# China's Rare Earth Dominance and the Strategic Failure of the West

03.03.2026 | CNW

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REalloys (ALOY) and a small number of other North American companies are doing what the rest of the Western world failed to do for three decades: They are breaking China's "kill switch" on the U.S. defense supply chain. Companies mentioned in this release include: REalloys Inc. (ALOY), Vale S.A. (NYSE: VALE), Energy Fuels Inc. (NYSE American: UUUU), MP Materials Corp. (NYSE: MP), Critical Metals Corp. (NASDAQ: CRML), USA Rare Earth Inc. (NASDAQ: USAR)

While the U.S. defense sector has long been reliant on international processing for these materials, REalloys has established itself as the only North American facility currently producing the specialized alloys essential for high-performance magnets used in advanced defense systems.

China's dominance isn't in the dirt. It's in the downstream conversion. And as the U.S. government injects $8.5 billion to reclaim the supply chain, the industry has realized a cold truth: factories don't run on rocks, they run on metals.

"China didn't win this by mining. It won by building the entire system-separation, refining, metals, magnets-all connected," says REalloys CEO Lipi Sternheim. "Our competitors, no matter how well-funded, are at least three years away from production. We are already here."

By the time rare earths became strategically visible, the infrastructure that determined who could actually build was already concentrated in one place. Then it was weaponized, with Beijing placing restrictions on rare earth exports in order to control which defense and advanced manufacturing programs received supply.

"That loss of end-to-end rare earth capability outside China is exactly what REAlloys was built to close," Sternheim said.

And things are moving quickly, in tandem with the U.S. Department of Defense's eye on the critical metal prize: domestic processing.

REalloys has addressed the rare earth bottleneck that has constrained Western manufacturing for decades by reestablishing domestic conversion capacity, turning separated material into metals and alloys inside North America through its partnership with the Saskatchewan Research Council (SRC). Now, it's the only North American company with North American supply from a heavy rare earth refinery.

With that conversion capacity in place, REalloys has moved to lock in feedstock, including a long-term offtake agreement tied to Kazakhstan.

Through a long-term non-binding offtake agreement with AltynGroup, REAlloys will pull rare earth feedstock out of Kazakhstan and route it straight into its North American metallization and alloying system. The material does not leave the chain as concentrate.

Oxides and concentrates don't power anything. Metals and alloys do.

Until rare earths are converted into metal and alloy form, they cannot be used in motors, magnets, or

weapons systems. That conversion step is where control has been lost for decades - and where most Western supply chains break.

By routing material all the way through to metals and alloys inside the United States, REAlloys is solving the part of the problem that cannot be fixed later, substituted, or rushed in a crisis.

The feedstock is tied to AltynGroup's Kokbulak project, where rare earth-bearing material is recovered from an existing iron ore operation. The concentrate includes both light and heavy rare earths, including dysprosium and terbium.

North America has handled foreign rare earth material before, but almost always handed it back offshore before it reached metal or alloy form. This arrangement is built to stop that handoff. Material enters the chain and stays in the chain until it becomes defense-grade output.

This is not future capacity. The Kazakhstan feedstock will be routed into a system that is already running.

REalloys (ALOY) operates the only facility in North America capable of converting rare earths through metallization and alloying at scale, including heavy rare earth elements.

That capability sits at its Euclid, Ohio site, where rare earth metals and alloys are already being produced for U.S. government customers.

This is the step in the chain where rare earths become usable for defense systems, motors, and high-performance magnets- and it is the step the West no longer controls. With new U.S. rules taking effect in 2027 restricting the use of Chinese rare earths in defense and federally backed manufacturing, existing domestic conversion capacity is becoming more relevant by the quarter.

There is no parallel facility in North America handling heavy rare earth conversion at this level. Building one is not a short-term exercise. Processing, metallization, and alloy qualification take years to permit, finance, construct, and qualify with defense customers. Even under accelerated timelines, meaningful competition is measured in half-decades, not quarters.

REalloys has assembled that capability into a single operating system.

Kazakhstan provides scale-ready feedstock. Hoidas Lake in Saskatchewan adds a second upstream source. The partnership with the Saskatchewan Research Council anchors midstream processing. Euclid closes the loop by turning material into defense-grade metals and alloys. This is not a collection of projects moving independently. It is a single conversion system designed to keep material inside Western control all the way to finished output.

The U.S. government is now saying out loud what defense planners have been warning about privately for years.

This week, Washington convened talks with allied and partner countries explicitly aimed at weakening China's grip over critical minerals supply chains. The issue has moved out of the realm of industrial competition and into national security planning, at a point where there is almost no buffer left.

China has already used rare earth controls to cut off specific military and industrial customers.

In late 2025, Beijing imposed an explicit ban on exports of certain rare earth materials and processing technologies for military use, blocking shipments tied to defense and weapons manufacturing. The restrictions were not broad trade measures. They were targeted at materials and know-how required for guidance systems, magnets, and advanced electronics used by foreign militaries.

Japan has been on the receiving end as well.

Chinese authorities have recently tightened export controls and licensing around rare earths and related materials amid renewed political friction with Tokyo, reviving a playbook Japan knows well. In 2010, China abruptly curtailed rare earth exports to Japan during a diplomatic dispute, disrupting automotive and electronics supply chains and forcing emergency stockpiling.

The Pentagon has already crossed the line from concern to intervention.

Complementing DoD's downstream focus, the U.S. government is launching a $12 billion strategic critical-minerals stockpile that will include rare earths, lithium, nickel, cobalt, and other essential elements. The initiative aims to reduce U.S. dependence on China and ensure material availability for defense, advanced manufacturing, and technology sectors by acquiring and holding key feedstocks and intermediates.

Using Defense Production Act authorities and direct financing, it has pushed capital into domestic rare earth processing and magnet production, including MP Materials (MP), to keep U.S. weapons programs from remaining hostage to Chinese-controlled metals. Using Defense Production Act authorities and direct financing, it has pushed capital downstream into domestic rare earth processing and magnet materials to keep U.S. weapons programs from remaining dependent on Chinese-controlled metals.

Government action is still moving through policy channels and legacy projects, while REAlloys is already producing rare earth metals and alloys inside the United States-the layer the Department of Defense now treats as critical.

REalloys is right at the downstream choke point. The hardest part of the supply chain is already built, demand is real, and the barriers to entry are high. Other companies involved in the rare earths sector that you should be aware of: Vale S.A. (VALE) is accelerating the strategic separation of its base metals division to unlock greater value from its nickel and copper portfolio as electrification reshapes commodity demand. Through Vale Base Metals, the company now operates its Canadian, Brazilian, and Indonesian assets with greater autonomy, positioning the unit as a growth-oriented platform focused squarely on battery and energy transition markets. The structural shift allows operational flexibility while still leveraging Vale's balance sheet strength.

The company is advancing a long-term investment program targeting roughly 900,000 metric tons of annual copper production and 300,000 metric tons of nickel output by 2030. Core operations in Sudbury and Voisey's Bay remain central, supplying low-carbon Class 1 nickel increasingly prioritized by Western automakers seeking IRA-compliant materials. Expansion projects in Indonesia are ramping high-pressure acid leaching capacity to produce battery-grade intermediates.

Energy Fuels Inc. (UUUU) has transformed from a conventional uranium producer into a diversified critical minerals processor, anchored by its White Mesa Mill in Utah. The facility now processes commercial volumes of monazite sands, extracting both uranium and rare earth elements in a single integrated flow sheet. This evolution places the company at the center of U.S. efforts to rebuild domestic supply chains.

White Mesa remains the only licensed U.S. facility capable of handling the radioactive byproducts associated with monazite processing, providing a unique regulatory and operational advantage. The company has moved beyond mixed rare earth carbonate production and is operating separation circuits to produce commercial quantities of neodymium and praseodymium oxides, directly supporting magnet manufacturing initiatives.

MP Materials Corp. (MP) has completed its evolution from upstream miner to fully integrated rare earth magnet producer. While Mountain Pass in California remains the backbone of its operations, the company's strategic emphasis has shifted toward midstream processing and downstream magnet manufacturing to capture higher value across the supply chain.

Its Fort Worth, Texas facility is now producing commercial volumes of neodymium-iron-boron magnets, using

alloy derived from its own separated oxides. This vertically integrated model - from mine to finished magnet - insulates customers from geopolitical risk and supply disruptions tied to China's processing dominance. Initial production capacity stands near 1,000 metric tons annually, with expansion plans underway.

Backed by significant U.S. Department of Defense funding, MP is also developing heavy rare earth separation capability to produce dysprosium and terbium domestically. Pentagon contracts underscore the strategic importance of this capability.

Critical Metals Corp. (CRML) is advancing a trans-Atlantic development strategy centered on lithium in Austria and rare earth elements in Greenland. Its Wolfsberg Lithium Project in Carinthia has progressed through definitive feasibility and is targeting final permitting milestones that could position it as one of Europe's first fully permitted lithium mines.

Strategically located near major European battery manufacturing hubs, Wolfsberg offers logistical advantages and alignment with the EU Critical Raw Materials Act. Designed as an underground operation to reduce surface impact, the project has secured binding offtake agreements with partners including BMW, providing commercial visibility upon commissioning.

USA Rare Earth Inc. (USAR) is prioritizing downstream magnet production as the cornerstone of its strategy to rebuild U.S. manufacturing capacity. Its Stillwater, Oklahoma facility has commenced qualification runs of sintered neo magnets, leveraging intellectual property and equipment acquired from former Hitachi Metals operations.

Rather than focusing primarily on mining, the company is targeting the highest-value segment of the supply chain: finished magnet production for electric vehicle motors and defense systems. Management aims to scale output to meet a significant share of U.S. defense demand, reducing Pentagon exposure to foreign supply shocks.

By. Josh Owens

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