



China's Strategic Design and Cautious Calibration of Rare Earth Leverage

Xing Jiaying and Xinyue Hu



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KEY TAKEAWAYS

- *Rare earth export controls have become a strategically designed instrument of Chinese foreign policy, applied with cautious calibration.*
- *This calibrated approach enables Beijing to adjust outflows and manage bilateral tensions without resorting to irreversible restriction or blunt weaponisation.*
- *How effectively Beijing balances retaliation, bargaining and decoupling risks will shape the sustainability of its rare earth leverage and the broader trajectory of its economic statecraft.*

COMMENTARY

Over the past year, China has tightened its export controls on rare earths amid intensifying rivalry with the United States, introducing two waves of restrictions in April and October in response to Washington's pressure. These moves and the market disruptions that followed heightened global concerns over supply chain disruption and reignited fears of China's resource weaponisation. Yet framing China's rare earth policy solely through a blunt weaponisation narrative obscures a more deliberate, calibrated approach adopted by Beijing. The key question is not whether China uses rare earths as leverage, but how – and to what extent – it does so and what objectives it seeks to achieve.

Rather than relying on ad hoc measures, Beijing has increasingly embedded export controls within domestic regulatory and legal frameworks. As both retaliatory tools and bargaining chips, rare earth export controls now constitute a strategically designed instrument of Chinese foreign policy, with their application exhibiting a pattern of

cautious calibration. This reflects Beijing's calculation that overuse would intensify rivalry, accelerate decoupling, and ultimately erode its long-term leverage.

Strategic Design of Rare Earth Export Controls

China's use of rare earths as a geopolitical instrument did not emerge overnight. The most frequently cited precedent dates back to [2010](#), when Beijing suspended rare earth exports to Japan following a dispute over Japan's detention of a Chinese fishing trawler captain. Although short-lived and informal, the episode revealed the coercive potential inherent in China's dominance of global rare earth supply chains.

In the past decade, both the [Biden](#) and [Trump](#) administrations imposed tariffs and export restrictions on critical technologies, targeting China. From Beijing's perspective, these measures were not temporary trade or technology disputes but rather manifestations of deep-seated [structural tensions](#) between a rising power and a dominant one. Rare earths – widely perceived as a [trump card](#) – were therefore increasingly incorporated into China's policy menu of counteraction.

This shift became evident in 2025. In [April](#), China imposed export restrictions on seven rare earth elements and related magnets critical to the defence, energy and automotive sectors, which require firms to obtain export licences from the competent commercial authority of the State Council. In [October](#), it expanded these controls to include five additional rare earth elements and introduced extraterritorial provisions applying to products manufactured overseas that contain Chinese-origin materials or technologies.

Unlike the 2010 episode, the 2025 measures were embedded within a more systematic legal framework governing China's [economic statecraft](#). They were strategically designed to target items critical to defence and advanced manufacturing, with far-reaching geoeconomic and geostrategic implications. China's rare earth curbs not only threatened [US](#) defence supply chains but also disrupted global manufacturing; for instance, some European [auto](#) supply plants and production lines were shut down thereafter.

Cautious Calibration Rather Than Blunt Weaponisation

Despite strategic design, Beijing's rare earth export controls are not an outright export ban. Beijing has consistently insisted on its [unwillingness](#) to wage a trade or tech war and thus remained cautious about allowing these disputes to further deteriorate US–China relations. It has cautiously calibrated the use of export controls to push back against US pressure, reshape Washington's cost–benefit calculus, and bolster its bargaining position.

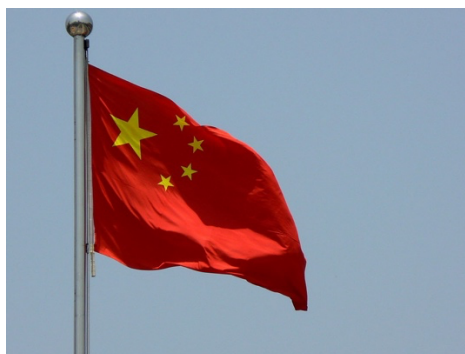
The April controls followed the US imposition of a [34% tariff](#) on all Chinese goods. After the restrictions, China's rare earth [exports](#) slowed to 4.8% year-on-year growth in April and declined by 5.7% in May, before surging by 60.3% in June. The rebound subsequently stabilised at over 20% in both July and August. Although partly driven by exporters' adjustment to new licensing procedures, these fluctuations also depended on government efforts to tighten or ease administrative bottlenecks in application review and approval. Notably, the export decline occurred after Beijing's

April measures, whereas the rebound followed the London talks between US and Chinese officials that produced [a trade framework](#) covering issues including export controls on chips and rare earths. During this period, Washington also relaxed its restrictions on [some AI chip sales](#) to China.

Similarly, the October restrictions followed calls by US lawmakers for [broader](#) export controls of chipmaking equipment to China. They functioned both as countermeasures to tightening US technological restrictions and as bargaining leverage ahead of the scheduled meeting between President Xi Jinping and President Donald Trump on 30 October in South Korea. The meeting led to a [10%](#) US tariff cut on Chinese imports and China's one-year [suspension](#) of several export controls issued on 9 October. In December, Beijing also issued the first batch of new streamlined rare earth export licences to US automaker [Ford Motor](#).

These developments illustrate the reversibility of China's rare earth controls and their role in supporting broader negotiations. Rare earths are not used solely for retaliatory purposes but also as bargaining chips to negotiate key issues with strategic competitors. This calibrated approach enables Beijing to adjust outflows and manage bilateral tensions without resorting to irreversible restriction or blunt weaponisation.

Prospects of China's Geostrategic Leverage over Rare Earths



The tension between short-term gains from economic restrictions and the long-term erosion of structural dominance constitutes a central paradox in China's rare earth strategy.

Image credit: [Will Clayton](#), [CC BY 2.0](#).

What was once a short-lived, largely tactical episode has evolved into a long-term strategic struggle over rare earths. In the short term, China is likely to continue relying on its dominance in rare earths to advance its geostrategic interests – most notably as countermeasures to escalating pressure from major powers, particularly the United States. If the United States and its allies further tighten export controls on advanced chips and related technologies, Beijing might counter them by imposing stricter controls on critical inputs.

Meanwhile, China remains wary of escalating bilateral tensions with the United States, given the economic costs and potential geopolitical backlash. Overuse of rare earth controls also risks accelerating diversification efforts by the United States, including increased [domestic investments](#) and deeper cooperation with US allies such as [Australia](#) and [Japan](#). These dynamics complicate China's positioning within the global market and may ultimately erode its long-term leverage. The tension between short-

term gains from economic restrictions and the long-term erosion of structural dominance constitutes a central paradox in China's rare earth strategy.

As a result, Beijing has strong incentives to favour cautious calibration over maximalist confrontation. By tightening controls to push back against the United States while easing them to facilitate bargaining, China seeks to preserve flexibility and avoid undermining its long-term position. How effectively Beijing manages the trade-offs between retaliation and bargaining, and between weaponised interdependence and decoupling risks, will shape not only the sustainability and effectiveness of its rare earth leverage but also the broader trajectory of its economic statecraft.

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