China Wields Its Rare Earths Leverage Over Europe With Export Controls

Beijing banned shipments of important supplies to 14 companies on the cutting edge of chemicals processing, electric motors and defense.

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China imposed tariffs on Rheinmetall, Germany's largest defense contractor, as part of its retaliation over Europe's measures against Chinese and Hong Kong companies accused of helping Russia's war effort against Ukraine. Georg Hochmuth/Agence France-Presse — Getty Images

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Keith Bradsher, who has covered the rare-earths industry since 2009, reported from Beijing

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Last month, China blacklisted two American companies crucial to U.S. efforts to create a supply chain for making powerful rare earth magnets.

On Friday, Beijing took similar action against even more companies in Europe.

China's Ministry of Commerce announced that it had banned any further shipment to 14 companies in the European Union of "dual-use" materials or products — items that China describes as potentially having both military and civilian applications. As a result, the companies may struggle to buy many of the critical minerals they need to make products like rare earth magnets and semiconductors, which are essential for cars, offshore wind turbines, robots, drones and other advanced manufacturing applications.

Over the past 16 months, China has used its dominance over the mining and processing of rare earths as leverage in economic disputes with trading partners.

In a statement on Friday, China's commerce ministry noted that it had acted one day after the European Union sanctioned 14 companies in mainland China and Hong Kong in connection with Russia's war effort in Ukraine. The E.U. said that these companies, along with 24 Russian companies and 10 firms elsewhere, were "entities that are part of or support Russia's military-industrial complex or enable the circumvention of E.U. sanctions."

Many of the European companies targeted by China play a crucial role in turning rare earth metals and other critical minerals, like antimony and tungsten, into alloys and specialty chemicals that are needed by manufacturers.

Also on China's list was Germany's largest defense contractor, Rheinmetall, which has been central to Germany's effort to rearm following Russia's full-scale invasion of Ukraine in 2022. Military hardware uses a lot of super-hard tungsten and some rare earths.

Critical minerals have received growing attention in the West, especially since China imposed export restrictions in late 2024 on four critical but obscure minerals: tungsten, antimony, gallium and germanium. China then put export restrictions in April last year on seven kinds of rare earth metals that are crucial to a very wide range of manufacturing, and has announced plans to impose restrictions in November on five more kinds of rare earth metals.

The Trump administration and the European Union are each trying to build mines for critical minerals and construct refineries that can turn ore into pure mineral powders and eventually into strong metal alloys. The production process is complex and can be dirty: Converting the powders into metals involves sometimes toxic chemicals.

Almost all of the world's capacity for rare earth metal conversion and alloy making is in China. Many of the European companies targeted by China on Friday are small and medium-sized enterprises that hold what little expertise remains outside of China for the advanced processing of critical minerals.