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America’s new era of state-sponsored mining

FOR MOST of the past 30 years Western firms have been leaving rather than investing in the Democratic Republic of Congo, says Guy-Robert Lukama. The former chair of Gécamines, the main state-owned miner, reckons Chinese entities have stakes in 90% of Congolese projects. But now the Americans are “pushing, pushing, pushing”. In December American firms secured the first crack at a trove of mines and exploration sites in Africa’s most mineral-rich country. The US government also invested $553m in the Lobito Corridor, a railway from Congo’s copperbelt to Angola’s Atlantic coast, for faster shipping to America. In February Orion CMC, a consortium that includes the American government, agreed to buy a 40% stake in the only Western-controlled copper and cobalt mines in Congo.

America is hunting with urgency across the planet for minerals which it deems of critical importance, in a desperate bid to break China’s stranglehold on the global supply of many of them. The Trump administration has signed mineral-themed partnerships with more than 20 countries from Argentina to Uzbekistan. Every big geopolitical pivot America has made lately—in Ukraine, Venezuela, Greenland—has been partly justified by the mineral riches those countries harbour. One mining boss says he runs into the president’s staff “almost anywhere, almost monthly”.

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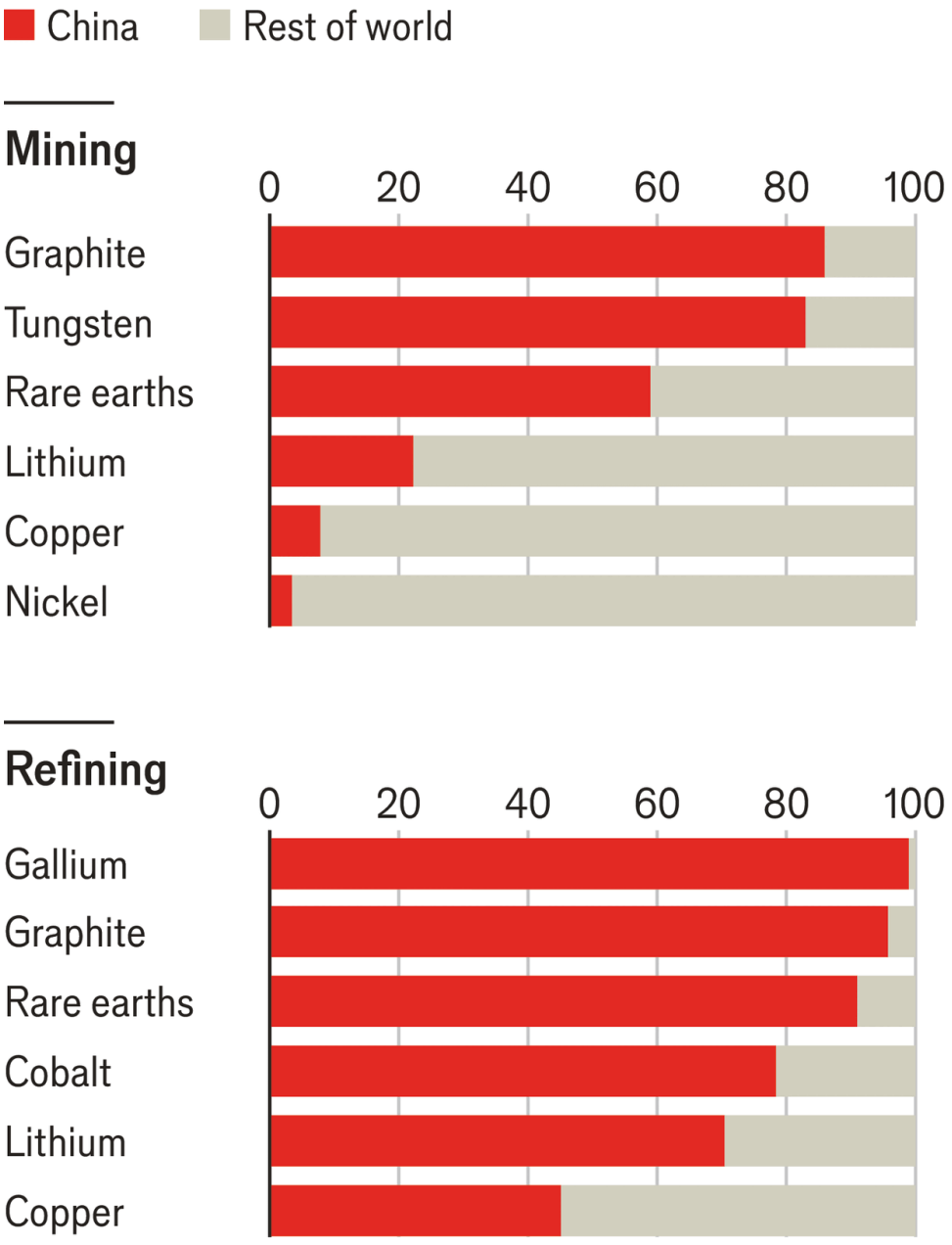
Mine, all mine

Critical minerals supply, 2024, % of total



Sources: IEA; USGS

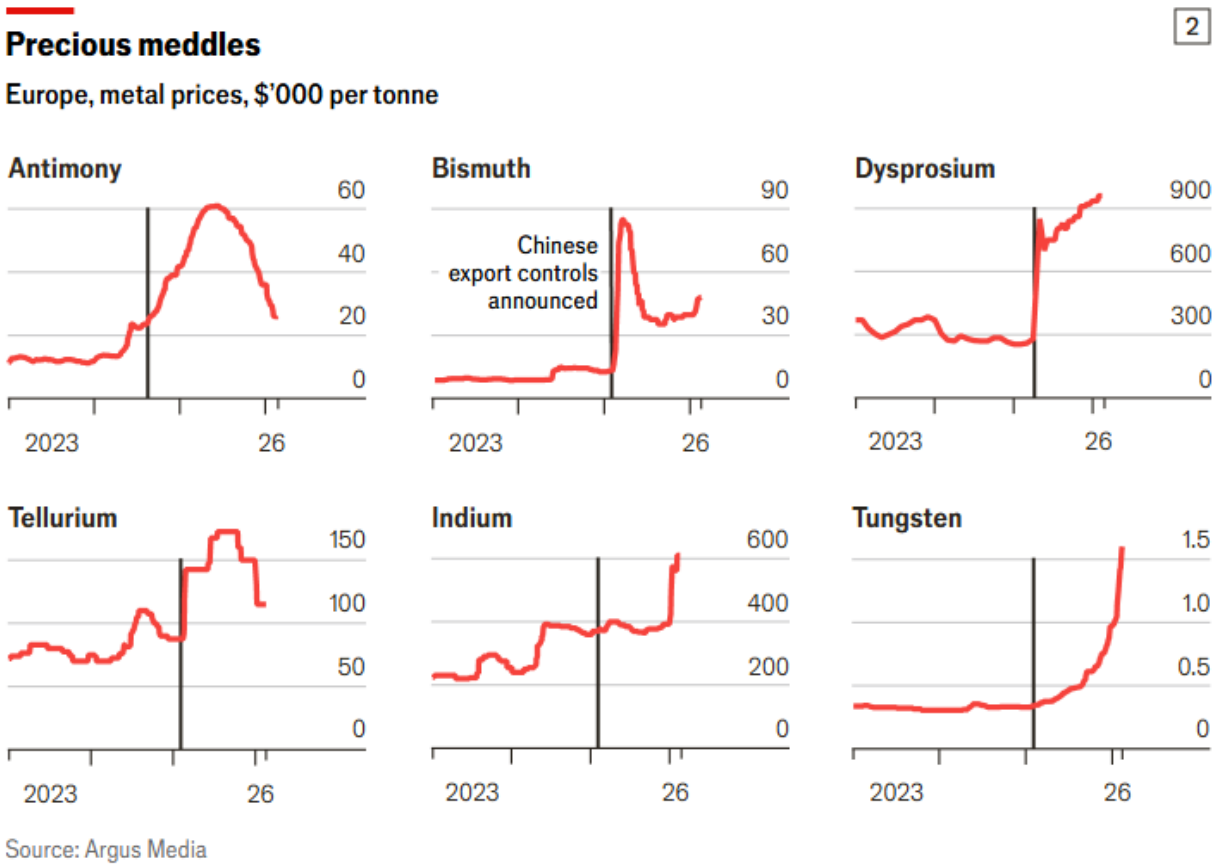
The administration has backed dozens of mining projects, promised to create giant stockpiles, and sought to set price floors in order to protect Western mines against Chinese dumping. It is a newly "aggressive, imaginative, transactional" approach, says Brian Menell of TechMet, a miner the government has backed—one that marks a level of intervention in metals markets unseen since the early cold war. "It's our

generation’s space race,” says Michael Scherb of Appian Capital, a private-equity firm that invests in mining.

The race has a clear and obvious leader. China is the biggest miner, and by far the dominant refiner, of many of the world’s most “critical minerals” (see chart 1). The category encompasses some 30 to 60 metals deemed vital to computing, electrification, aerospace and defence—the pillars of rich, modern economies. It lumps together common metals like copper (29m tonnes produced in 2025) with niche ones like “heavy” rare earths (some of them produced in the tens of tonnes annually), which are used in iPhones, data centres, surgical lasers and military tech.

Feeling the squeeze

China’s control of many critical metals gives it enormous leverage over its economic and military rivals—and it uses that leverage. Last April China restricted exports of seven of the most prized rare earths. As shortages loomed, supply chains for F-35 jets, missiles, drones, radars and electric motors threatened to snap. Carmakers and many other companies suffered across Europe and Asia. The blows were so immediate and powerful that President Donald Trump quickly scaled back his beloved tariffs on China to seal a trade-war truce. Chinese officials also used a new export-licence requirement to extract detailed proprietary information from Western manufacturers. And China still limits sales of a dozen minerals from antimony to tungsten, greatly increasing their cost (see chart 2).



The Trump administration, scarred by this experience, has decided to emulate what it sees as the recipe for China's supremacy: heavy-handed intervention in commodity markets. To understand why America—and many other governments—distrust free markets to fix this problem, start with how they diagnose it. In 1987 Deng Xiaoping declared "the Middle East has oil, China has rare earths", framing metal dominance as a strategic asset. In the four decades since, China has built its near-monopoly across many metals by lavishing public funds and cut-rate loans on preferred mines and refineries, and by prioritising production over the safety of workers and the environment.

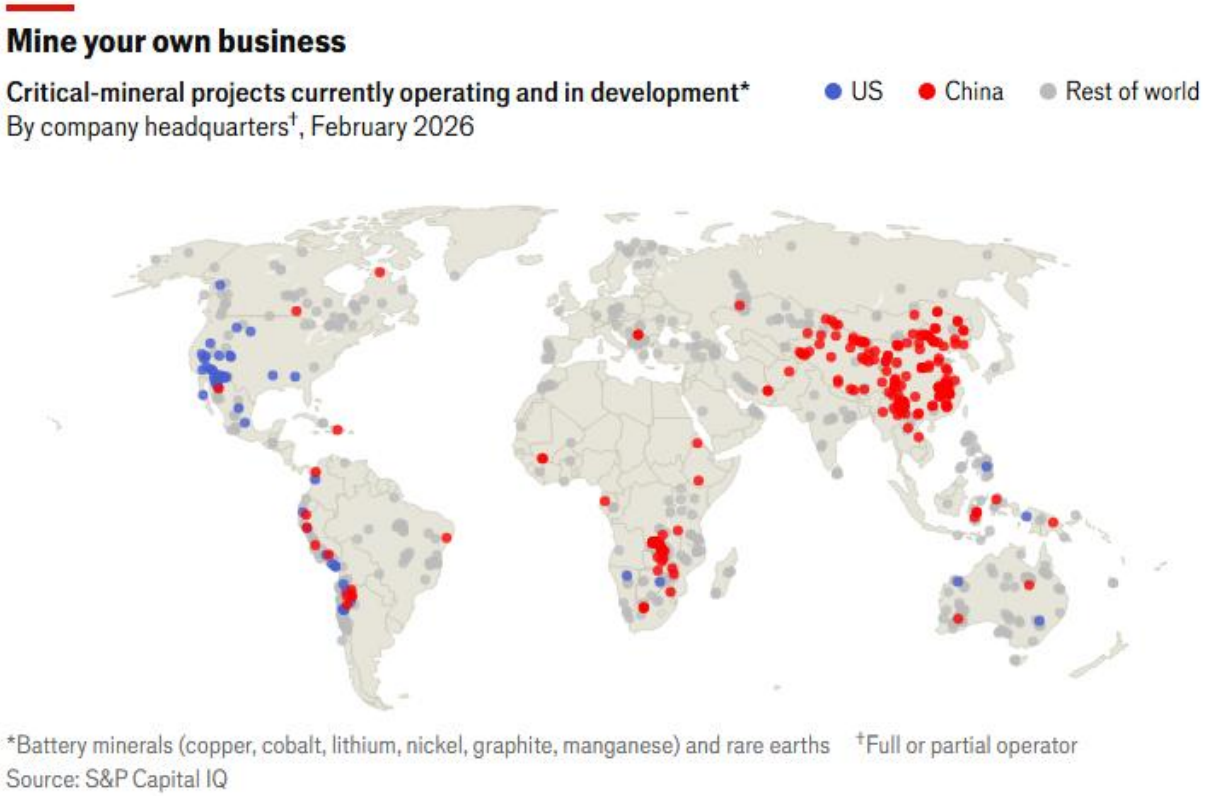
China also uses its market clout to crush competitors, dumping particular metals to crash prices and so force existing mines out of business or cause new projects to be mothballed. Low-priced Chinese rare earths played a part in the closure of Mountain Pass in California—once the world's largest rare-earth mine—in 2002. (A toxic spill cleanup and new, tougher environmental regulations compounded its competitive disadvantages.) That mine has since reopened under new American ownership, but in many other cases distressed assets have ended up in Chinese hands. Early this

decade, as lithium prices surged and new projects proliferated, Chinese producers ramped up output until prices collapsed, causing Western mines to stumble—and Chinese firms to snap up a handful of them, from Mali to Mexico.

The Trump administration's brute-force intervention involves a jumble of institutions. One of the most active is the repurposed Export-Import Bank (EXIM), which used to channel funds to green projects under President Joe Biden. The energy and defence departments and the US International Development Finance Corporation (DFC) are also splashing money around. David Copley, a former gold miner on America's National Security Council, is co-ordinating the frenzy.

The campaign is remarkably broad, potentially covering all 60 minerals labelled critical by the United States Geological Survey—including abundant, widely recycled metals such as aluminium, lead and zinc. Notably it also is focused less on refining metals, where China is most dominant, than on digging elements out of the ground. "They are working their way through the periodic table," says a mining boss. Officials favour projects nearing production or ripe for expansion. "Time is not on our side," says one. The ambition is to protect not just the defence industry from China, but civilian ones, too.

The Trump administration is pulling three main central-planning levers to make projects competitive. The first is straight from the Chinese script: subsidising the upfront cost of new mines through loans and direct investment, which also encourages private lenders to stump up capital. Since October the Pentagon has committed $2.8bn in equity and debt to eight mining and refining projects, biased towards metals such as gallium and germanium that China has at times stopped exporting.



In the past year EXIM has issued $15bn in letters of interest (signalling its intent to lend) for critical-mineral projects, including $455m for a rare-earth venture in America and $350m for cobalt and nickel in Australia. The Department of Energy has approved $7bn in loans to domestic ventures in graphite, lithium and potash. The DFC has deployed both equity and debt “in the world’s most strategic regions”, says Ben Black, its boss. It has provided seed funding for critical minerals in Ukraine and a third of the $1.8bn Orion CMC is injecting into Congo. It is mulling a $700m investment in Kazakh tungsten mines.

To keep its deal pipeline stocked, the administration is signing agreements giving American firms first dibs on mining investments abroad. It has inked 21 bilateral pacts with foreign governments and concluded negotiations for 17 more. In some cases financing comes with a novel condition, that little or none of the output be sold to China. *The Economist* understands that one large loan recently offered to a mine abroad by the American government was initially delayed because the Trump administration wanted it to stop shipping to China. In Africa aid is being linked to governments agreeing to mining deals.

Stocking the larder

America's second lever is to guarantee some purchases from miners, in the form of Project Vault, a national stockpile of minerals to support civilian industries. (The Pentagon already keeps small stashes of materials for military use.) Inspired by America's 50-year-old, 415m-barrel Strategic Petroleum Reserve, Project Vault would fund purchases by a select group of commodities traders of all 60 critical minerals. It is to be financed by a $10bn loan from EXIM and $2bn in private capital.

The goal is to cover weeks or months of demand for various metals, and up to a year's supply for some like yttrium, which is used in lots of important gear, including jet engines. Companies would pay fees up front and commit to purchasing metals at a set price, then be granted access to the stockpile when crisis strikes. More than a dozen firms—including General Motors, Boeing, Google and GE Vernova—have indicated a willingness to join.

The third lever is maintaining price floors, so that miners will not be put out of business if China dumps a mineral on the market. The Trump administration entered into its first (and thus far only) such scheme last July, as part of a public-private partnership with MP Materials, which runs a rare-earth refinery in Texas. It sets a ten-year floor on the price of neodymium-praseodymium (NdPr) oxide: if MP sells below $110 a kilogram, the Pentagon pays the difference. (The Pentagon has also committed to buy all the rare-earth magnets MP produces at a planned new MP facility for the first ten years of the plant's operation.)

America has since pitched the idea of price floors to allies. In February the State Department hosted a "Mineral Ministerial" in Washington, attended by 54 countries (China was not invited). America proposed a "minerals club" that, it said, would "reshape the global market". For some commodities, producers inside the bloc would be assured of a price floor when selling to firms from within the club. When transactions settle below that price, a kitty funded by member countries would pay producers the difference. Imports from outside the club—read China—would face a tariff bringing the end cost to consumers up to the floor. The administration has given roughly 30 countries until March to return letters of commitment. Separately,

America is in talks with the European Union, Japan and Mexico about partnerships on minerals that might feature price floors.

Western allies share similar goals to America's but are not pursuing them as aggressively. The EU has set targets for reducing Chinese imports and speeding up permitting for new mines, and signed partnerships with Chile, Namibia and others. But it has committed little money—€3bn ($3.5bn) across 34 minerals—and countries it has approached say it asks for assured supply while offering little in return.

Australia and Canada are spending somewhat more than Europe, but mostly at home. Japan is the most active, having already suffered from Chinese manipulation of metals markets: in 2010, China imposed an unofficial ban on exports of rare-earths to Japan during a row over disputed islands. Japan responded then by taking minority stakes in foreign mines in exchange for guaranteed supply (it also greatly expanded its critical-metals stockpile). Executives at JOGMEC, its resource-security agency, say it is now "aggressively" investing even more and taking "much more risk". But they are not keen on price floors, arguing that "free markets" are in the long run "a necessary condition" for success.

Some miners also express discomfort with price floors and other interventions. "We don't like fiddling with markets," says an executive. Incumbents who grew large without state support resent new entrants crowding the market, notes Huw McKay, a former chief economist at BHP, a mining giant, who is now at the Australian National University. Most global mining firms spent recent years retrenching rather than taking risky bets in distant countries. Freeport-McMoRan, once the largest private investor in Congo, sold its last project there to a Chinese firm in 2020.

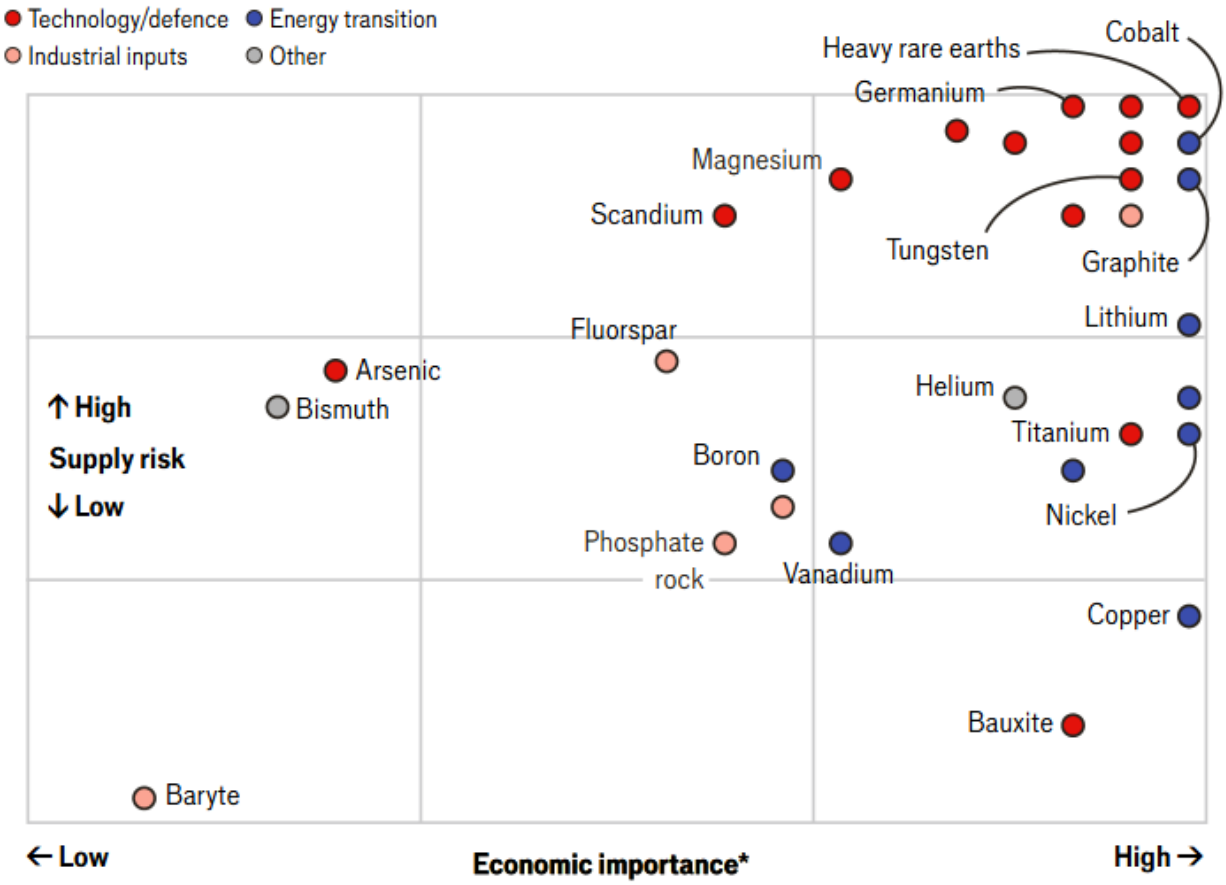
The clearest beneficiaries are likely to be smaller mining firms that might otherwise struggle to raise capital. Guardian Metal Resources, which plans to mine tungsten—a metal America has not produced commercially since 2015—received a Pentagon grant in July. The award helped the firm attract private capital, says Oliver Friesen, its boss, allowing it to accelerate engineering studies. It now has four drilling rigs on its site in Nevada.

Digging in the wrong places

Will America secure the supply it craves? Many experts worry the government is taking a scattershot approach, instead of focusing on only the most important minerals (see chart 3). Another problem is that the sums deployed, though large in aggregate, can be tiny for individual projects: most EXIM cheques are for millions or tens of millions of dollars—a rounding error for mines that can cost billions to develop.

Element-ary risk 3

Selected critical minerals, estimated supply risk and economic importance*



*Measured in scale, value creation and industrial dependency

Source: The Economist

A bigger risk is spending heavily for meagre results. The world is not short of critical-mineral projects; very few are likely to be profitable. Opportunities for corruption are rife, with an administration known for cronyism spreading largesse in an industry known for attracting cowboys and charlatans. A State Department official notes a rise

in non-American firms registered in Delaware, which requires minimal disclosure, pitching mining projects. There is scepticism among some in Congo that Virtus Minerals, a firm led by former soldiers and intelligence officers that agreed to buy a distressed Congolese mine in February, is equipped to run it. In January the government declared an intent to provide $1.6bn in backing for Round Top, a Texas rare-earth project, sending the share price of its sponsor, USA Rare Earth, surging. The site has been touted for development since at least the 1980s without success.

America's sole price-floor experiment carries obvious risks. MP Materials has little incentive to seek a good price for its NdPr, since Uncle Sam must top up whatever it receives to $110 a kilogram. Quarterly results show the firm's average price in the three months to September (before the price floor came into effect) was $59 a kilogram. NdPr leaving China fetched $78 a kilogram over the same period.

America's price-floor club would face similar problems. Jamieson Greer, the US trade representative, insists to *The Economist* that it is still worth pursuing. "I'd rather get inefficient production from a bunch of market economies I'm generally aligned with than efficient production from a country I'm not strategically aligned with." But China presents another problem that the scheme does not account for: most raw metals produced inside the club must be sent to China for refining, so there is no escape from Chinese leverage. What is more, China could then redirect refined metals to other buyers, defeating the club's purpose.

Building a civilian stockpile looks equally fraught. The oil reserve works because it involves a single commodity which can be refined at home. Hoarding metals is a far more complicated proposition. Storing ores requires lots of space and serves little purpose without domestic refiners to process them. Refined metals are less bulky, but also less fungible. Should copper be held as powder, wire or bars?

Many of America's proposed interventions in the mining industry will probably get watered down, stall or collapse. Markets are sceptical: metals prices have barely twitched in response to America's announcements. "No one understands what's going to happen," says Ellie Saklatvala of Argus Media, a price-reporting agency. Chinese mining firms seem unfazed; they are continuing to acquire assets abroad.

Even if many of its initiatives prosper, the Trump administration's approach does too little to loosen China's grip where it is tightest: in refining. Government meddling in the commodities market could prove costly for taxpayers while distorting price signals, potentially discouraging innovative entrants. And many producers, aside from fearing China's wrath, will fear a change in the political winds, which could come in Congress this year or in the White House in 2028. The greatest risk of America's experiment in centrally planned mining is that it depends on the whims of the central-planner-in-chief.