

## China squeezed too tight on rare earths. Now the market is taking action

*Editoriale*

President Donald Trump didn't leave China with a public promise from Xi Jinping to [lift restrictions](#) on rare earth exports to the United States. The good news, however, is that Beijing's [chokehold](#) on that supply is beginning to loosen, in part, because private companies saw an opportunity and are trying to capitalize on it.

China's [new licensing rules](#) for rare earths, introduced last year in response to Trump's "Liberation Day" tariffs, caused disruptions in global manufacturing. The potential damage to America's auto industry was significant. Yet Xi probably overplayed his hand, as buyers began seeking alternative supplies and private firms outside China ramped up their expansion plans.

The Australian rare earths company [Lynas began expanding](#) its role as the world's largest non-Chinese processor of rare earths. In March, the company signed a [preliminary agreement](#) with the Pentagon worth \$96 million for the purchase of light and heavy rare earths. Critically, it came with a guaranteed price floor. The company also announced plans to [ramp up production](#) at its processing facility in Pahang state, in Malaysia, after securing a [10-year renewal](#) of its operating license in the country.

Meanwhile, the U.S. rare earths company MP Materials is building a domestic supply chain for rare earths by expanding its [existing mine](#) in Mountain Pass, California. It is also constructing a new rare earths [magnet manufacturing plant](#), at a cost of \$1.25 billion, in Northlake, Texas. [MP Materials said](#) its expansion was possible because of a "transformational public-private partnership" with the [Defense Department](#).

Rare earths are essential in everything from fighter jets to smartphones. China dominates 80 to 90 percent of the processing and refining, giving Beijing leverage over the entire global supply chain.

No one should have been surprised by China's aggressive move last year. In 2010, it [restricted exports](#) of minerals to Japan as part of a maritime dispute. Previous administrations, including Trump in his first term, recognized the problem and took partial steps to address it. Trump has moved more aggressively this time.

China's current stranglehold on rare earths won't be broken overnight. Administration officials publicly predict the U.S. could break China's rare earths monopoly in as short as [two years](#), but that seems wildly optimistic. More realistic estimates say it will [take a decade](#) before alternative supply chains are sufficient to meet demand.

Government can help the private sector by sending clear demand signals. Rare-earth mining and refining isn't cheap, but long-term commitments from a buyer as big as the U.S. government are critical. Domestic rare earths companies also need predictable rules and a [permitting system](#) that allows companies to build new mines and open new processing plants without years of delays.

Whatever America does to shore up its domestic supply, it will still need imports from abroad. Rather than China, the U.S. would be much better off relying on partners like Australia, Malaysia, Canada [and Brazil](#).

The U.S. doesn't need to copy China's state-capitalist model to win. [Equity stakes](#) in strategic companies, if taken at all, should be rare, temporary and transparent.

China exposed a glaring American strategic vulnerability, and the global market responded. It will take time, but there's no reason that the problem can't be solved so long as the government acts like a valued customer and lets private enterprise get to work.