

The Rare Earth Landscape 2025: Part III – The American Economy as an Expertise Magnet for Magnet Makers

written by Jack Lifton | January 2, 2025

Since 2020 many manufacturing companies have entered into a period of what we can call economic Darwinism. They are trying to prepare for the production of government-chosen product mixes by building factories for which there are no secure (government-allowed) feedstocks of chemicals, metals, or subassemblies. Even more ominously, they are finding that the cost of “clean energy,” the (shibboleth) driving government product choices, is unpredictable. Since only those companies that have the lowest costs and are profitable(!) can survive without government subsidies (hand outs) or tariffs (higher prices for all). A cull has already begun.

The attempt by governments to “protect” their domestic industries by imposing tariffs on high quality foreign manufactured goods and key intermediate products exposes how badly global financialization has damaged the American and European domestic economies. European manufacturers that are the most energy-cost sensitive are collapsing economically under the misguided (and stupid) regime of “clean energy” at any cost(!). Europe’s primary steel and aluminum industries are too far gone for the extreme welfare states of the EU to support them as private enterprises that must be profitable to exist.

Two waves of emigration first from the German states and then from the German Empire occurred between 1830 and 1930. Both benefited the United States immensely. By 1850, 5% of the

population of the German states had moved to America. This wave brought skilled craftsmen and their apprenticeship programs and greatly accelerated the post Civil War, United States Industrial Revolution, making America the world's leading economy by the end of the nineteenth century.

The second wave of emigration focused more on East Europe. Still, the masses fleeing the decaying European empires from the end of the nineteenth century to just after World War I brought to these shores not just the workers hired by Henry Ford but also, perhaps, the greatest scientific minds of all time, who had been nurtured and allowed to develop by the superb German and British imperial educational systems, but then cast aside by the ignorant, self destructive, "racial" classifications of the populist dictators who replaced the Kaiser and the Czar.

Today, a century after the last mass wave of skills and intellectual emigration from Europe to the United States, it has begun again. German companies, the product lines of which are energy or natural resource intensive, or both, are moving to where the lowest cost energy and feedstocks are available, and the economy is more complimentary of government interference than Germany—an example. Vacuumschmelze, Germany's oldest and (relatively) largest commercial producer of rare earth permanent magnets could only continue to produce in Germany if heavily subsidized and then only if supply lines from China were not subjected to tariffs. It struggled to survive on profits that were too small to even attract affordable working capital. The American hedge fund, [Ara Partners](#), saw this as an opportunity to "buy" an industry that was sorely lacking in America and move its energy intensive operations to the much lower-cost United States, where its necessary and critical technology metals feedstocks could be obtained from outside of China.

BASF, the world's largest chemical manufacturer and the

Bavarian-based cornerstone of the twentieth-century chemical industry, is moving its most energy- and low-cost oil-dependent operations to oil-rich, low-cost Louisiana.

VW, Daimler (Mercedes), and BMW first began producing vehicles in American factories more than 40 years ago as German costs even then were getting too high.

Many, German sub-suppliers of manufactured components for the OEM automotive industry moved to America to maintain product know-how and quality. Today, I believe that these American operations are the only profitable ones for many German companies.

It's my opinion that unless the EU immediately abandons its "climate crisis" driven move to replace lowest cost energy with "clean energy," the EU will collapse. I believe the German engine that drives the EU economy is out of fuel and that a populist regime in Germany will simply stop subsidizing the "poorer" and even more poorly mismanaged economies of the EU.

To sum up: Imagine that Belgian Solvay, whose Rhone-Poulenc predecessor created the modern rare earth commercial production industry, were in Ohio, and that the UK's Less Common Metals, the non-Asian worlds premier producer of rare earth metals and alloys were in Indiana, and that Vacuumschmelze were in South Carolina.

If that were the case then some American "fund" would have already bought all three companies and merged them into a vertically integrated domestic American rare earth permanent magnet maker. It would then buy MP Materials Corp. (NYSE: MP) to anchor the company's supply chain with most of the required natural resources.

No "fund" would contemplate such a merger in the EU, because it

would drown in the tsunami of national and EU regulation, bureaucracy, and costs of energy.

The EU doesn't work and it will soon be out of work.

Imagine what a post Putin liberal Russia could accomplish with its fantastic natural resources of metals, minerals, and fuels. My guess is that before long, the cry in the EU will be, "Go East, young man."

For the time being, though, it will be Go West.

Europe will not have a trade war with China. It has already been lost.

The upcoming [CMI Summit IV](#), themed *The War for Critical Minerals and Capital Resources*, is scheduled to take place in Toronto, Ontario, on May 13-14, 2025. The CMI Summit aims to foster strategic partnerships and develop actionable solutions that support the growing demand for critical minerals, crucial for the advancement of clean energy, technology, and national security.

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