

ENERGY TRANSITION IN THE EU AND EXTRACTIVISM IN LATIN AMERICA AND MERCOSUR



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EXECUTIVE SUMMARY

Pandemics, rising prices of raw materials, the worsening of the climate emergency or the proliferation of armed conflicts act as a “shock doctrine”. In short periods of time, dynamics that have been brewing for years in the subsoil of the world economy are accelerated. In a context of geopolitical disputes over scarce resources, these dynamics translate into rapid and profound rearrangements of economic, political and trade agendas.

The recent acceleration of negotiations for a Trade Agreement between the EU and Mercosur, after almost 20 years of lethargy, is part of this European need to secure scarce raw materials and markets that pivot the “green transition” from a certain strategic autonomy. Beyond its importance in itself, the possible signing of such an agreement would allow the EU to send a message to its global competitors, while serving as a key to open up new strategic investments by European multinationals in Latin America linked to this new extractivist cycle.

This report, commissioned by the European Left group in the European Parliament (The Left) and prepared by Jacobin Latin America, attempts to situate the EU-Mercosur agreement in a framework of analysis where the current global geopolitical moment, the European Green Pact and the EU’s external trade agenda intersect. Latin America is today one of the main battlegrounds in the dispute between old and new powers for the control of raw materials needed to ensure a transition towards a greener and more digital economy. The result is an intensification of mining and extractivist pressure in the region, where

the agreement with the Mercosur countries is both a fundamental piece and the key to a new accumulation phase of European “green” capitalism.

EUROPEAN GREEN CAPITALISM AT THE CROSSROADS OF THE CLIMATE CRISIS AND THE CHANGE OF PRODUCTION MODEL

The acceleration of the climate crisis is accompanied by a multiplication of projects which, with the addition of the word “green”, seek to conceal the continuity of the same policies of environmental devastation and the maintenance of semi-colonial relations between, on the one hand, old and new powers and, on the other, countries and regions of a Global South in full geopolitical recomposition. In a context of disarray in global governance, crisis of multilateral mechanisms and increasing inter-imperialist tensions, we are witnessing a race for the monopolization of resources as scarce as they are disputed and necessary to enable the much-heralded “energy transition”.

These dynamics are feeding a cycle of “green extractivism”, a trend that reproduces the worst of traditional plundering neocolonialism, only now masked by a greenwashing that seeks to hide its voracity, accelerated with the excuse of a pressing need to achieve a series of minimum objectives attempting to alleviate the effects of climate urgency.

Aware of their loss of weight on the world stage, European Union elites are combining announcements of a change in the production model with an increased aggressiveness of their external agenda to enable them to regain competitiveness and move towards a supposedly greener and more digital economy. The European Green Pact presented by the Commission in 2020 includes a battery of initiatives towards “climate neutrality” (a “carbon footprint” equal to zero) on the horizon of 2050, where decarbonization of the economy constitutes one of the central pillars of European capitalism’s new phase of accumulation.

But for more and more electric cars to circulate on the streets of Brussels, Berlin or Paris, it is necessary to increase mining pressure in other parts of the planet where the minerals needed to manufacture electric batteries are extracted. The same could be said of the resources needed for the production of indispensable components for the infrastructure of “clean” energies or for the increasing digitalization of the economy.

THE GEOPOLITICAL DISPUTE OVER CRITICAL RAW MATERIALS

So-called “critical raw materials” are essential to ensure the desired energy transition. Among these resources, lithium, cobalt or nickel (used to produce electric batteries), gallium (for solar panels), raw boron (key to wind power technologies) or titanium and tungsten (essential in sectors such as aerospace and defense) stand out as the raw materials needed to ensure the material basis for the cleaner energy transition. Today, the EU is more than 90% dependent on unilateral supplies for some key materials, such as magnesium (China), lithium (Chile), iridium (South Africa) or niobium (Brazil).

Aware of the irreplaceability of these elements and the high external dependence for their supply, in 2023 European institutions opened the discussion towards a Critical Raw Materials Act (CRMA) that would set new targets for the extraction, processing and recycling of these resources by 2030. The stated framework objective is to ensure that no third country supplies more than 65% of the EU’s annual consumption of any of these raw materials. But in the background lies another deeper objective that does not usually appear in written declarations: to strengthen a geopolitical bloc together with the USA and other allies to try to compete with China for strategic control of the raw materials on which the green transition of the world economy depends.

The partial disruption of supplies from Russia following the invasion of Ukraine adds to the long-standing dispute that Western powers have had with China for years. The attempt to relocate global supply chains to extraction and processing centers located in allied countries has the dual objective of reducing external vulnerability and “decoupling”

the European economy from China's dependence. The European proposal to form a "Critical Commodities Club" with "reliable partners" is part of this broader strategy.

The dominant or hegemonic enough position to exert a high degree of control and influence over global dynamics, coupled with increasingly massive investments in third countries, have given China a considerable advantage in the strategic control of the "green" economy supply chain. And this reordering in the global economy also translates into geopolitical realignments.

LATIN AMERICA AND MERCOSUR AS A BATTLEGROUND FOR GREEN EXTRACTIVISM

Current relations and ongoing projects between the EU and Latin America are framed within this global dispute between great world powers to guarantee access to fundamental raw materials. In this context, the controversial trade agreement with Mercosur is of great importance for the EU. A tool through which the EU seeks to ensure the provision of some of the aforementioned fundamental raw materials, as well as other supplies, but also to use it as a lever to reorder the global value chains of European multinational corporations, allowing European elites to regain part of their lost economic weight.

This is a trade agreement that some authors qualify as "cars for cows" and from which large European multinational companies will be the major beneficiaries, contrary to the negative effects on the environment, employment and local industries on both sides. But it will also open the door to new initiatives for the exploitation of other critical raw materials, both in Mercosur countries and in the rest of a Latin America desperate for foreign investment to alleviate the serious post-pandemic social situation. The EU is seeking to make headway in a race where the United States and China are in the lead.

But advancing the decarbonization of the European economy requires the multiplication of extractivist projects in Latin America, which translates into an increase in mega-mining, deforestation or the

construction of hydroelectric dams that irreversibly alter environmental balances. Impacts on the territory and on those who inhabit it will be added to the systematic violation of human rights of communities and territorial organizations that for years have been suffering and confronting projects promoted by European multinationals in the region. The label “green” at destination will not in itself alleviate the negative effects at origin.

The European green transition needs dark backyards where to extract and process the infrastructure of the announced change of productive model towards a more sustainable and competitive economy. In the absence of a global and fair perspective, it will be the rights of millions and the very sustainability of a planet that does not understand borders or geopolitical rearrangements that will pay the bill for the new cycle of green extractivism. This change of productive model is not as green as it is portrayed and requires deeper analysis to understand its consequences and the new conflicts and struggles it will generate in the coming period.





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