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CHINA'S RARE-EARTH EXPORT CONTROLS: THE UNCERTAINTY IS THE STRATEGY

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China’s Rare-Earth Export Controls: The Uncertainty is the Strategy

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Whether Beijing's additional export controls are imposed, postponed or abandoned, uncertainty over their future is already reshaping rare-earth markets, purchasing behaviour and investment decisions.

China's expected postponement of additional rare-earth-element (**REE**) export controls has provided breathing space for manufacturers, investors and governments, but uncertainty over future access to Chinese materials, processing technologies and products remains.

The original restrictions, introduced in April 2025 amid escalating US–China trade tensions, covered seven REEs: samarium, gadolinium, terbium, dysprosium, lutetium, scandium and yttrium, in various product forms. Although justified by China on national-security and non-proliferation grounds, they were widely interpreted as a response to substantial increases in US tariffs.

While countries are entitled to pursue policies that they consider consistent with their national interests, subject to international obligations, the concern for industry of course, is their commercial consequences.

In October 2025, China announced a broader package covering five additional REEs: holmium, erbium, thulium, europium and ytterbium. It also encompassed specified processing and magnet-manufacturing equipment, chemicals and reagents, and technology and know-how relating to REE mining, separation, metal production, magnet manufacturing and recycling. Proposed extraterritorial provisions potentially affected products manufactured outside China, using specified Chinese-origin materials or technologies.

These additional measures were suspended until 10 November 2026. Following further negotiations, China's Ministry of Commerce (**MOFCOM**) confirmed in September 2026 that broader US–China trade arrangements would be extended until 10 January 2027. Although widely understood to encompass the suspended REE measures, at the time of writing MOFCOM has not published a specific amendment to the original suspension notice.

This illustrates the central dilemma: China need not implement additional restrictions for the possibility of their implementation to influence market behaviour.

Manufacturers must decide how much inventory to hold and which suppliers to qualify. Investors must assess projects whose economics depend partly on future Chinese export policy. Governments must determine how extensively to support alternative supply chains.

Whether deliberately cultivated or arising from evolving trade negotiations, uncertainty itself creates strategic leverage.

Four scenarios illustrate the implications.

Scenario 1: Permanent suspension

China formally withdraws or indefinitely suspends the additional October 2025 controls.

This would improve confidence in Chinese supply, potentially reducing non-Chinese price premiums and precautionary inventories. However, the April 2025 restrictions would remain unless separately withdrawn, while China's dominant position in processing and magnet manufacturing would be largely unchanged.

Industrial consumers may therefore continue diversifying to reduce exposure to future regulatory changes. For non-Chinese producers, the consequences could be mixed. Competitive operations with established customers may retain their advantages, while projects dependent on sustained geopolitical premiums could struggle.

This creates a fundamental investment question: how much of the proposed non-Chinese REE production capacity remains commercially viable, if international prices normalize?

Permanent suspension would reduce uncertainty without necessarily reversing changes already underway in procurement and investment.

Scenario 2: Repeated postponements

China neither implements nor abandons the additional restrictions, extending their suspension periodically through further negotiations.

This preserves regulatory flexibility while limiting the disruption full implementation might cause. For businesses and investors, however, uncertainty complicates planning.

Manufacturers may hesitate to depend exclusively on Chinese supply but remain unwilling to pay substantial premiums for alternatives while exports continue. An investor considering a processing facility faces a greater dilemma. Such projects require years of development, substantial capital and long-term customer commitments. Their economics cannot be recalculated every time a deadline is extended.

Repeated postponements could consequently discourage investment in alternative capacity while encouraging cautious purchasing and selective diversification. They could also create complacency. Buyers concluding that restrictions will never be implemented might reduce inventories and contingency arrangements, leaving themselves exposed to subsequent policy changes.

Uncertainty becomes a persistent commercial consideration rather than a temporary disruption.

Scenario 3: Selective implementation

China implements some additional measures or applies licensing selectively according to materials, applications, customers or destinations.

This could be particularly consequential because REEs are not a homogeneous market. These metals and their compounds have different applications, processing requirements and alternative sources.

Selective implementation could produce substantial differences in availability and pricing between materials and customers. Two manufacturers seeking similar products might experience different outcomes depending on their location, intended applications or supply-chain relationships.

The divergence between Chinese domestic prices and prices for accessible material outside China could widen. For producers and traders, opportunities would emerge to supply customers requiring reliable deliveries, documented provenance and reduced licensing exposure.

For buyers, understanding whether material can be obtained, exported and used without regulatory complications becomes as important as its origin. Selective controls could have disproportionate commercial consequences without requiring comprehensive export restrictions.

Scenario 4: Full implementation

China implements the October 2025 package substantially as announced.

Restrictions on specified equipment, reagents and technical know-how could complicate efforts to establish independent processing and manufacturing capabilities outside China. The proposed extraterritorial provisions are equally consequential. Manufacturers incorporating specified Chinese-origin materials or technology could potentially face Chinese licensing requirements for certain subsequent exports.

Companies would need greater visibility into material provenance, technology dependencies and downstream customer requirements. Accessible inventories outside China could command substantial premiums, particularly where alternative sources are limited. Governments and industrial consumers would have stronger incentives to develop independent capabilities. However, creating these supply chains requires specialised technologies, substantial investment and lengthy customer qualification.

Full implementation could therefore cause significant near-term disruption while accelerating longer-term diversification. Paradoxically, it might ultimately reduce China's influence by encouraging customers to establish independent supply arrangements.

The price of confidentiality

Beyond physical availability, another consideration is becoming increasingly important: protecting commercially sensitive information.

Chinese export licensing can require disclosure of end users, intended applications and downstream supply-chain relationships. For manufacturers, such information can reveal valuable customer relationships, proprietary technologies, production requirements or strategically important programmes.

A distinction exists between information required by Chinese authorities and additional requests from suppliers managing compliance obligations. Nevertheless, both can influence purchasing decisions.

Some buyers outside China are prepared to pay significant premiums for alternative supply, not merely to secure material, but to avoid disclosing sensitive commercial information through Chinese supply chains.

This is particularly relevant to defence, aerospace and advanced manufacturing, although confidentiality concerns extend across many industries. Non-Chinese supply does not automatically eliminate these issues, especially where Chinese-origin materials or technologies remain involved.

Nevertheless, genuinely independent supply chains may offer meaningful advantages through reduced disclosure requirements and regulatory dependence. Importantly, these advantages may persist even if additional restrictions are permanently suspended. Customers that have established alternative purchasing arrangements to protect confidentiality may have little incentive to return to previous suppliers.

Three components of the non-Chinese supply premium

These developments suggest increasingly distinct markets for conventional REE supply and material offering greater accessibility, security and independence.

The premiums customers are willing to pay may reflect three overlapping components:

1. **Availability premium:** The value of material physically accessible and deliverable without unexpected export-licensing difficulties.
2. **Supply-security premium:** The value of confidence in continued deliveries throughout a manufacturing programme.
3. **Confidentiality and independence premium:** The value of protecting sensitive commercial information while reducing dependence on external regulatory approvals.

These premiums are not necessarily separately identifiable in transaction prices. Their importance varies by material, customer and application. Nor should elevated premiums be assumed to persist indefinitely. Non-Chinese producers must still demonstrate competitive costs, reliable operations and consistent product quality.

Investors should test project economics against both elevated regional premiums and more conventional global pricing. For buyers, the calculation increasingly extends beyond purchase price to the consequences of supply interruptions, regulatory uncertainty and information disclosure.

The uncertainty is the strategy

China's export controls have become part of broader international trade negotiations, just as US tariffs and other measures reflect Washington's economic and strategic priorities. The extent to which uncertainty is intentional remains difficult to establish. Nevertheless, its commercial consequences are clear.

China retains flexibility over access to important materials and technologies. Companies elsewhere must make long-term purchasing and investment decisions without knowing how the regulatory environment may change. For China, that flexibility may preserve

negotiating leverage. For customers outside China, the same uncertainty strengthens incentives to diversify.

This creates a paradox: measures reinforcing China's influence today may encourage alternative supply chains that reduce its influence tomorrow.

Supply-chain resilience now carries economic value that conventional commodity prices do not fully capture. For manufacturers, the question is no longer simply where the cheapest material can be purchased, but the total cost and risk of relying on that source. For producers and investors, it is whether customers will make lasting financial commitments to the reliability, confidentiality and independence that alternative supply chains can offer.

China's additional restrictions may ultimately be imposed, modified, postponed or withdrawn. But the commercial decisions influenced by their possibility may prove considerably more enduring.

China's ability to maintain uncertainty may strengthen its leverage today, while simultaneously persuading customers to pay more to reduce that leverage tomorrow.



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