

Special Update

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Rare Earth Metals and 100% Tariffs

Rare earth elements (REEs) are a group of 17 metals essential for manufacturing high-tech products, including electric vehicles, smartphones, wind turbines, and military equipment such as fighter jets and missiles. China controls approximately 60-70% of global rare earth mining and over 90% of processing and refining, making its export policies a critical lever in international trade and geopolitics. In recent months, escalating tensions between the United States and China have centered on these materials, with Beijing tightening export controls and the U.S. responding with tariff threats. This report examines China's evolving rare earth export policies in 2025 and President Donald Trump's announcement on October 10, 2025, of a proposed 100% additional tariff on all Chinese goods as a direct retaliation.



Aerial view of a rare earth mine in China, highlighting the scale of operations.

Overview of Rare Earth Elements and Global Dependency

Rare earth elements are not particularly rare in the Earth's crust but are difficult and environmentally costly to extract and process. They are vital for magnets in electric motors, batteries, and electronics. Historically, China has used its dominance to influence global supply chains, including during a 2010 dispute with Japan where it temporarily halted exports. The U.S. and other Western nations have sought to diversify supplies, but progress has been slow due to high costs and regulatory hurdles.

According to production data, China's share of global rare earth output has slightly declined from near-monopoly levels in the 2010s, but it remains dominant. For instance, from 1985 to 2020, China's production grew exponentially while others lagged.

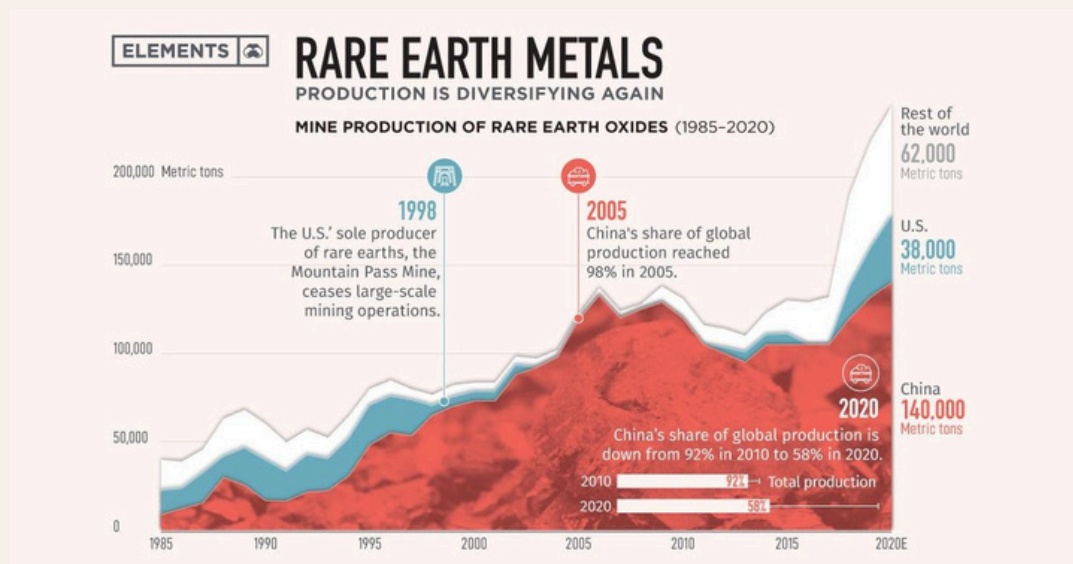


Chart showing rare earth metals production by country from 1985 to 2020, illustrating China's historical dominance. This dependency has made REEs a strategic tool in trade disputes, with implications for defense and technology sectors.

Chinese Rare Earth Export Policies

China's rare earth policies have evolved from quotas and taxes in the early 2000s to more sophisticated export controls, often framed as environmental or national security measures. These policies aim to conserve resources, protect domestic industries, and respond to foreign restrictions on technology transfers.

Historical Context

China began imposing export quotas in the 1990s to control supply and prices. In 2015, it abolished quotas after a WTO ruling but replaced them with licensing systems. By the 2020s, amid U.S. export controls on semiconductors, China retaliated by restricting gallium, germanium, and other critical minerals.

Recent Developments in 2025

In April 2025, China's Ministry of Commerce introduced export restrictions on seven rare earth elements, citing retaliation for U.S. tariffs. This was part of a broader escalation in the trade war.

On October 10, 2025, China announced further tightening via "Announcement Number 61 of 2025," adding controls on five additional rare-earth metals. Key changes include:

- Requiring licenses for exporting technologies related to rare earth mining, extraction, and processing.
- Mandating licenses for products containing 0.1% or more rare earths by value, covering items like magnets, electronics, and even finished goods such as cars and fighter jet components.
- Expanding the list of controlled elements, bringing the total to more than a dozen under strict oversight.
- These rules, effective December 1, 2025, apply to both Chinese and foreign companies exporting from China. Beijing defended the measures as "legitimate" for resource management and hit back at U.S. criticisms. Social media discussions highlighted potential negotiations, with some suggesting China might lift controls in exchange for U.S. semiconductor concessions.
- The policies threaten U.S. defense supply chains, as rare earths are integral to advanced weaponry. Analysts warn this could "forbid any country on Earth" from accessing key technologies without compliance.

President Trump's Threatened Response: 100% Tariff on Chinese Goods

On Friday, October 10, 2025, President Trump announced an additional 100% tariff on all Chinese imports, "over and above any existing tariffs," set to begin November 1, 2025. This move directly responds to China's rare earth curbs, which Trump described as an attempt to "hold the world captive." The tariffs would apply to billions in goods, escalating the trade war and potentially canceling a prior deal framework.

China accused the U.S. of "double standards" and "hegemonic havoc," vowing "corresponding measures." Market reactions were swift: Asian stocks fell 1-3%, with tech and manufacturing sectors hit hardest. U.S. rare earth stocks surged, reflecting a push for domestic alternatives.

Trump signaled openness to a deal but emphasized not worrying about China, framing the tariffs as a tool to counter export controls. The U.S. also requested talks on the rare earth issue, but China denied the request.

Implications and Potential Outcomes

These developments risk a full-blown trade war, disrupting global supply chains and inflating costs for consumers. U.S. industries reliant on Chinese REEs, like automotive and defense, face shortages, while China may accelerate diversification to non-U.S. markets. Crypto and gold markets saw gains as safe-havens amid uncertainty. Long-term, this could spur Western investment in alternative sources, though experts predict temporary restrictions from China.

Conclusion

China's 2025 rare earth export policies represent a strategic escalation, countered by Trump's aggressive tariff threat. While aimed at protecting national interests, these actions heighten global economic risks. Negotiations may yield de-escalation, but the standoff underscores the fragility of critical mineral supply chains.

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