

Rare Earth Sourcing in the Land of the Blind

written by Jack Lifton | May 8, 2025

“America’s rare earth strategy is being led by the blind—misinterpreting unintended bureaucratic miscalculations in China as strategic manipulation. While China decisively consolidates its grip on the world’s scarce heavy rare earth supply, American policymakers and financiers stumble forward, confusing capital infusion with strategic clarity. The clock isn’t just ticking; it’s counting down to the moment securing these critical materials may slip permanently beyond reach.”

In the land of the blind, the one-eyed man is king, but he cannot see in three dimensions, because he doesn’t have enough information.

Our self-professing critical minerals experts are typically not fluent in Chinese or educated in comparative economics, so all of their information, data, and data interpretation have been preselected by others and are, in many ways, arbitrary and just guesswork.

A Chinese policy of carefully allowing its agrarian rural population to migrate to the burgeoning cities of its East, so as to keep wage growth in check and limit inflation, had the unintended but, after the fact, foreseeable consequence of triggering a massive real estate bubble.

I wonder if a Chinese industrial policy to increase the production of rare earth-enabled devices to support the continuation of Chinese dominance of these markets globally has not resulted in chaotic supply conditions from overproduction

now.

Rare earth supply in China appears to exceed demand, so prices are suppressed.

This pricing constraint is foreseeable, but I think it was unintended and resulted from mistaken predictions of demand by Chinese bureaucrats. In other words, what is described by the uninformed “experts” on Wall Street and in Washington as nefarious “global” market manipulation by China, is, probably, just poor or mistaken forecasting by Chinese government bureaucrats about the direction and growth of the world’s largest market for rare earth enabled devices, the domestic Chinese economy.

One result has been that China’s Shenghe Resources doesn’t now really need to import as much rare earth concentrate as it has been doing. so Shenghe has conveniently been blocked from further accumulation by a tariff war currently in progress between the two largest economies in the world.

The tariff war will end or reach equilibrium, but the Chinese overproduction of rare earths caused by mistaken projections of domestic demand is not in lockstep with tariffs.

Shenghe Resources and many other Chinese “privately owned” companies have been actively and aggressively seeking critical mineral feed stocks for the Chinese rare earth markets. These “importers” have focused on two groups of minerals, hard rock and ionic adsorption clays, but in all cases the purpose has been to preserve China’s domestic reserves and simultaneously obtain the lowest possible costs.

China’s quest for imported rare earth mineral concentrates globally has been most successful in giving it, at this time, total global control of the heavy rare earth market.

A consequence of this heavy rare earth concentrates' focus is the inability of non-Chinese rare earth permanent magnet manufacturers to produce the high coercivity magnets for EVs that require dysprosium and terbium to give them the needed properties.

Today, Myanmar is the dominant producing country for dysprosium and terbium, and the rare earth production of and from it is under complete Chinese control.

But Myanmar sourcing has two problems, local politics and declining grades, so China has now put on a diplomatic and financial full-court press on Malaysia, the next richest in heavy rare earths among China's neighbors, and a modern developed economy that has escaped the notice of most Western rare earth sourcing "experts."

China has also set its sights on Brazil as a heavy rare earth source. It already takes the total output from Brazil's first operating rare earth mine, Serra Verde, but the rest of Brazil's rare earth production is three or more years away, so China is concentrating on Malaysia, which is already exporting 8,000 tons per year of TREO with a significant portion of HREEs to China.

Memory of and bluff about America's preeminent, pre-1980s, position in the global rare earths industry seems to drive the facile notion that self-sufficiency can be restored by simply directing enough capital to the problem. Financiers, free of technical or market knowledge, have, as usual, picked up the scent of easy money and stand as an impediment to secure self-sufficiency by wasting the necessary assets to do the job.

The American consumer market needs to be supported by a common sourcing policy for rare earths among all consumer product OEMs needing rare earth-enabled products.

The global supply of heavy rare earths is limited. The Chinese have already acquired the current global production, and the Japanese have joined the hunt for near-term additional production from Malaysia and future Brazilian production.

The clock is ticking for the American consumer product industry.