The Rare Earth Reboot: How a DoD Buy-In Sparked a 50 % Rally

written by Tracy Hughes | July 10, 2025

It’s not every day that the Pentagon buys into a mining company. Yet this week, in a telling sign of how geopolitics is reshaping American business, the U.S. Department of Defense struck a deal that makes it the largest shareholder of MP Materials Corp. (NYSE: MP), a company that mines rare earth elements in the California desert. In an era defined by chip shortages and supply chain jitters, even obscure metals have become strategic assets. And in this case, a humble magnet may hold the key to a major shift in U.S.-China relations and the future of American industrial policy.

Rare earth magnets are hiding in plain sight. They power the motors of electric vehicles, spin the generators inside wind turbines, sit at the heart of smartphones and laptops, and steer the guidance systems of fighter jets and missiles. Their strength comes from the so-called **“Core Four”** magnet metals: the light rare earths **neodymium (Nd)** and **praseodymium (Pr)**, plus the heavy rare earths **terbium (Tb)** and **dysprosium (Dy)**. Pound for pound, magnets made with these four elements are remarkably powerful, making much of today’s technology possible.

Despite the name, rare earths are not scarce in Earth’s crust; the challenge is that extracting and refining them is complex, costly, and environmentally demanding. For the past few decades, nearly all of that refining—and most magnet production—has been concentrated in a single country: **China**, which processes roughly 90 percent of the world’s rare earth supply. The result is a formidable choke point in a supply chain the rest of the world

depends on.

For years, American officials and industry leaders have fretted about this dependence on Chinese rare earths. It's not an abstract worry; Beijing has a track record of leveraging its dominance. In 2010, during a diplomatic spat, China abruptly cut off rare earth exports to Japan, sending shock waves through tech industries. More recently, as U.S.-China tensions have risen, China has tightened export controls on certain critical minerals. Just a few months ago, Chinese rare earth magnet exports reportedly plunged, causing some Western automakers to scramble for supplies and even pause production. The message was clear: if you need these magic magnets, you play by China's rules—or else.

Enter the new partnership between the Pentagon and MP Materials, announced earlier today (July 10, 2025), which reads like something out of an industrial strategy playbook. The Department of Defense has committed a multibillion-dollar package to turbocharge MP Materials' output of rare earth magnets on U.S. soil. This includes financing for a sprawling new magnet manufacturing facility (charmingly code-named the "10X" factory) that is slated to come online in 2028. Once up and running, that plant is expected to produce about 10,000 metric tons of magnets a year—enough to supply a sizable chunk of U.S. needs for everything from electric cars to missile systems. In practice, that could mean magnets for millions of new EVs or countless other gadgets and vehicles, all sourced domestically rather than from overseas rivals.

The deal is striking not just for its scale but for its terms. The Pentagon isn't simply writing a check and hoping for the best. It's taking an equity stake in the company—potentially around 15% ownership—instantly making the U.S. government the largest single shareholder of this publicly traded firm. In

addition, the Department of Defense is guaranteeing a floor price for MP Materials' rare earth output for the next ten years. In essence, the government has said it will ensure the company gets at least $110 for every kilogram of key rare earth material it produces, even if the market price (largely set by Chinese suppliers) falls far below that. To put that in perspective, $110 per kilo is roughly double the current going rate in China for those minerals. That kind of guarantee is unprecedented; it's a built-in insurance policy against China flooding the market or slashing prices to undercut new competitors. With an assured buyer at a premium price, MP Materials can expand production with confidence that it won't go bust if Beijing tries to play hardball.

If this sounds a bit like the U.S. is picking a "national champion," that's because it is. For decades, the phrase "industrial policy" was almost taboo in Washington. Free-market orthodoxy held that the government shouldn't be in the business of favoring one company or industry over another. But the world has changed. China never had such qualms—it spent years subsidizing and propping up industries it deemed strategic, rare earths included, until it achieved near-monopoly power. Now the U.S. is reluctantly but decisively entering that arena, using government muscle to rebuild a supply chain that the free market let migrate overseas.

What's remarkable is that this rare earth magnet deal isn't an isolated case, but part of a broader trend. In the last few years, American policymakers have been swinging toward an industrial policy revival not seen in generations. We've had the CHIPS Act pouring tens of billions into domestic semiconductor factories, aiming to reduce reliance on Taiwanese and Korean chips that are vital for everything from cars to supercomputers. We've seen incentives for battery plants and electric vehicle components under new climate and infrastructure laws, trying to

ensure the next generation of automobiles can be built without depending on Chinese battery parts. And now, with rare earths, the government is stepping in to address another vulnerability in the technological supply chain. In each case, the logic is the same: certain capabilities are so critical to national security and economic stability that the nation can't afford to lose them, even if that means upending free-market traditions.

The MP Materials partnership is a case study in this 21st-century economic statecraft. Rather than tariffs or sabre-rattling, the U.S. is deploying capital and contracts to achieve a strategic aim: loosen China's stranglehold on a resource critical to both the Pentagon and the broader economy. It's the economics of deterrence—bolstering our own resilience so that a materials embargo can never be used as a trump card against us. In the Cold War, American statecraft was about missiles in silos and proxies on battlefields; today, it's also about supply agreements and high-tech factories. Control of supply chains has become a new form of geopolitical leverage, and Washington clearly doesn't want to be on the losing end of that equation.

Of course, none of this comes without challenges or critics. The government taking a big stake in a private company and guaranteeing its revenue might make free-market purists uneasy. To some, it may look like corporate welfare or overreach. There's also the timeline to consider: the new magnet factory won't be operational until 2028. In the interim, the U.S. remains reliant on imports or the goodwill of allies for these materials (Australia, for instance, has its own rare earth champion, and there are collaborative efforts underway between the U.S. and allied nations to diversify supply). And even once MP Materials ramps up, there's the question of whether it can compete globally without long-term support. Historically, previous attempts to revive U.S. rare earth production have faltered when prices plunged or when environmental hurdles

emerged. Building a supply chain from mine to magnet entirely at home is a tall order, involving chemical processing and manufacturing steps that haven’t been done at scale in this country for decades.

Yet the mood in Washington—and indeed, on Wall Street—suggests that this time will be different. The day the deal was announced, MP Materials’ stock price surged nearly 50%, reflecting a wave of optimism that government backing will turn a once-niche mining outfit into a linchpin of modern industry. And unlike in the past, there seems to be a bipartisan consensus forming around these kinds of moves. After all, it was the Trump administration that approved this partnership, picking up a torch lit by the Biden administration’s push for supply chain resilience, which in turn echoed concerns raised even earlier. In a country divided on so many issues, the idea of securing the supply of critical minerals has surprisingly broad appeal. National security, as it turns out, can unite free-market Republicans and industrial-policy Democrats in common cause.

The implications of the MP Materials deal go far beyond one company or one set of elements on the periodic table. It hints at a new template for how America might navigate great-power competition in the coming years. Rather than merely reacting to adversaries with sanctions and complaints, the U.S. is starting to invest in its own industrial base, treating economic capacity as a strategic asset. It’s a defensive play and an offensive one at the same time: defensive, in that it insulates the country from supply shocks, and offensive, in that it strengthens the nation’s hand in technology and trade battles.

U.S.-China relations are entering a phase where both cooperation and interdependence are giving way to caution and self-reliance. We see it in the race to make advanced computer chips, in the contest over 5G networks, in efforts to secure battery

materials, and now in rare earth magnets. Each of these is a thread in the larger tapestry of 21st-century geopolitics, where economic security is national security. The rare earth magnet partnership can be seen as a microcosm of this dynamic. China's dominance in a critical sector spurred the U.S. to take extraordinary measures to counterbalance it. The success or failure of this venture will be closely watched as a bellwether: Can the U.S. really restore a vital supply chain at home, sustainably and competitively? Can government and private industry collaborate effectively without the wheels coming off due to bureaucracy or misaligned incentives? The answers will inform how we tackle the next vulnerabilities on the list.

What's clear is that the age of complacency about critical resources is over. The free market alone isn't going to ensure that America has what it needs to thrive and defend itself in a more fragmented world. That lesson has been driven home by pandemic shortages of medical gear, by semiconductor scarcities that idled auto plants, and by the unsettling prospect of Beijing one day turning off the magnet metal tap. In response, the U.S. is reaching back into its historical playbook—recalling how, during World War II and the Cold War, government-business partnerships helped build arsenals of democracy and send men to the moon. Today's battles are economic as much as military, and the arsenals we need include factories, mines, and skilled workforces.

The MP Materials deal may well be remembered as a turning point, when the U.S. decided to get serious about critical minerals. It's a story of magnets and missiles, of markets and mandates. Most of all, it's a story about learning to compete in a new way. In the grand contest of nations, strength isn't just measured in warheads or GDP anymore, but in who controls the essential building blocks of modern life. America has just made a hefty down payment to secure those building blocks for itself.

And if this gambit pays off, the ripple effects—from the factory floor to the geopolitical stage—could be truly magnetic.