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HOW THE EU CAN LEVERAGE THE CURRENT FTA NEGOTIATIONS TO SECURE A MUTUALLY BENEFICIAL CRM PARTNERSHIP WITH INDIA

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As the EU is set to accelerate on its path toward climate neutrality, technological sovereignty and independence, the European Union's access to Critical Raw Materials (CRM) poses a pressing structural priority, with CRMs playing fundamental roles in the manufacturing of semiconductors, solar panels, wind turbines, and other essential components of the emergent green and digital economy. Despite this apparent strategic importance, the EU relies on a dangerously bottlenecked import base. With China producing 86% of the world's rare earth minerals, the EU imports 100% of its supply of heavy rare earth elements (REE) from China. Such a dependency transforms CRMs from merely a supply chain concern into a genuine geopolitical challenge. This policy brief argues that CRM integration into the EU-India FTA would be a strategic necessity for the security of Europe's industrial future.

This policy brief argues that CRM integration into the EU–India Free Trade Agreement would be a strategic necessity for the security of Europe's industrial future. Such concerns have been compounded by recent developments, as China continues its enforcement of export restrictions, with the most recent of these applied to gallium and germanium, in turn underpinning the urgency of pursuing alternative trade relations. In response, the EU has launched its Critical Raw Materials Act (CRM Act) in March of 2023, setting ambitious targets to minimise the EU's dependence on any single third country to below 65% for each strategic raw material by 2030. The CRM Act forms what is part of a far broader institutional architecture, which includes the EU's Green Deal Industrial Plan and Global Gateway, seeking to reframe these raw materials as constitutive of industrial competitiveness and strategic autonomy alike.

Enter India, emerging as an increasingly prominent alternative partner, holding deposits of a variety of rare earth elements (REE), including titanium, bauxite, tungsten, and vanadium. In 2023, for instance, the Geological Survey of India uncovered a 5.9 mt (million tonne) lithium reserve in the territories of Jammu and Kashmir, the country's first-ever major lithium find. Whilst India has yet to reach its distant and immense full export potential, the state's intent is clear. In 2019, India passed a reformed National Mineral Policy prioritising an enhancement of exploration, improvement of regulatory transparency, and ultimately a more facilitating environment for private investment within its domestic mining sector. Expectedly, this has been accompanied by the genesis of mineral stockpiling and reforms aimed at streamlining project clearance and land access. As a result, the diplomatic window for capitalisation of this emergent trade potential is wide open.

Proceeding more than a decade of stagnation, EU-India Free Trade Agreement (FTA) negotiations were revived in 2022 and have since gained momentum through fourteen rounds. As both parties have expressed their intention to finalise the deal by the end of January 2026, the cause for optimism has increased, as the negotiations have been complemented by the establishment of high-level frameworks such as the EU-India Connectivity Partnership and the Trade and Technology Council (TTC). Together, these can offer a springboard and platform to embed resilient CRM cooperation into bilateral policy.

Despite some reservations on the European side, three core advantages of a CRM partnership with India can be highlighted. Firstly, **diversification**, moving the EU away from its current Chinese-dominated CRM markets. Secondly, the development of **sustainable value chains**, which include joint investment in extraction and refining. And thirdly, strategic alignment with India's **climate and industrial modernisation** agenda.

For India, the potential gains are equally significant, notably enhanced foreign direct investment; accelerated technology transfer; and stronger integration into the EU's regulatory and industrial ecosystem. Moreover, CRM cooperation offers a pathway for India to position itself as a strategic supplier in the evolving Indo-European partnership. Advanced partnership in the CRM sphere is still an equitable foresight as India stands to benefit greatly from enhanced foreign direct investment and the accelerated technology transfer that it would gain from stronger integration into the EU's industrial ecosystem. Moreover, such cooperation offers India the opportunity to position itself as a strategic supplier in the evolving EU-India relationship. However, the timing is critical, as India begins to strengthen CRM relationships with Australia, Japan, and the US (its Quad partners). Subsequently, the lack of timely engagement risks sidelining the EU from engaging with a key emerging market and resource frontier.

1. India's Critical Raw Material Potential

India's potential to burst onto the global CRM scene is constantly developing. Whilst typically overshadowed in CRM exports by the likes of Australia and China, India's mineral base boasts a wide range of mineral deposits, all of which align with the EU's list of strategic CRMs. As policy liberalises and resource mapping improves, India represents a considerable entity of latent potential, as a priority diversification partner for the EU, particularly as part of its de-risking strategy on the Union's path towards strategic autonomy. India already ranks within the top five producers of both bauxite and titanium ores, holding meaningful reserves of tungsten and vanadium. Recently, light Rare Earth Elements such as cerium and lanthanum have proved to spark investor attention and subsequent renewed government support. India's REE potential is concentrated particularly along the eastern coastline, located in Andhra Pradesh and Tamil Nadu. Despite this, the most consequential discovery of CRMs came in February 2023, when the Geological Survey of India was able to confirm the presence of an estimated 5.9 mt of lithium in the Reasi district of Jammu and Kashmir. This is of compounding importance, as such a discovery represents India's first notable deposit of lithium, offering it the opportunity to benefit from growing global battery supply chains. On the cusp of the energy transition, the strategic value of acquiring lithium, cobalt, and nickel cannot be overstated. The EU can facilitate this production through its inbound FTA with India. Whilst it only contributes 1% of global REE supply, the country holds about 6%of known reserves, and lithium production is yet to begin at scale. This is not an issue of natural abundance, but an infrastructural and institutional problem, doubling as an opportunity in which the EU may position itself as a strategic ally, with its liberalised markets and strong infrastructure.

It would appear that India understands this latent potential, and the adopted National Mineral Policy of 2019 aims to attract foreign investment in mining, as well as it envisages the creation of a National Inventory of Mineral Resources and a Marine Mineral Development Programme, with an emphasis on both sustainability and transparency. In combination with this, India has launched a stockpile initiative, recognising the security and strategy implications of dependence upon foreign actors for the acquisition of CRMs. India's Ministry of Mines has subsequently begun to target the 30 minerals, including lithium, cobalt, and nickel, on its priority list for targeted acquisition and domestic development. Furthermore, the Mines and Minerals Act has opened up the markets for its previously restricted atomic materials, allowing the auctioning of such materials to both private and foreign firms. Clearly, the time for the EU to push the envelope on CRMs is now, as such actions will not only widen India's investor base but also, intentionally or not, align with the EU's ambition to co-invest in upstream CRM development. Furthermore, even state-owned entities such as Khanji Bidesh India Ltd. (KABIL) allude to interest in foreign investment as they have been assigned the goal of securing overseas mining assets and the development of relevant, strategic partnerships. Historically, this has manifested between Latin America and Africa. Despite this, there is growing political space for collaboration with the EU through technology partnerships and co-financing agreements, especially under the EU's Global Gateway investment framework.

Notwithstanding India's growing potential, it is important to also acknowledge the substantial challenges it faces. These include a limited refinement and processing capacity, slow land acquisition and clearances at both state and district levels, and a scattered and incomplete mineral database, with poor exploration beyond Tier I regions. In fact, India's CRM extraction sectors lack the EU's sustainability infrastructure. It does not possess the capacity for low-waste and low-carbon mining, posing a barrier for EU involvement, given its stringent CRM strategy. This should not discourage those wishing to procure CRM from India, however, as by pairing the country's resource potential with the EU's environmental and technological standards. A possible enhanced relationship between both partners could generate mutually beneficial outcomes that align with their respective green and industrial developmental ambitions.

2. India's Critical Raw Materials Availability

Following the CRM Act, the EU aims to process 40% of its annual consumption of CRM domestically by 2030. Achieving this ambitious objective necessitates securing primary suppliers from overseas markets. India presents significant opportunities in this regard, possessing substantial reserves including 34,000 tons of manganese, 660,000 tons of bauxite, and 6,900,000 tons of rare earth oxides (REOs). The ongoing negotiations for an EU-India FTA, therefore, represent a strategic opportunity for the EU to advance supply chain diversification for CRM processing.

For India, the FTA would offer an opportunity to secure market access to the EU while boosting its raw materials extraction industry—critical for supporting its expanding IT sector. The potential for substantial cooperation is evident, as the EU and India share 60% of their respective lists of identified CRMs. As shown below, CRMs highlighted in green are those shared by both parties.

List of 34 critical minerals identified by the EU and the overlaps with India's list of critical minerals

Antimony	Arsenic	Baryte	Bauxite	Beryllium
Bismuth	Boron/Borate	Cobalt	Coking Coal	Copper
Feldspar	Fluorspar	Gallium	Germanium	Hafnium
Heavy Rare Earth Elements	Helium	Light Rare Earth Elements	Lithium	Manganese
Magnesium	Natural Graphite	Nickel	Niobium	Platinum group metals
Phosphate Rock	Phosphorus	Scandium	Silicon Metal	Strontium
Tantalum	Titanium metal	Tungsten	Vanadium	

Source: Centre for Social and Economic Progress (CSEP)

Both partners pursue the common objective of diversifying their supply chains and reducing dependence on monopolistic providers, goals that the FTA could effectively advance. However, partnering with India requires the EU to carefully consider competitive pressures from other geopolitical actors seeking similar partnerships.

3. The EU's Competitors

India is actively engaging with multiple global partners to secure CRM access, creating significant competition for the EU in long-term supply arrangements. The United States leads through the Minerals Security Partnership (MSP), which India joined in 2023, and the India-US Initiative for Critical and Emerging Technology (iCET) dialogue, focusing on graphite, gallium, and germanium projects. Australia is also one of the leading producers of lithium, cobalt, and nickel. It has established the India–Australia Critical Minerals Investment Partnership, facilitating joint due diligence in five target lithium and cobalt projects since March 2022.

The UAE signed a 2024 Memorandum of Understanding (MoU) with India's Mineral Exploration and KABIL consortiums to identify and develop critical minerals projects globally, particularly in copper, cobalt, and lithium. Canada is in talks following the 2024 meetings to strengthen cobalt, graphite, and battery minerals supply chains through joint exploration.

Regional partnerships extend to Argentina and Chile through KABIL-led 'Lithium Triangle' coalitions for brine lithium assets. India and the Democratic Republic of Congo are also eying an MoU on cobalt and copper. These diverse partnerships position India's global competitors as the EU's main challengers in negotiating long-term offtake agreements, co-investment vehicles, technology transfers, and supply-chain resilience measures for CRM.

Also, India seeks to reduce dependence on imports and to boost its own capabilities for CRM extraction. For instance, India launched its first auction of blocks for critical minerals like lithium and REE, aiming to reduce dependency on imports by tapping into its unexplored reserves. Also, India is pushing to refrain from a long-standing arrangement with Japan, aiming at increasing exports to Japan, Europe, and the Americas. The deal was a cooperation between Indian Rare Earths Ltd (IREL) and Toyota Tsusho's TREI subsidiary, which was expected to produce up to 4,000 tonnes per annum of REOs.

Acknowledging the context, the EU has to negotiate mutually beneficial agreements with India while building upon existing trust between the two blocs to secure its geopolitical objectives. India's remarkable IT sector and growing ambitions in electric vehicle development, electronics manufacturing, and data center expansion create strong incentives for deeper engagement on CRM issues within FTA negotiations. Consequently, the EU must present compelling and mutually beneficial proposals to ensure progress toward its strategic objectives.

4. Current Partnerships Already in Place

The foundation for enhanced cooperation already exists through several established frameworks. The EU and India participate in the MSP, which promotes resilience and diversification of global supply chains amid growing uncertainties and geopolitical shifts, as already mentioned before. The European Union maintains a Generalised Scheme of Preferences (GSP) with India, eliminating most tariffs on CRM imports. Currently, 92% of EU-imported CRM volumes enter duty-free under Most Favored Nation (MFN) tariff rates, while India has recently exempted 25 CRMs from customs duties as part of its strategic CRM procurement policy.

Additionally, the two partners have established a Trade and Technology Council (TTC), dedicated to advancing their shared carbon neutrality ambitions. Recent discussions have focused on battery recycling for electric vehicles and harmonising standards for electric vehicle charging infrastructure to facilitate mutual market access. These existing frameworks provide a clear pathway for enhanced cooperation. Building upon these established frameworks and the common pursuit of carbon neutrality, the FTA could significantly impact sustainability criteria.

However, the capacity of the FTA to advance CRM supply chain integration remains limited, as existing tariffs are already minimal. These negligible tariffs do not constitute major impediments to CRM trade between the two partners. The FTA could instead focus on achieving norm alignment, particularly regarding sustainability and environmental standards.

5. Sustainability and Green Energy

The environmental transition has made securing raw materials provisions more pressing than ever. By 2040, global demand for aluminum, cobalt, copper, lithium, manganese, nickel, and REO is expected to soar: demand for lithium worldwide is expected to increase 40-fold according to the International Energy Agency (IEA). In this context of rising demand for CRMs, global supply chains will likely be more and more strained in the future, prompting the need for diversification. Demand for materials essential to battery construction is projected to increase by 3,685%, electric vehicles by 1,011%, and solar photovoltaics by 13,840% by 2050, with bauxite and copper being the primary requirements.

Aluminum holds particular strategic importance in electric vehicle production, solar photovoltaics, and electricity network expansion, leading the European Union to classify it as a strategic raw material (SRM). While bauxite is classified as a CRM rather than SRM, it serves as a primary component of aluminum and gallium production. India's substantial bauxite reserves (660,000 tonnes) exemplify the concrete benefits that enhanced cooperation could deliver to the EU.

In that regard, enhanced cooperation via the FTA could strengthen both partners' CRM supply chains by ensuring regulations do not impede trade in this critical domain for strategic stock maintenance. This approach is particularly relevant given the health-related impacts of CRM exploration and refinement, which necessitate robust regulatory frameworks. A reasonable agreement reconciling environmental concerns with norm alignment could establish a constructive and forward-looking partnership foundation.

6. Recommendations

It is increasingly clear that a partnership between the EU and India would be mutually beneficial. India's largely untapped geological potential, combined with the EU's capacity for investment and sustainable innovation, offers a strong foundation for collaboration. The EU is at a crucial moment in its green transition, as the demand for CRMs continues to rise, so does the risk of overdependence, particularly on Chinese exports, highlighting the urgent need for the EU to diversify its supply. With a clear alignment of interest, an EU-India partnership would not only expand and secure CRM supply chains for the EU but also support wider economic and industrial growth in India.

The ongoing FTA negotiations present a key opportunity to embed CRM cooperation within this emerging relationship, utilising the different yet complementary assets of both parties. Together, this collaboration would support industrial development by boosting economic growth and environmental objectives through responsible sourcing, ensuring high Economic, Social and Governance (ESG) standards, and developing circular economy systems. However, the time to act is pressing. India is already strengthening ties with other global powers, and the EU must move swiftly to position itself as a valued and strategic partner.

Now is the time for the EU to turn intention into action. Therefore, the following policy recommendations are proposed:

1. Promote a Circular Economy Approach

There is great potential in circular material use, as many CRMs can be infinitely recycled, with only slight quality deterioration over time. A circular economy would reduce reliance on primary extraction and instead support a sustainable and secure supply of materials. Although at present, the demand relies predominantly on mining, as investment in secondary materials grows, this should increasingly become the preferred supply. Both India and the EU have already taken steps to reduce their reliance on primary raw materials and promote circularity. Set to begin in the financial year 2028, the Indian government has mandated that all new products made from non-ferrous metals are required to contain at least 5% recycled content. By 2030, the EU aims to use twice as much recycled material, which illustrates its urgency and commitment to creating a self-sufficient supply of CRMs. However, the 2024 Eurostat report shows only a slight increase in the EU's recycled material usage, amounting to 11.8% in 2023, which is a far cry from the 2030 target of 22.4%.

Therefore, the EU and India could pursue a joint strategy, prioritising CRM recycling, processing, and materials recovery in India, rather than a mere focus on extraction. A partnership would be mutually beneficial by reducing the dependency on primary extraction, providing a more resilient and shorter supply chain, and significantly reducing the environmental impact. A circulatory focus in India would open many new industry opportunities and jobs in recycling and remanufacturing, whilst promoting the growth of sectors like electric vehicles and renewable energy. It would be advantageous to the EU to support a circular CRM economy within India, as it would reduce its environmental impact and align with the Sustainable Development Goals (SDGs) and the Green Deal objectives. Furthermore, it would allow space for innovation and technology transfer between the parties.

An EU-India CRM partnership opens a pathway to a more sustainable, resilient, and long-term solution to the current complexity of CRM supply. Nevertheless, for recycled materials to remain economically competitive, there would need to be continuous investment from the EU to build and maintain the advanced recycling technologies and infrastructure required to ensure that they can match the cost and scale of primary materials. Consequently, prompt action is needed to unlock the full potential of circularity.

2. Embed CRM Cooperation Within the EU-India FTA

The EU and India should seize the current opportunity of FTA discussions to solidify a CRM partnership within the agreement by creating a specific chapter focused solely on CRM. Similarly, to other EU CRM agreements, like Canada's strategic partnership on raw materials and Kazakhstan's MoU, this would formalise the supply chain and joint venture activities such as exploration, extraction, processing, and recycling. This chapter could provide the legal foundations and transparency required to support investment, long-term supply contracts, and regulatory arrangements.

Incorporating a CRM arrangement in the FTA would be advantageous for both parties by improving their supply chain security, supporting industrial expansion, and fostering collaborative investment. For the EU, it would support its mission for a green and digital transformation by providing an alternative CRM supply not only in extracted materials but also in recycled materials, whilst reducing its overdependence on China. For India, it would position them as a key and valuable partner in the global CRM value chain. The agreement would also offer opportunities for foreign investment, employment growth, and technology transfer.

3. Uphold High Environmental, Social, and Governance Standards

An EU-India CRM partnership should be built upon a firm foundation of ESG standards. The EU sets a strong global precedent on sustainability and due diligence legislation to safeguard responsible and ethical practices, in line with its commitment to human rights, environmental protection, and the key pillars of the Green Deal. India has also demonstrated growing alignment with environmental and ethical principles, most notably, its commitment to net-zero carbon emissions by 2070 and through the Securities and Exchange Board of India's (SEBI) expansion of its Business Responsibility and Sustainability Reporting (BRSR) framework to mandate broader ESG disclosures amongst the top firms in the country. Accordingly, ESG standards should be embedded within the terms of any EU-India CRM partnership. This should include that all CRM related activities adhere to mandatory, transparent reporting to monitor the social and environmental impacts. This would provide sufficient opportunity for further development of sustainable and ethical practices.

Moreover, to ensure compatibility, it is recommended that regulatory harmonisation between the two parties be pursued, not by lowering the EU standards, but by providing India with targeted support, including capacity building and investment in sustainable practices. To facilitate and assist coordination, existing platforms such as the EU–India Trade and Technology Council and the European Raw Materials Alliance should be utilised. Forging a partnership that is anchored in ethical, environmental, and equitable responsibility will attract not only long-term investment but also help shape the future of clean energy.

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