Can Vietnam Build a Rare Earth Supply Chain Independent of China?

written by Jack Lifton | July 29, 2026

A great many rare earth companies do business in, or are trying to do business in, Vietnam. The Japanese have been at this for some time. The Chinese, I believe, have worked in Vietnam or are working in Vietnam, and Lynas Rare Earths Limited (ASX: LYC) seems to be working in Vietnam on a project. The United States wants its suppliers of rare earth products and rare earth-enabled products to be free of Chinese content. What is the risk that doing any business in Vietnam will create a link to China?

I think it is becoming one of the central due-diligence questions in the rare earth industry.

The answer is yes, there is a real risk—but it is not a geological risk. It is a supply-chain and governance risk. In fact, I would separate the issue into four distinct categories.

1. Chinese ownership is no longer the only issue:

Until recently, investors simply asked, “Is this project Chinese-owned?” That is no longer enough. Today the more important questions are: Does the project use Chinese processing technology, Does it rely on Chinese chemical reagents, Does it require Chinese engineers or technical support, Is the downstream customer dependent upon Chinese qualification, and, most important of all, Can China interrupt any of those links?

If the answer to any of those questions is yes, then the project has strategic exposure to China regardless of who owns the mine.

That is exactly why the U.S. government increasingly speaks about **“trusted supply chains”** rather than merely “non-Chinese mines.”

2. Vietnam has unusually deep industrial links with China.
Vietnam is trying to reduce dependence on China. Unfortunately, geography works against it. Northern Vietnam is economically intertwined with southern China.

Many industries in Vietnam depend upon Chinese machinery, Chinese chemicals, Chinese replacement parts, Chinese logistics, Chinese contractors, and, of course, Chinese financing. Rare earths are no exception.

Historically, Vietnamese concentrates have frequently moved into China for separation, because China already possessed the world’s lowest-cost separation plants. Even projects backed by Japanese firms have struggled to establish an entirely independent processing chain.

3. Japan understands this better than almost anyone.
Japan has been investing in Vietnam for over a decade. Toyota Tsusho, Sojitz and JOGMEC have all examined Vietnamese deposits. Yet Japan has **not** abandoned Lynas. In fact, this year Japan expanded its long-term commitment to Lynas through 2038 and secured large volumes of both NdPr and heavy rare earth products. I think that tells us something important.

If Vietnam alone could presently provide a secure independent supply, Japan would not be doubling down on Australian production and Malaysian processing. Instead, Japan is pursuing both. That suggests Japan views Vietnam as a promising supplement—not yet a replacement.

4. Vietnam itself is trying to break the China link.
Vietnam recognizes the problem. Beginning in 2026, Vietnam has

moved to discourage exports of unprocessed rare earths in an effort to develop domestic value-added processing rather than simply shipping concentrates into China. That is strategically sensible. But building separation capability is vastly more difficult than building a mine.

Where does Lynas fit?

A recent Lynas announcement has been widely misunderstood. Lynas is exploring a **rare earth metals plant** in Vietnam with South Korea's LS Cable & System. The concept is to feed the facility with oxides produced from Lynas' Australian mine and Malaysian separation operations, rather than relying on Vietnamese ore. That substantially reduces one class of Chinese dependency. But it does not automatically eliminate others. The plant would still need to answer questions about: equipment sourcing, specialty chemicals sourcing, maintenance support for Chinese equipment, workforce nationality, export licensing, cybersecurity, and local political risk.

The American concern

I believe Washington's concern is broader than ownership.

Suppose a magnet alloy is produced in Vietnam.

Questions American defense procurement officials are increasingly likely to ask include:

- Were Chinese reagents used?
- Were Chinese separation circuits involved?
- Was Chinese software used to operate the plant?
- Did Chinese nationals provide technical support?
- Could Beijing interrupt production tomorrow?

Those questions are becoming just as important as where the ore came from.

My assessment

If I were conducting due diligence today, I would not classify projects simply as “Chinese” or “non-Chinese.” I would instead rank them according to **Chinese dependency**. For example:

- **Low dependency:** Australian ore, Malaysian separation, Japanese financing, non-Chinese equipment, qualified Western customers.
- **Moderate dependency:** Vietnamese mining with largely domestic processing but some Chinese consumables or equipment.
- **High dependency:** Vietnamese mining requiring Chinese separation, reagents, engineering, or downstream qualification.

That is a much more useful framework for investors than asking who owns the mine. This also ties directly into a theme that has emerged repeatedly: **follow where value is added.** In the current geopolitical environment, I would expand that slightly to *Follow where value is added—and determine who actually controls each step at which value is added.*

The country in which a plant is located is becoming less important than the countries that control its chemistry, equipment, engineering know-how, consumables, software, and customer qualification. Those are the links that determine whether a supply chain is genuinely independent or merely appears to be.