sup> the EU and Mercosur, a bloc including Argentina, Brazil, Paraguay, and Uruguay, finalized a historic free trade and cooperation agreement<sup>2</sup>. Under this deal, tariffs will be eliminated on more than 90% of the bilateral trade,<sup>3</sup> with some tariffs being progressively reduced over 10–15 years and sensitive agricultural products, such as beef, subject to strict tariff-rate.<sup>4</sup> Agricultural sectors, that have been the subject of protests in Europe, benefit from extensive safeguard measures. Also, the agreement

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<sup>1</sup> Federico Steinberg, “What Are the Implications of the EU–Mercosur Free Trade Agreement?” *Critical Questions*, Center for Strategic and International Studies (CSIS), December 6, 2024, <https://www.csis.org/analysis/what-are-implications-eu-mercosur-free-trade-agreement>.

<sup>2</sup> European Commission, *EU and Mercosur Reach Agreement on Trade*, press release, June 28, 2019, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_19\\_3396](https://ec.europa.eu/commission/presscorner/detail/en/ip_19_3396).

<sup>3</sup> Ga-Alliance, “The EU-Mercosur Agreement,” Ga-Alliance, February 20, 2025, <https://www.ga-alliance.eu/en/the-eu-mercosur-agreement/>.

<sup>4</sup> “EU and Mercosur Sign ‘Historic’ Free Trade Deal,” *Le Monde*, January 17, 2026, [https://www.lemonde.fr/en/international/article/2026/01/17/eu-and-mercosur-sign-historic-free-trade-deal\\_6749535\\_4.html](https://www.lemonde.fr/en/international/article/2026/01/17/eu-and-mercosur-sign-historic-free-trade-deal_6749535_4.html).

increases reciprocal market access and investment opportunities in services like finance and transport.<sup>5</sup>

On 17 January 2026, both parties signed the agreement, which is composed of two different legal instruments: the interim Trade Agreement (iTA), which covers commercial aspects of the agreement and can directly enter into force after signature of the agreement, and the EU-Mercosur Partnership Agreement (EMPA), covering all aspects of the association and requiring full ratification to enter into force. The EMPA is meant to repeal and replace the iTA after ratification<sup>6</sup>. The system has been designed to ensure rapid economic effects of the agreement, which could be undermined by lengthy ratification procedures. After the signature, the agreement must be ratified by the European Parliament, as well as by the national parliaments of all EU Member States and all Mercosur countries. However, the ratification process has been particularly complicated, reflecting deep political divisions within the European Parliament, especially over agricultural competition and environmental sustainability. In this context, as of January 21, the European Parliament has issued a request for an Opinion to the European Court of Justice, to check compliance of the agreement with the EU Treaties. The ratification procedure will therefore be delayed until the Court rules a decision. Rather than legal interpretation, the referral to the Court is an expression of the political will on this highly divisive topic<sup>7</sup>, which encountered strong opposition among the ranks of the European Parliament.

The approval of the agreement is not only of economic but especially of geopolitical importance. Amid growing geopolitical instability, including in the LAC region, the EU reaffirmed its commitment to multilateralism with like-minded actors as the Mercosur bloc.

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<sup>5</sup>Michael Baltensperger and Uri Dadush, *The European Union–Mercosur Free Trade Agreement: Prospects and Risks*, Policy Contribution, no. 11 (Brussels: Bruegel, September 2019), 3-4, <https://www.bruegel.org/policy-brief/european-union-mercossur-free-trade-agreement-prospects-and-risks>.

<sup>6</sup> European Commission, “EU-Mercosur Agreement,” *EU trade relationships by country/region*, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercossur/eu-mercossur-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercossur/eu-mercossur-agreement_en).

<sup>7</sup> Giampiero Cinelli, “Mercosur Deal Put on Ice as Parliament Seeks ECJ Opinion,” *The Watcher Post*, January 23, 2026, <https://www.thewatcherpost.eu/mercossur-deal-put-on-ice-as-parliament-seeks-ecj-opinion/>.

Moreover, the deal is crucial for the EU to secure access to critical raw materials (CRMs). CRMs are raw materials that are defined by the European Commission as of critical importance, in terms of supply risk and economic relevance.<sup>8</sup> Through lower tariffs, these materials would become cheaper for the EU. Furthermore, it also entails no minimum pricing or other pricing requirements. The deal prohibits monopolies and licensing, which could limit supply or increase prices. Finally, European companies will benefit from the right of establishment and be able to invest in Mercosur's CRM industries without discrimination.<sup>9</sup>

**On the basis of this, our article focuses on the role of critical raw materials in the EU-Mercosur trade agreement, examining how the agreement encapsulates the complex balance between economic interests and risks at play for both blocs.**

**Section I will delve into the interests on the EU' side, section II will discuss the economic and environmental implications to the agreement for Mercosur countries, section III will conclude and section IV will provide some policy recommendations to strengthen environmental protection and foster sustainable practices of mining and processing CRM.**

### **I. Economic security and energy transition : why LAC CRMs matter to Europe**

**Within the framework of the trade agreements, the issue of critical raw materials (CRMs) has gained its momentum. Since 2023 the EU has turned to LAC countries as potential trade partners in order to secure their supply of critical raw materials<sup>10</sup>, which are scarce on European soil but abundant in the LAC region.**

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<sup>8</sup> Oscar Guinea and Vanika Sharma, *European Economic Security and Access to Critical Raw Materials: Trade, Diversification, and the Role of Mercosur*, Policy Brief no. 09/2023 (Brussels: European Centre for International Political Economy [ECIPE], 2023), 5, <https://ecipe.org/publications/trade-diversification-the-role-of-mercotur/>.

<sup>9</sup> European Commission, *Factsheet: EU-Mercosur Partnership Agreement — Enhancing Trade and Investment in Critical Raw Materials*, Directorate-General for Trade and Economic Security, European Union, accessed December 31, 2025, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercotur/eu-mercotur-agreement/factsheet-eu-mercotur-partnership-agreement-enhancing-trade-and-investment-critical-raw-materials\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercotur/eu-mercotur-agreement/factsheet-eu-mercotur-partnership-agreement-enhancing-trade-and-investment-critical-raw-materials_en).

<sup>10</sup> Marc Jütten, *EU-Latin America: Enhancing Cooperation on Critical Raw Materials* (Briefing; European Parliamentary Research Service, 2024), [https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_BRI\(2024\)767163](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2024)767163).

Renewed interest in CRMs comes, firstly, from the need to secure supply chains in a context of geopolitical disorder, where the current supply chain may suffer from political disruption<sup>11</sup>. So far, the European supply of CRMs is mainly ensured by China and Russia. Secondly, CRMs became of rising importance due to the foreseen increase in demand in Europe<sup>12</sup>, as well as in other regions in the world, to meet its sustainability and industrial goals. For example, CRMs will be essential to decarbonize the European automotive sector, in order to meet the climate target set by the European Commission, of net 0 emissions by 2050<sup>13</sup>. To do so, the automotive industry requires access to several CRMs, and especially lithium, which is needed to produce batteries for electric vehicles.

As suggested by the Jacques Delors Institute, future strategies for the European automotive sector could be understood as a trilemma between three policy preferences: decarbonisation, competitiveness and economic security, the latter referring to geopolitical tension that threatens supply chains of materials essential for EVs. The priorities of Europe, unlike China and the US, lean more towards sustainability, leading European manufacturers to adopt different strategies than the American and Chinese counterparts<sup>14</sup>. Sealing the association agreement with the Mercosur bloc is, at first glance, compatible with these three objectives: it would provide European producers with CRMs from an economically secure source, which would have positive effects on both competitiveness and the achievement of decarbonization goals set by the Commission.

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<sup>11</sup>Javier Flórez Mendoza and Bernhard Moshhammer, *The EU-Mercosur Agreement: Expectations and Concerns in Light of the New Geopolitical Situation*, FIW-Kurzbericht, no. 60 (Vienna: FIW – Research Centre International Economics, 2023), <https://www.econstor.eu/handle/10419/295134>.

<sup>12</sup>European Parliament, *Securing Critical Raw Materials for the EU's Digital and Green Transitions*, video, December 15, 2023, [https://multimedia.europarl.europa.eu/en/video/securing-critical-raw-materials-for-the-eus-digital-and-green-transitions\\_N01\\_AFPS\\_231215\\_DL06](https://multimedia.europarl.europa.eu/en/video/securing-critical-raw-materials-for-the-eus-digital-and-green-transitions_N01_AFPS_231215_DL06).

<sup>13</sup>Mariana do Prado, Elvire Fabry, and Sébastien Jean, *The Road to a New European Automotive Strategy: Trade and Industrial Policy Options Navigating the Trilemma of Decarbonization, Competitiveness, and Economic Security* (Paris: Institut Jacques Delors, 2024), 27, <https://institutdelors.eu/en/publications/the-road-to-a-new-european-automotive-strategy-trade-and-industrial-policy-options/>.

<sup>14</sup>*Ibid*, 26.

Mercosur countries have strong potential: Brazil is the larger global producer of niobium (91.8% of global reserves)<sup>15</sup>, while Argentina currently supplies 35% of lithium on a global scale and has plans to further expand the extraction<sup>16</sup>. However, extraction of CRMs, while ensuring the energy transition in Europe, raises environmental concerns for the countries of extraction, and has been the object of ongoing protests, both in Mercosur countries and abroad. As a consequence, in compliance with its environmental commitment, the EU may leverage its legal tools, as suggested in section IV, to contribute in the development of sustainable business practices in the field of CRMs, which is designed as a top priority in the LAC region for the EU<sup>17</sup>.

## II. Mercosur's perspective : economic opportunities and regulatory conditions

**The EU-Mercosur deal offers significant economic and strategic opportunities for both parties, with special regard to trade in CRMs and cooperation on the green transition. Between 2009 and 2021, the EU was accountable for more than 60% of green transition investments. The agreement will further boost the penetration of European companies in the development of Latin American renewable industries, through tariff preferences for renewable technologies. Therefore, the simplification of import and export processes can favour EU investments that can contribute to the modernisation of the industrial sector.**<sup>18</sup> Specifically, these conditions are expected to attract capital into the sectors of energy transition and e-mobility, which are closely tied to CRMs developments. Supporters of the deal argue that Mercosur can benefit not only from increased trade in raw materials, but also from wider cooperation resulting in the spread of sustainable production practices and technology

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<sup>15</sup> Katarzyna Sierocińska and Bartosz Michalski, *Latin America's Critical Raw Materials and the Economic Security of the European Union* (Warsaw: Polish Economic Institute, June 2024), [https://pie.net.pl/wp-content/uploads/2024/07/Surowce-Ameryki-lac-i-bezp-UE\\_ENG.pdf](https://pie.net.pl/wp-content/uploads/2024/07/Surowce-Ameryki-lac-i-bezp-UE_ENG.pdf).

<sup>16</sup> Sam Meredith, "A New Chile? Argentina Is at the Epicenter of a New 'White Gold' Rush," *CNBC*, October 6, 2023, updated October 9, 2023, <https://www.cnbc.com/2023/10/06/a-new-chile-argentina-is-at-the-epicenter-of-a-new-white-gold-rush.html>.

<sup>17</sup> OECD et al., *Latin American Economic Outlook 2025: Promoting and Financing Production Transformation*, OECD Publishing, Paris, 2025, 239, <https://doi.org/10.1787/80e48de5-en>.

<sup>18</sup> Guinea and Sharma, *European Economic Security and Access to Critical Raw Materials*.

transfers.<sup>19</sup> Overall, increased trade also provides new economic opportunities for the individual Mercosur countries. Argentina, for example, perceives the deal as an opportunity to further consolidate its position as a regional energy hub, with special regard to the global lithium market. The facilitation of interregional exchanges produced with the deal can further boost economic and technological development by creating jobs, technological partnerships, and strengthening ties with the EU.<sup>20</sup>

However, as pointed out in the Latin American Outlook 2025, the region needs to frame its economic activities within a wider environmental sustainability strategy, “developing value-added environmental goods and services rather than merely extracting raw materials”<sup>21</sup>. The risk of strengthening Latin America’s role as a supplier of raw materials is to center economic activity on production on primary commodities, hindering the development of higher value added sectors. Moreover, critics warn about the socio-environmental issues associated with the deal. All Mercosur full members have commodity export-based economies, which means that more than 60% of their exports are raw commodities and resource-based products<sup>22</sup>.

From an environmental standpoint, a survey that involved 141 experts from government, industry, academia, and civil society shows the main concerns related to the expansion of extractive industries, especially in lithium. 61% of the respondents of this study were based in the lithium triangle, including Argentina, and warned about the disruption of water balance and the loss of biodiversity derived from lithium extraction.<sup>23</sup> Furthermore, mining facilities are

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<sup>19</sup> United Nations Economic Commission for Latin America and the Caribbean (ECLAC), *Investment and Cooperation Opportunities for Latin America and the Caribbean and the European Union*, 2023, 30-31, <https://repositorio.cepal.org/server/api/core/bitstreams/54a2d6d4-9756-4937-b5ac-13b8b2e47eb2/content>.

<sup>20</sup> Tatiana Pizzi, Agostina Salman, and Juan Gentiletti, “La endeble relación entre Argentina y la Unión Europea: Perspectivas para una agenda renovada,” *Revista Integración y Cooperación Internacional*, no. 40 (enero-junio 2025), 36, <http://revista-mici.unr.edu.ar/index.php/revistamici/article/view/169/120>.

<sup>21</sup> OECD et al, *Latin American Economic Outlook 2025: Promoting and Financing Production Transformation*, 132.

<sup>22</sup> *Ibid*, 21.

<sup>23</sup> Martín Obaya, Diego Murguía, and Daniela Sánchez López, *Lithium in the New Agenda of the European Union and Latin America and the Caribbean: Action Guidelines for a Just and Sustainable Bi-Regional Lithium Battery Chain*, EU-LAC Policy Brief No. 7 (January 2024), [https://epub.sub.uni-hamburg.de/epub/volltexte/2024/168738/pdf/Policy\\_Brief\\_N7.pdf](https://epub.sub.uni-hamburg.de/epub/volltexte/2024/168738/pdf/Policy_Brief_N7.pdf).

usually located in natural protected areas and conservation areas, potentially causing adverse impacts on forests and increased pollution.

Indigenous communities have raised strong concerns regarding the agreement, as increasing demand for CRMs could compromise the rights of the communities, especially regarding access to land, consent, and environmental protection.<sup>24</sup> Civil society organisations like Climate Action Network and Greenpeace have pointed out the need for consultation of the local Indigenous communities, which are directly affected by mining activities.<sup>25</sup> As a consequence, one priority of the enactment of the agreement should be to ensure inclusive governance and benefits - which could be supported through different mechanisms, as suggested in section IV.

## Conclusion

**In conclusion, while the definitive ratification of the EU-Mercosur agreement is not yet to be confirmed, some relevant considerations regarding CRMs can be made nonetheless, concerning stakes for both parties of the agreement. Both the EU and Mercosur countries have high incentives to secure the agreement; however, additional protection may be necessary to ensure that the extraction and trade of CRMs is carried forward in a sustainable way.**

From the EU's perspective, securing supply chains is of vital importance, and the urgency of guaranteeing strategic autonomy becomes increasingly compelling as the Old Continent grows more and more isolated. Moreover, the adoption of the association agreement reinforces the credibility of EU governance, which is currently under pressure by multiple threats.

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<sup>24</sup> Claudia Detsch, Beatriz Olivera Villa, and Manuela Mattheß, *The European Union's Critical Raw Materials Act: Implications and Challenges for Europe, Latin America and Africa*, Climate Change, Energy and Environment (Mexico City: Friedrich-Ebert-Stiftung-Proyecto Regional Transformación Social-Ecológica, 2024), <https://collections.fes.de/publikationen/ident/fes/21790>.

<sup>25</sup> Greenpeace, "EU-Mercosur Fuels Nature Destruction and Undermines EU Efforts against Deforestation Policy Briefing for Decision-Makers," (Brussels: Greenpeace European Unit, July 2023), 12, <https://www.greenpeace.org/static/planet4-eu-unit-stateless/2023/07/191bce9e-policy-briefing-eu-mercotur-undermines-eu-efforts-against-deforestation.pdf>; CAN Europe, "Why It's Time to Drop the EU-Mercosur Trade Deal," 2024, 13, [https://caneurope.org/content/uploads/2024/11/CAN-Europe\\_Milei\\_EU-Mercosur-Nov2024.pdf](https://caneurope.org/content/uploads/2024/11/CAN-Europe_Milei_EU-Mercosur-Nov2024.pdf).

For Mercosur countries, significant economic gains could arise from critical minerals developments. However, enhanced social and environmental protection measures should be undertaken.

The International Energy Agency (IEA) underpins that while there is an undeniable climate advantage of clean energy technologies, their mining and processing still result in higher greenhouse gas emissions if compared to other commodities<sup>26</sup>. Environmental impacts range from the degradation of natural resources, biodiversity loss, and deforestation. Community life of the Indigenous Peoples inhabiting the territories is also threatened by environmental degradation. Both Europe, as consumers, and Mercosur countries, as producers, should ensure that labour rights are protected, given the high risks involved in mining practices, and that the regulatory and institutional framework prevents corruption and elite capture of benefits derived from mining. Finally, while Mercosur countries have a comparative advantage in CRMs materials that should be exploited, it is important to notice that they could still benefit from an expansion of tech-intensive sectors<sup>27</sup>, which represent a higher value added for the economies - for example by getting involved in later stages of the supply chains. The provisions on environmental protection laid out in the association agreement should be coupled with enhanced protection to tackle structural weaknesses tied to extractivist practices in Mercosur countries, which go beyond the scope of the trade agreement.

### **Policy recommendations**

**Both parties can effectively build on their preexisting legal and policy instruments to accompany the trade agreement with binding enforcement rules on sustainability and social justice.**

On the EU side:

- 1. Make access to the EU market of CRMs conditional on sustainability performance.**

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<sup>26</sup> IEA, *The Role of Critical Minerals in Clean Energy Transitions*, IEA, Paris, 2021, <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>,

<sup>27</sup> OECD et al, *Latin American Economic Outlook 2025: Promoting and Financing Production Transformation*, 51.

Article 30 of the CRMA entails the creation of a register of recognised schemes of sustainability, overseen by the European Commission, to which economic operators can voluntarily apply to certify their sustainability practices. However this register relies on a voluntary-based mechanism and cannot prevent economic operators that do not comply with the sustainability norms laid out by the Commission from operating. Therefore, article 30 of the CRMA could be reviewed to make certification schemes a compulsory requirement for economic operators willing to pursue mining practices of CRMs.

**2. Include *ad hoc* measures on deforestation prevention within the framework of the CRMA.**

CRMA currently does not explicitly address deforestation and forest degradation risks. While deforestation risks are frequently attributed to agriculture, CRMs extraction sites in Mercosur countries are often located in forestal areas, which may provoke deforestation to allow mining<sup>28</sup>. As a consequence, the scope of the CRMA should be expanded to encompass risks specifically associated with deforestation, following the blueprint of the Deforestation Act (EUDR).

A strategic entry point to address these risks could be article 31 of the CRMA, which lays out the obligation for operators to issue an environmental footprint declaration for CRMs defined as priority by the European Commission<sup>29</sup>. Deforestation could be added to the environmental impact categories covered by the environmental footprint declaration.

**3. Expand the scope of the EU Deforestation Act (EUDR) to CRMs extraction and processing, and guarantee its application by the 30th December 2026.**

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<sup>28</sup> UN-Energy (*United Nations Department of Economic and Social Affairs*), *UN-Energy Policy Brief: Aligning Critical Raw Materials Development with Sustainable Development* (New York: United Nations, June 2023), <https://unece.org/sustainable-energy/publications/un-energy-policy-brief-aligning-critical-raw-materials-development>.

<sup>29</sup> Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 Establishing a Framework for Ensuring a Secure and Sustainable Supply of Critical Raw Materials and Amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020 (Text with EEA Relevance) (2024), <http://data.europa.eu/eli/reg/2024/1252/oj>.

The Regulation on Deforestation-free Products prohibits the import of products which have contributed to forest degradation or deforestation<sup>30</sup>. The EUDR applies to a list of “relevant commodities” and “relevant products”<sup>31</sup>. Alternatively to point 2, the EUDR could be reviewed to expand it to CRM, ensuring that similar protection as the one of these relevant commodities and products is guaranteed to CRMs. A similar modification of the EUDR would acknowledge the deforestation risk linked to CRMs developments and complement the more technical and specific requirements laid out by the CRMA.

In addition, the EUDR has been streamlined and its entry into force, initially set to the 30th December of 2024 has been postponed and is now due to apply by the 30th December of 2026 for large operators<sup>32</sup>. It is very important that European institutions commit to these dates, to ensure prompt effectiveness of its deforestation mitigation goals.

#### **4. Unlock development finance through the instrument Global Gateway to invest in green transition in the region, as well as responsible mining practices and processing of raw materials *in situ*.**

One of the risks invoked by critics of the EU-Mercosur trade agreement is that Mercosur countries would mainly be involved in extraction of CRMs, while its processing, which is of higher value-added, would happen in Europe after export of the raw materials. To guarantee a more just distribution of the supply chain, the EU could invest in infrastructure and mining capacity building in Mercosur countries, under the strategy of Global Gateway, to guarantee that part of the processing is undertaken in Mercosur countries. In addition, use of the Global Gateway strategy is also invoked for geopolitical reasons, to compete with the ambitious

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<sup>30</sup> European Commission, “Regulation on Deforestation-Free Products (EUDR),” *Environment: Forests and Deforestation*, [https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products\\_en](https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en).

<sup>31</sup> Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the Making Available on the Union Market and the Export from the Union of Certain Commodities and Products Associated with Deforestation and Forest Degradation and Repealing Regulation (EU) No 995/2010 (Text with EEA Relevance) (2024), <http://data.europa.eu/eli/reg/2023/1115/2024-12-26>.

<sup>32</sup> Council of the European Union, “Deforestation: Council Signs Off Targeted Revision to Simplify and Postpone the Regulation,” Press release 1119/25, 18 December 2025, [https://www.consilium.europa.eu/en/press/press-releases/2025/12/18/deforestation-council-signs-off-targeted-revision-to-simplify-and-postpone-the-regulation/pdf/https://www.consilium.europa.eu/en/press/press-releases/2025/12/18/deforestation-council-signs-off-targeted-revision-to-simplify-and-postpone-the-regulation/pdf/?utm\\_](https://www.consilium.europa.eu/en/press/press-releases/2025/12/18/deforestation-council-signs-off-targeted-revision-to-simplify-and-postpone-the-regulation/pdf/https://www.consilium.europa.eu/en/press/press-releases/2025/12/18/deforestation-council-signs-off-targeted-revision-to-simplify-and-postpone-the-regulation/pdf/?utm_).

Chinese Belt and Road Initiative, which entails heavy investments in the Global South, including Latin America. The EU is already enacting an Initiative to Boost Sustainable Critical Raw Materials Practices in Latin America and the Caribbean, under the framework of Global Gateway, jointly with the Inter-American Development Bank<sup>33</sup>. Similar initiatives are to be encouraged and prioritized, scaling up investments to make them more effective.

On the Mercosur side:

Mercosur being a trade union, it lacks supranational normative competences comparable to those of the EU. However, Mercosur countries can focus on normative harmonization, coordination and cooperation in governance and capacity building to reduce regulatory fragmentation and guarantee high social and environmental standards for CRMs developments.

**1. Strengthen environmental, social and governance requirements for Mercosur companies involved in CRMs extraction and processing.**

Mercosur countries could use European regulation, such as the CRMA and the EUDR, as a blueprint to design domestic environmental and social protection norms.

- Integrate the environmental footprint declaration as a mandatory reporting tool to be allowed to extract and process CRMs.
- Integrate binding due diligence obligations on environmental, social and human rights protection. This should include deforestation risk assessment for extraction performed in forestal or preforestal areas.
- Integrate binding certification schemes, as laid out by article 30 of the CRMA, for domestic operators, to guarantee transparency on the origin of CRMs.
- Require for the reporting data to be publicly available online.

Within this framework, Mercosur countries should facilitate access to EU markets to companies that comply with such norms, while restricting it for companies that do not.

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<sup>33</sup>*Global Gateway: New EU-IDB Initiative to Boost Sustainable Critical Raw Materials Practices in Latin America and the Caribbean*, press release, 17 December 2024, <https://www.iadb.org/en/news/global-gateway-new-eu-idb-initiative-boost-sustainable-critical-raw-materials-practices-latin>.

**2. Engage in dialogue with Indigenous communities concerned by CRMs extraction, to negotiate inclusive terms of extracting activities.**

Ensure full respect of the ILO Convention n°. 169 (1989), ratified by all members of Mercosur excluding Uruguay, is respected. The Convention lays out the right to consultation of Indigenous Peoples, aiming at achieving either agreement or consent of the people concerned. The framework could be made operational through various possible instruments, ranging from revenue-sharing agreements to the definition of no-go zones, derived from negotiations between the Indigenous communities and the extracting companies. Public authorities of Mercosur countries could serve as institutional arbitrators to these discussions, to level the playing field between stakeholders, which face an important power asymmetry.

**3. Create a shared platform with the EU to coordinate mining and processing of CRMs and facilitate climate investment.**

Establish a joint EU-Mercosur facility, to promote technological and knowledge transfer between the two blocs and support the creation of higher value added CRMs supply chains. This platform could be co-financed by the EU, Mercosur countries and private stakeholders such as development banks. Its mandate could go beyond the mere development of CRMs, to encompass environmental upgrading of the areas concerned by mining. In addition, the facility could have a supervisory role, to ensure compliance with environmental, social and human rights standards.