The Critical Minerals Report (8.22.2025): Carney's Gambit, China's Grip, and Washington's Counterstrike

written by Tracy Hughes | August 24, 2025

A fierce new front in great-power rivalry erupted this week as critical minerals—once niche commodities—took center stage in global security and economic strategy. In Canada, an unprecedented gambit blurred the line between defense spending and resource development. Prime Minister Mark Carney indicated that Canada will count investments in critical minerals toward its NATO defense commitments – a creative interpretation that effectively equates building mines and processing plants with buying tanks. With NATO eyeing a new spending target (rumored around 5% of GDP), Carney argued that pouring billions into domestic nickel, lithium and rare earth projects strengthens national security in a tangible way. Allies appeared receptive to the idea. Carney's gambit acknowledges an inescapable truth: when fighter jets, hypersonic missiles, and electric vehicles all hinge on scarce metals, stockpiling those inputs is every bit as strategic as deploying troops. Canada's plan not only bolsters its resource sector; it also positions the country as a model for linking economic strategy with military obligations. Defense hawks may bristle at the accounting maneuver, but it's hard to deny the logic – a howitzer is useless without the rare earth magnets in its targeting system, and a soldier without secure supply chains at home is increasingly vulnerable abroad.

Beijing, meanwhile, is tightening its grip on the critical minerals value chain from the opposite angle. On Friday, China's government announced new rules on rare earths that extend state control deeper than ever. For the first time, imported rare earth concentrates will be subject to the same production quota system that governs China's domestic mines. Refiners in China must now report detailed monthly data on every ton of rare earth ore – whether dug up in Sichuan or shipped in from Myanmar – into a centralized tracking system. In effect, Beijing wants visibility and authority over the full flow of these strategic materials through its borders. The move, implemented via guidelines under China's Rare Earth Management regulations, has global markets on alert. Analysts warn that including imports in the quota could squeeze international supply even more, since foreign mines often send semi-processed rare earths to China for refining. If those inflows are capped or slowed by bureaucracy, it could create a new choke point. It's the latest sign that China sees critical minerals as a strategic asset to be marshaled, not just a commodity to be traded. This year Beijing has already weaponized its dominance once – imposing export license controls in the spring that snarled shipments of high-purity magnet materials in apparent retaliation for Western tech tariffs. Now, by quietly expanding oversight to every scrap of rare earth coming in or out, China is signaling that supply security cuts both ways: if the West plans to curtail Chinese access to advanced tech, China will closely guard the minerals that make that tech possible.

Ironically, even as China tightens internal controls, its exports of finished rare earth products just surged. Chinese customs data showed that rare earth magnet exports jumped nearly 75% in July from the prior month, hitting their highest level since January. This comes after a dismal spring when exports plunged due to the new license requirements – a clampdown that reportedly forced some overseas automakers to halt production for lack of magnets. The July rebound suggests Beijing has eased those logjams, at least temporarily. In fact, officials in Beijing struck *informal* agreements with Washington and Brussels earlier this summer to smooth the export approval process in exchange for dialogue on trade issues. The result: by July, magnet shipments to Germany and the U.S. roared back to life (Germany imported over 1,100 tons, and U.S.-bound volumes jumped 75% in a month). It's a welcome relief for manufacturers scrambling for supplies. Yet year-to-date, China's magnet exports are still down double-digits compared to last year, a hangover from the spring disruption. The episode may prove a Sputnik moment for the West – a reminder of how dependent industries are on Chinese material. Even as containers start flowing again, the memory of empty assembly lines in April is fresh. Don't be surprised if Western firms accelerate qualifying non-Chinese magnet sources, or if governments double down on stockpiling and "friend-shoring" strategies. China's short-lived export curbs caused pain at home too (some Chinese magnet makers reportedly faced oversupply when foreign orders froze). The July data thus represents a delicate equilibrium: Beijing showing pragmatism by not cutting off its best customers, but still keeping the sword of Damocles hanging overhead should geopolitical winds change.

Washington certainly isn't sitting idle. The U.S. government ratcheted up pressure on Chinese supply chains this week from a human-rights angle. The Department of Homeland Security announced it is now enforcing the Uyghur Forced Labor Prevention Act (UFLPA) against imports of several raw materials, notably steel, copper, and lithium. In practice, this means any such commodities (or products containing them) coming from China – or other countries if sourced from Xinjiang – face a presumption of being made with forced labor and can be barred from U.S. ports unless proven otherwise. DHS Secretary Kristi Noem took to social media to underscore the point, calling slave labor “repulsive” and vowing to hold Chinese companies accountable. For critical minerals, this is a big deal. Lithium-ion batteries, electric cables, solar panel frames – all use copper, steel, or lithium compounds that often have complex supply chains. If any link in that chain traces back to Xinjiang (where Beijing is accused of egregious abuses of Uyghur Muslims), the product could now be impounded. Chinese officials deny the allegations and will bristle at this as an extraterritorial stunt. But from the U.S. perspective, it’s another tool to scrutinize China’s dominance in critical materials – effectively forcing companies to either prove their metals are “clean” or find non-Chinese sources. Multinationals will need to do more due diligence on where their cathode chemicals or copper wiring come from. In the short term, this could snarl some shipments and add compliance costs. Longer term, it reinforces the trend of decoupling: if American companies shift to suppliers in, say, Canada or Australia to avoid the risk, it will dovetail with the broader push to disentangle critical mineral supply chains from China.

Capital markets are already anticipating a tectonic realignment of those supply chains. An investor commentary making the rounds this week speculated on the “Top 10” critical minerals companies the Pentagon might back next – a who’s-who of firms that could benefit from Uncle Sam’s checkbook diplomacy. This comes on the heels of the U.S. Department of Defense’s unprecedented deal with MP Materials Corp. (NYSE: MP) in July, where the Pentagon took an equity stake and guaranteed prices for a decade of rare earth magnet output. That deal shocked many free-market purists and signaled that Washington is ready to behave more like Beijing to secure strategic materials. Now, analysts foresee a *second wave* of partnerships. They point to companies like Lynas Rare Earths Ltd. (ASX: LYC) – the Australian rare earth miner already building a Texas processing plant with DoD funding – and

Albemarle Corporation (NYSE: ALB), the world's largest lithium producer, which received Pentagon grants to reopen a North Carolina lithium mine. Mid-tier players are candidates too: heavy rare earth refiners such as Ucore Rare Metals Inc. (TSXV: UCU | OTCQX: UURAF), advanced magnet manufacturers like Neo Performance Materials Inc. (TSX: NEO | OTCQX: NOPMF), graphite suppliers from Africa and Alaska, and even a lone cobalt miner in Idaho (Jervois Global (ASX: JRV)). These firms span the periodic table but share common traits: strategically important resources, projects in the U.S. or allied countries, and a track record of engagement with government programs. In other words, exactly the sort of profile that Washington's new industrial policy is looking to elevate. The Pentagon hasn't confirmed any specific new deals yet, but industry chatter suggests more DPA (Defense Production Act) money will be deployed in coming months. The critical minerals race is morphing into something reminiscent of the arms industry – with defense officials picking winners, underwriting facilities, and effectively guaranteeing a market. One executive quipped that these days running a rare earth company involves almost as much time in D.C. as in the field, as firms jockey for federal support. It's a dramatic shift from just a few years ago, when such juniors could barely get Washington to return their calls…***end of excerpt.***

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