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SYNOPSIS

China's latest regulations on rare earth administration are designed to enhance control over a strategic resource in line with its national development and security priorities. But even in the absence of geopolitical considerations related to the US–China trade war, Beijing's domestic imperatives can create incentives to sustain or tighten rare earth export curbs, which risk creating global shortages.

COMMENTARY

China recently released a set of interim rules on rare earths. Jointly issued by the country's Ministry of Industry and Information Technology (MIIT), the National Development and Reform Commission (NDRC) and the Ministry of Natural Resources (MNR), the rules extend the scope of the state's control over domestically produced rare earths to include those coming from abroad for refining. They follow earlier rare earth export restrictions by China's Ministry of Commerce (April 2025) and the Rare Earth Management Regulations (passed in October 2024 and implemented in December 2024), which update the dual-use export-control regime on rare earth minerals and components (October 2020).

China's Governance of Rare Earths

Rare earths have been a strategic resource for the Chinese government since the 1950s, when China began industrial rare earth production. Deng Xiaoping remarked that "There is oil in the Middle East and rare earths in China."

The recent measures extend the state's "total control and management" (*zongliang tiaokong guanli*) of rare earths from mining to processing, that is, smelting and separation. They fold critical minerals imports and other externally sourced imports

into the same quota category. The measures are intended to ensure domestic firms meet annual targets for rare earth mining and processing.

All firms must also enter product flows by the 10th of each month into an information system to ensure traceability across the supply chain. MIIT, together with NDRC and MNR, formulates annual quotas, designates the enterprises qualified to mine and to smelt and separate, and bars unapproved entities.

Under the measures, rare earth production enterprises are responsible for implementing their own quotas, reporting to local industry and natural-resources bureaus and ensuring accurate flow-data entry into the national traceability system. County and provincial authorities conduct inspections and report to MIIT and MNR where findings feed central oversight of the quota system. Violations can trigger administrative penalties and a reduction in the violating firm's quota for the following year.

To enhance control over rare earths, China relies on domestic administrative agencies, state-owned enterprises (SOEs), and nominally independent industry associations. The latest regulations enhance traceability for state officials, creating conditions for more precise micro-interventions by the state. Embedding the state in the rare earths industry reflects not only the continuity of strict governance under Chinese President Xi Jinping, but also locks in Beijing's global dominance in the rare earths game.

Monthly disclosures feed back into a unified database designed to improve central–local coordination, granting Beijing greater control over local discretion.

Bringing imported inputs under quota discipline may also close loopholes on critical minerals imports and exports by widening the Chinese state's control over the midstream where China retains scale and know-how, essential for China's national security and its industrial capacity in mineral processing.

The continued existence of illegal mining and processing and the weak implementation of environmental policies reflect the ongoing domestic challenges by the Chinese government in governing the rare earths industry. Thus, Article 6 of the Interim Measures for the Regulation and Management of the Total Amount of Rare Earth Mining and Rare Earth Smelting Separation stipulates "quantity control indicators approved by the State Council ... [concerning] environmental protection and safety level".

In addition to tightened administrative measures, in early 2022, Beijing consolidated its rare earths sector, merging three SOEs (two central and one local) into the China Rare Earth Group in a bid to concentrate market power, raise efficiency, and advance strategic, economic and sustainability goals. China also has sizeable interests in rare earths mining and processing overseas.

US Policy on Rare Earths

Beijing's approach to rare earths governance bears comparing with the US approach. Washington's domestic strategy leans on the Defense Production Act (DPA) and the

Department of Defense (DoD) to build a resilient, "mine-to-magnet" supply chain. The DPA – enacted in 1950 for Cold War mobilisation – gives the president broad, government-wide authority to shape the industrial base so it can provide essential materials for national defence. Title III of the DPA uses targeted incentives to create, protect, expand or restore production capacity, from process improvements to plant build-outs.

DoD and the Department of Energy play central roles in developing secure rare earth supply chains, while DoD's Manufacturing Capability Expansion and Investment Prioritization (MCEIP) office is financing an end-to-end rare-earths strategy spanning mining, separation, metals, alloys and magnets. Two flagship graphite efforts, the BamaStar project in Alabama and Graphite Creek in Alaska, anchor US domestic efforts to rebuild a battery-grade graphite base in a market that China dominates (about 77% of production and over 90% of refining). The United States views these efforts as part of its defence-industrial priorities.

Washington is also operationalising "friend-shoring". The FY2024 National Defense Authorization Act designates the United Kingdom and Australia, alongside Canada, as "domestic sources" for DPA Title III, explicitly enabling cross-border projects with trusted allies. The US–Canada Joint Action Plan on Critical Minerals pairs US funds with Canadian co-financing to anchor capacity in North America rather than sending concentrates back to China.

Beyond North America, the US International Development Finance Corporation (DFC) has announced new investments across sub-Saharan Africa, including US$553 million in loans for the Lobito Corridor to move minerals from the interior of Africa to Atlantic ports, plus support for Tanzania's Kabanga Nickel. In June, Washington brokered a peace deal between Rwanda and the Democratic Republic of Congo intended to stabilise eastern Congo and secure access to critical minerals.

In Asia-Pacific, the United States and Japan back the Australian company Lynas's processing hub in Malaysia (which has banned unprocessed ore exports), and US-South Korean ventures in critical minerals are advancing in Vietnam. In contrast, Trump-era attempts to strong-arm Greenland and Ukraine for resources have so far failed.

Implications

Beijing has rebuilt its rare earth governance regime around data, quotas and centralised enforcement. New implementation guidelines give China's regulators traceability across the supply chain and fine-grain control. This makes it easier to modulate exports for domestic aims, be it environmental compliance, anti-smuggling, price stability, and technology security. Because China still dominates in the global processing and refining of rare earths, even modest administrative tightening irrespective of geopolitical considerations, can have a global impact.

Given China's global dominance in the rare earths sector, even modest administrative tightening is likely to result in worldwide ramifications.
Image source: Planet Labs inc., CC BY-SA 4.0, via Wikimedia Commons.

Compared to China's "inside-the-chain" control, Washington's strategy relies on buying and financing power around the chain by granting advance federal processing contracts, Title III-DPA, strategic policy pushes (e.g., the US$439 million investment strategy to build "mine-to-magnet" supply chain by 2027, awarding US$258 million to Lynas (Texas), and the US$400 million investment in MP Materials), DoD's MCEIP, and public-private financing/contracting. Cognisant that it still lacks a domestic chain, Washington is complementing its buying and financing activities by teaming up with key allies and actively financing and supporting African mining and processing projects to diversify global critical mineral supply chains.

Conclusion

Beijing's push to recentralise a strategic sector and align it with domestic priorities (environmental protection and national security goals) and economic goals (namely, maintaining a competitive edge in the global rare earth market) may inadvertently build in incentives to sustain or tighten rare earth export curbs for reasons beyond geopolitics. This increases the risks of global shortages regardless of the US–China trade war.

Beijing's approval of rare earth export permits for buyers in the United States and Europe reflects some recognition that the benefits of export controls may be outweighed by the risks, i.e., export controls may push other countries to form a counter-balancing coalition against China or stimulate competitors to build alternative capacity.

For now, Beijing's governance choices in this sector will have global ramifications, even if US–China trade tensions recede. Until countries find ways to reduce dependencies and diversify supplies over a resource that China dominates, Beijing's domestic governance levers over this critical sector will remain the world's chokepoint.

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