

Rare Earths: The New Flashpoint in the US-China Trade War

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Rare Earths Latest News

- The ongoing China-US trade conflict has intensified over rare earth minerals, a critical component for high-tech industries.
- China recently tightened restrictions on rare earth exports, prompting US President Donald Trump to threaten 100% tariffs in retaliation.

Rare Earths: Abundant in Nature, Critical in Technology, and Dominated by China

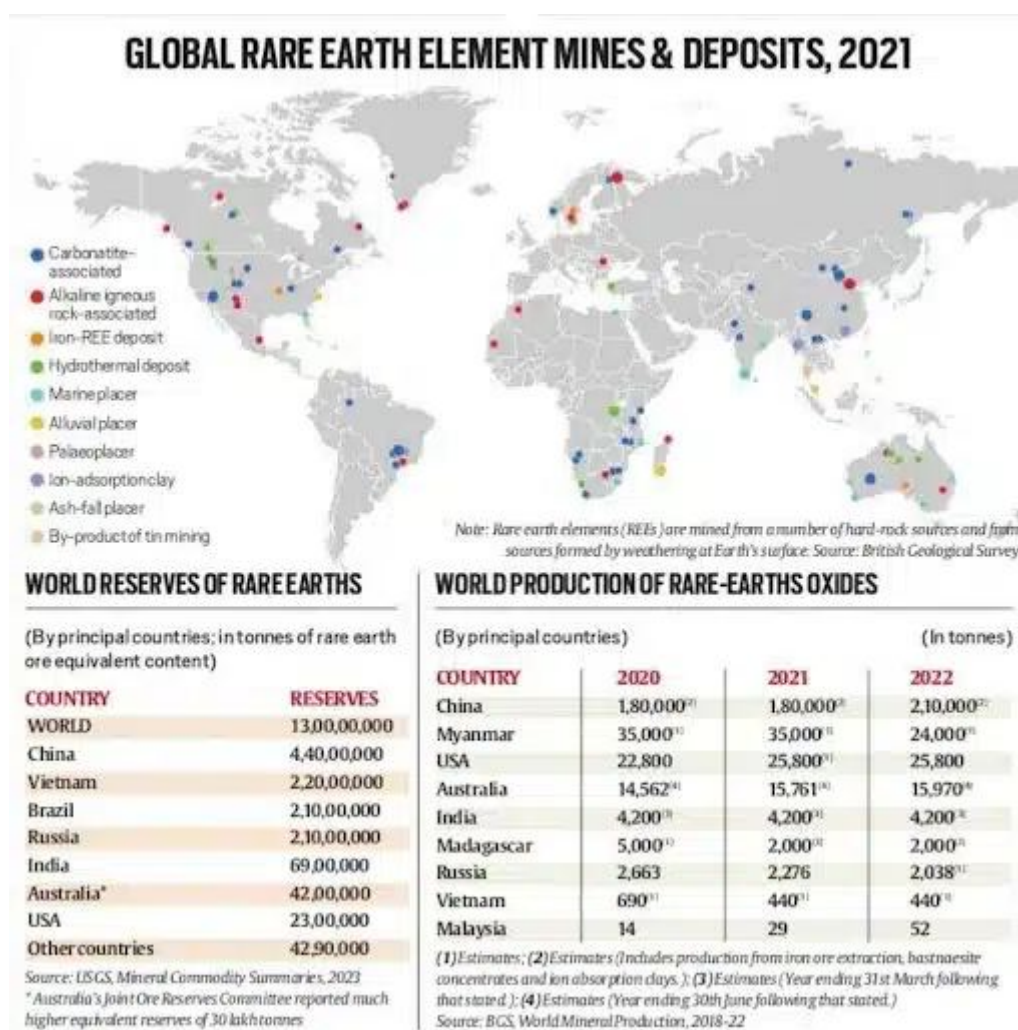
- Rare earths refer to 17 metallic elements — from lanthanum (57) to lutetium (71), plus scandium (21) and yttrium (39) — known for their high density, conductivity, and thermal resistance.
- They are divided into light and heavy rare earths, based on atomic weight, and form an essential subset of critical minerals vital to modern industries.

Why They Matter

- These elements are indispensable, even in trace quantities, for a wide array of technologies — from smartphones, wind turbines, and electric vehicles to weapons systems, robotics, MRI scanners, and cancer treatment equipment.
- Their unique properties make them irreplaceable components in both civilian and defence applications, underpinning the global clean energy and digital revolutions.
- Rare earths typically occur in low concentrations, making extraction and refining expensive and environmentally complex.
- This high cost limits the number of countries that can profitably mine and process them.

China's Global Dominance

- According to the International Energy Agency (IEA):
 - Over 60% of rare earth mining occurs in China.
 - More than 90% of global processing and refining capacity is also controlled by Beijing.
- This near-monopoly gives China strategic leverage in global supply chains, making rare earths a central weapon in trade and geopolitical rivalries, especially with the United States.



Global Reserves, Limited Production

- While **Brazil, Australia, and India hold substantial rare earth reserves**, their production remains minimal.
- The reasons include:
 - Low economic viability due to high extraction costs, and
 - Environmental concerns, as rare earth mining is highly polluting and requires complex waste management systems.

China's Rare Earth Dominance: Weaponising Trade Through Rare Earths

- Beijing has pursued a deliberate industrial strategy to achieve near-total control over the mining and processing of these critical minerals, integrating them into its long-term economic and geopolitical planning.
- China's export restrictions, particularly on heavy rare earths like terbium (65) and dysprosium (66) — essential for defence and high-tech manufacturing — are part of a policy to use rare earths as a strategic trade weapon.
- In response to US tariffs under President Donald Trump, Beijing has used its dominance in rare earths to gain leverage and escalation control in the ongoing US-China trade war.
- China's decades-long investment in rare earth mining, refining, and technology has created a **complete supply chain monopoly**.

New Restrictions on Rare Earth Exports and Impact on India

- China has expanded its export control list to include **five additional rare earth elements** — holmium, erbium, thulium, europium, and ytterbium — along with related magnets and materials, bringing the total number of restricted elements to 12.
- The **Ministry of Commerce** also added **refining technologies** to the control list and announced that **foreign producers using Chinese rare earths** must now comply with its new export rules.

Limited Impact on India—for Now

- India's exposure to rare earth supply disruptions is relatively limited, owing to low domestic consumption.
- According to the Ministry of Mines, **India imported 2,270 tonnes of rare earth elements in 2023-24**, up 23% from 2019-20, with 65% sourced from China and 10% from Hong Kong.
- The auto sector (particularly EVs) and the electronics industry have felt the sharpest impact from earlier Chinese restrictions in April.

India's Domestic Initiatives and Future Plans

- India's rare earth production remains modest, led by state-owned IREL Ltd, which operates a processing unit with a capacity of over **10,000 tonnes per annum**, compared to China's 200,000 tonnes in 2023.
- However, India is actively expanding its footprint:
 - **Seven seabed blocks in the Andaman Sea** have been auctioned for exploration and mining of polymetallic nodules and crusts that may contain heavy rare earths.

- The Department of Atomic Energy has cleared plans for a **Rare Earths Theme Park** to establish pilot plants across the value chain.
- Two major projects — the **Rare Earth Permanent Magnet Park in Visakhapatnam** and the **Rare Earth and Titanium Theme Park** in Bhopal — are being developed with central funding to strengthen India's presence in this strategic sector.

Global Shifts Beyond China

- Globally, efforts to diversify the rare earth supply chain are gaining traction:
 - The **US is preparing an executive order** to stockpile deep-sea metals from the Pacific seabed, reducing reliance on China for battery minerals and rare earths.
 - **Japan**, which faced Chinese curbs in the early 2010s, has since rebuilt its rare earth supply chains, offering a potential model for India and Western economies seeking independence from Beijing's control.

Source: **IE** | **IT**

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