

## Weaponizing Rare Earths: China's Strategic Leverage in a Fragmenting Global Order

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Published 14 August 2025

In 1992, [Deng Xiaoping reportedly remarked](#) during his Southern Tour: “The Middle East has oil, China has rare earths.” His comments on the strategic importance of these raw materials have become prescient three decades later. [Rare earth metals are critical components](#) in consumer products such as smartphones, batteries and medical devices, but more importantly, in military equipment, such as aircraft and precision-guided missiles. This has heightened global concern over China's dominance in rare earth global supply chains and its strategic use of these resources, prompting the [United States](#) (US) and the [European Union](#) (EU) to pursue policies aimed at reclaiming economic sovereignty.

However, the task is presently unresolved and increasingly antagonistic. President of the European Commission [Ursula von der Leyen speaking at the 2025 G7 summit](#) dramatically shifted from conciliatory rhetoric to an [accusation against Beijing](#) of “...using this quasi-monopoly not only as a bargaining chip, but also weaponizing it to undermine competitors in key industries.” China's [quasi-monopoly](#) (more than 60% of mining and 90% of production) in the global supply chains for seventeen metallic elements that are crucial for modern technologies enables coercion through export restrictions.

Von der Leyen encouraged G7 member states to jointly rebuild industries dominated by China to prevent strategic dependence on the Indo-Pacific country. Von der Leyen also spoke of a [new China shock](#), reflecting fears that China could flood the world market with the output of its industrial overcapacity, including iron and steel, cement, smartphones, and solar panels, which would be difficult to reconcile with the previous policies based on a [desire for a rebalanced EU–China trade relationship](#).

The present US-China trade war has shown that China readily uses its rare earths industry to achieve its political goals. In response to President Trump's threat of tariffs, the Chinese leadership [introduced strict export controls](#) in April on samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium-related items, forcing [US automaker Ford](#), for example, to halt production at several factories because it could not obtain magnets made from rare earth metals. These events demonstrate that Beijing's export restriction on rare earths is a powerful negotiating tool in the face of President Trump's tariffs strategy. Consequently, the US delegation was keen to [agree with its Chinese counterparts in London](#) to deescalate the trade war. However, Beijing only partially eased restrictions on rare earth exports and [maintained export controls](#) on more specialized rare earth magnets used in military technologies such as missile systems.

Accordingly, G7 member countries and their allies [have already made efforts to](#) mitigate the China risk jointly. As a further step, on 17 June, the [G7 group committed to coordinating these efforts](#) and diversifying supply chains by encouraging investment and reshoring production. Despite any joint action, however, the sheer size of China's rare earths industry,

production experience, and workforce represent a disadvantage that Western countries will certainly not be able to overcome in the coming years. According to [forecasts by the International Energy Agency \(IEA\)](#), China's share of global rare earth mining will only fall from the current 60% to 52% by 2035, while in terms of processing, the Indo-Pacific country will still have a 77% global share even a decade from now.

Therefore, rare earth exports are expected to remain one of China's most important economic weapons in geopolitical rivalry, significantly limiting the strategic flexibility of the US and, more broadly, the West. In principle, the US technological superiority in the semiconductor industry could provide a similar strategic advantage. However, in recent years, the US has made [export control on microchip technology to China](#) a key focus of government policy. As a result, [domestic-driven technology development](#) has become the 'new normal' for China. Hence, China has already made progress in gaining independence from US microchip technology, even if, for example, [Huawei chips are still one generation behind](#) their US counterparts.

China's dominance in rare earths when used as a geopolitical weapon is more comparable to the US's position in the global economy and financial system. The utility of trade and financial sanctions against China is difficult to predict. However, the US is presently attempting to coerce Russia to cease its military campaign against Ukraine, without success. Nevertheless, China is the world's largest trading economy and heavily reliant on exports, which makes it theoretically more vulnerable to being excluded from vital global trade than Russia. As a result, it is more exposed to the [dollar-based international financial system](#), especially if the US and EU were to cooperate.

However, China's current leverage in rare earths is accelerating the West's long-term decoupling. With strategic patience and enhanced cooperation, China's rare earth dominance can become a liability. Each time China threatens supply restrictions, it incentivizes billions in Western investment toward alternatives. These efforts can fundamentally reshape global supply chains in the US' favor. [The response of Japan to Beijing's 2010 embargo](#) provides the blueprint: targeted diversification, technological innovation, and strategic partnerships, reduced Japanese dependence on Chinese rare earths from 90% to under 60% over a decade.

From a geopolitical perspective, mutual interdependence between the US and China serves as a stabilizing force. Interconnectedness acts as a deterrent to conflict. Chinese and US dominance in rare earths and global finance, respectively, increases the potential cost of escalating conflicts, especially military action. The efforts of the US and EU to reduce their exposure to rare earth minerals from China, as well as China's intention to become less dependent on [dollar-based trade](#), may thus be evaluated as fragmenting global order. Consequently, the most significant risk of decoupling may not be that it reverses or slows economic globalization, but that the economic distancing of geopolitical rivals reduces liberal interdependence that restrains them from the use of military force. This is a particularly unfavorable development from a global security perspective, and a risk that should not be overlooked by policy makers.

The G7 statement and the [opinion of the President of the European Commission](#) demonstrated that decoupling from China in the supply of critical raw materials is not just part of the US-China great power conflict. By introducing export restrictions in response to the US' tariff strategy, China has shown hostility towards European manufacturers that rely on rare earths, confirming EU alarm that China's control in this area also poses a risk to the EU.

In the coming decade, China may still rely strategically on its rare earths dominance, the significance of which [Deng Xiaoping recognized](#) back in the early 1990s. However, the US and EU have established policies that may gradually decouple their economies and reduce dependence on China. The central issues hence may become how long such dominance ensures that economic diplomacy remains the main area of their geopolitical conflicts, and whether other states take supply from the US and EU, or China. China could maintain its control over rare earths through cooperation, however, the [Chinese leaders' tactical interests](#) and rising tensions with the West may negate this option.

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