CMR Podcast (07.22.2026): The West Cannot Mine Its Way to Security

written by Tracy Hughes | July 23, 2026

The critical minerals debate still begins in the wrong place too often. Western governments count deposits, announce financing and forecast tonnes of future production, while China protects what lies between the mine and the finished product: separation technology, metallization, alloying, magnet-making equipment, qualified suppliers and industrial customers. In this week's Critical Minerals Report Podcast, Critical Minerals Institute (CMI) Co-Chairs Jack Lifton and Melissa "Mel" Sanderson joined me to examine a contest that is no longer simply about access to minerals. It is about who possesses the industrial capability to use them.

The scale of the exposure is becoming difficult to dismiss. The International Energy Agency estimates that as much as $6.5 trillion in annual downstream production outside China could be placed at risk if Beijing's expanded rare earth export controls are fully implemented. Those measures were suspended for one year, until November 10, 2026, but the reprieve did not remove the vulnerability. China's earlier prohibition on exporting rare earth extraction, separation and magnet-making technology remains a much deeper obstacle because a mineral deposit can be financed more quickly than an industrial process can be designed, built, qualified and brought to commercial scale.

"We don't even have the machinery," Lifton said. His warning cuts through much of the optimism surrounding Western production announcements. A company may possess a resource, a process flowsheet and government support, yet still lack the equipment, expertise, customers and economics required to deliver a qualified material. Capacity described in a presentation is not the same as capability demonstrated on a factory floor.

Volkswagen's difficulties show why the geography of demand matters just as much as its size. The German group's global vehicle deliveries fell 8.6% in the second quarter, while its deliveries in China dropped 36.6%. Chinese manufacturers are no longer merely supplying minerals or components to Western automakers; they are increasingly competing for the final customer. If Western consumers purchase Chinese vehicles, the critical mineral demand has not disappeared. It has moved into a Chinese manufacturing system. Demand forecasts that ignore where the finished product will be built risk overstating the market available to Western mines and processors.

Japan offers the other side of that warning. Japanese manufacturers are already absorbing sharply higher rare earth costs, while China has kept key heavy rare earth shipments to Japan effectively closed. Yet Japan also possesses something much of the West still lacks: a substantial downstream manufacturing base and a clear understanding of the materials it needs. Its response has been to pursue recycling, overseas supply agreements, alternative sources and partnerships that preserve Japanese access to finished materials. As Sanderson argued, "We are not going to beat China by replicating China." The objective must be to develop processes that are competitive, scalable and adapted to Western cost structures—not merely to reproduce a Chinese system at a permanently higher price.

The same industrial gap explains why rare earths produced by U.S.-backed companies are being sold to Japan and South Korea, even as Washington spends heavily to build a domestic supply chain. The buyers, processing relationships and magnet-making capacity are already in Asia. That is not evidence that the minerals lack strategic value; it is evidence that a mine without its downstream market remains an export business. Washington may be outspending Europe in the global competition for critical minerals, but allied governments will weaken their collective position if they simply outbid one another for the same limited supply.

Canada’s proposed investment in Teck Resources Limited’s (TSX: TECK.A | TSX: TECK.B | NYSE: TECK) Trail metallurgical complex offers a more integrated model. The agreement provides a framework for an equity-like investment of up to C$400 million by Canada Growth Fund as part of a potential C$850 million investment by Teck. It could double Trail’s germanium and antimony capacity, add gallium production and provide the federal government with offtake rights. Crucially, the public capital is being directed toward an operating, integrated smelting and refining complex with existing infrastructure and expertise. It is not being asked to conjure an industrial ecosystem from a deposit alone.

Malaysia illustrates why even allied supply chains cannot be treated as politically neutral extensions of Washington. Lynas Rare Earths Limited (ASX: LYC) is expanding downstream through a planned 3,000-tonne-per-year magnet plant with South Korea’s JS Link, but its U.S. defence supply agreement has also drawn scrutiny in Malaysia. Host countries want employment, technology and higher-value production at home, and their foreign-policy interests will not always align perfectly with those of the United States. Western strategy must therefore account for sovereignty and domestic politics, not simply technical capacity.

The U.S. Defense Logistics Agency’s solicitation for up to US$300 million of battery-grade lithium carbonate over five years shows that governments are beginning to act as buyers as well as financiers. That can create demand certainty, but even a strategic stockpile cannot substitute for the processing equipment, technical expertise and qualified manufacturing customers required to convert material into usable products.

November 10 should therefore be understood as a deadline for industrial preparation, not a prediction of an automatic embargo. China may extend the suspension, tighten the controls or use licensing selectively. The strategic conclusion is the same in every scenario. The West cannot mine its way to security. It must decide what it intends to manufacture, build the equipment and expertise to manufacture it, qualify suppliers before a crisis and coordinate demand among allies. Otherwise, Western governments may finance the ore while China continues to control the market.

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