Vietnam’s Rare Earths Export Ban: Casting the Die on the Global Critical Minerals Supply Chain

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Vietnam has been in the news a lot this year. Emerging as a significant player in the global rare earths market, rare earth elements (REEs) are crucial for the production of batteries, magnets, electric vehicles, and space applications. Presently ranked in the Top 5 of the CMI Critical Minerals List, according to Deputy Prime Minister Tran Hong Ha, Vietnam’s rare earth reserves account for 18% of the world’s total. In his address last week to the National Assembly deputies, Ha highlighted a 4% annual rise in global market demand for rare earths, emphasizing the vital importance of Vietnam’s reserves.

Ha stated, “This is also a very complicated market which is mainly controlled by big countries.” He elaborated that the government has tasked the Ministry of Natural Resources and Environment, along with relevant agencies, to survey and evaluate these reserves based on market supply and demand.

Minister of Natural Resources and Environment Dang Quoc Khanh commented that while Vietnam boasts large reserves of rare earths, approximately 30 million tonnes, the country has yet to fully research and examine the exploitation and processing of these resources. Khanh stressed the need for comprehensive processing strategies to support industrial production and development.

Despite having the second-largest reserves of rare earths in the

world, Vietnam faces significant challenges in terms of technological capabilities. The country produces only about 1,000 tonnes per year due to a lack of technology for exploitation, production, and deep processing. Jack Lifton, Co-Chair for the Critical Minerals Institute (CMI), pointed out, "It is unlikely that Vietnam will allow upgraded foreign rare earth products from the United States to be further processed in Vietnam," given their substantial and cost-effective reserves. Lifton questioned the logic of importing expensive ore from California when Vietnam has such abundant reserves, stating, "Why would they import expensive ore or upgraded (value-added) products from California when they have the world's second-largest reserve and the plan to add value themselves?"

The strategic importance of Vietnam's rare earth reserves extends beyond national interests. Last year, Minister of Planning and Investment Nguyen Chi Dung affirmed that Vietnam has all the necessary conditions to develop a robust semiconductor industry. The country has been successful in attracting major corporations from the United States, South Korea, Japan, Europe, and Taiwan. Vietnam is also working on a project to train 50,000 engineers for the semiconductor industry by 2030. The elevation of the relationship between Vietnam and the United States to a comprehensive strategic partnership, with innovation as a key cooperation field, underscores the global significance of Vietnam's rare earth reserves.

However, Lifton's insights shed light on potential challenges ahead. He mentioned that Vietnam's prohibition on the export of rare earths could disrupt plans by several American companies to import Vietnamese rare earth materials. Lifton explained, "Many American companies were planning to get products from Vietnam. The plan was to import Vietnamese metal to make magnets, but this may have to wait until there is a domestic Vietnamese-owned rare earth metal/alloy making industry." He further elaborated

on the complications arising from the involvement of Chinese companies in Vietnam’s rare earth processing sector, stating, “The biggest metal-making operation in Vietnam is owned by the Chinese company Shenghe Resources. Anything made by their metal company in Vietnam has, therefore, significant Chinese origin.”

These geopolitical and market dynamics suggest that while Vietnam’s rare earth reserves present substantial opportunities, navigating the complexities of this market will require careful strategy and international cooperation. As Lifton concluded, “This is a very big story, and it severely impacts the rare earth industry in the United States.” The unfolding developments in Vietnam’s rare earth sector will undoubtedly have significant implications for the global supply chain and the future of critical mineral resources.