

How China Turned Rare Earth Processing Into the Most Effective Trade Weapon on Earth

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In 1992, China's political leader Deng Xiaoping made a comparison that should've set off alarms across the West: "The Middle East; there is rare earth in China." Instead, for the next 30 years, Western governments largely treated rare earth processing as low-value work - something they could hand off to whoever would do it cheapest. But then REAlloys (ALLOY) along with partners and started building domestic processing capability while most of the industry was still looking the other way. Companies mentioned in today's commentary includes: Realloys Inc. (ALLOY), [NioCorp Developments Ltd.](#) (NASDAQ: NIO), Metals Company Inc. (NASDAQ: TMC), Compass Minerals International, Inc. (NYSE: CMP), USA Rare Earth, Inc. (NASDAQ: USAR), Comstock Inc. (NYSE American: LODE).

Beijing saw the value in rare earths early and treated it as a long-term weapon, which is why China now controls roughly 90% of global rare earth processing. That covers not just mining, but the refining and metal-making that turn raw rock into parts for everything from fighter jets to wind turbines.

It spent 30 years building that position deliberately, with state-backed financing, predatory pricing, and export controls to prevent anyone else from catching up. And the approach has paid off. When Beijing threatened to cut off processed rare earths during tariff talks last year, the Trump administration reversed course within days. It's no surprise, given that China controls the supply of materials our military can't function without.

Now, REAlloys announced it's fully financed to build the largest heavy rare earth metallization facility outside China, after recently completed \$50 million public offering. The roughly \$40 million facility will produce about 30 tonnes of dysprosium and 10 tonnes of terbium metal per year. These are the heavy rare earths that keep magnets working inside jet engines, missile guidance systems, and advanced drone platforms where failure is not an option. But to understand why this is so critical in today's world of shortages, you have to understand how Beijing set the trap years ago.

How China Built the Most Effective Trade Weapon on Earth

China did not simply stumble into its monopoly on rare earth processing. It was a three-decade strategy, executed with precision while the West gave away its processing capabilities and barely looked back.

A bipartisan Congressional probe released in November 2025 laid out the playbook in detail.

Beijing hands "tens of billions of dollars, including zero-interest-rate loans" to state mining firms. It built a legal framework for controlling mineral prices. And whenever the West started to invest, China flooded global markets to crush it.

Committee Chairman John Moolenaar put it bluntly: "From cell phones to fighter jets, every American is dependent on rare earths that China manipulates for its own selfish interests. As we saw last month with its rule on rare earths, China has a loaded gun pointed at our economy, and we must act quickly."

The consequences have already shown up on factory floors. When Beijing tightened export approvals in 2025, Ford halted its Chicago Explorer line because it couldn't get the rare earth magnets for basic vehicle parts.

That was a civilian automaker with some buffer. Defense supply chains run even tighter, with longer lead times and far less room to adjust. And with the latest conflicts across the Middle East and beyond, the consequences are becoming more dire by the day.

What REAlloys Built While The West Watched

Most of the rare earth industry spent years reacting as China pulled the strings. REAlloys (ALOY), on the other hand, was doing something different: building.

The company's operations in Euclid, Ohio, grew out of years of work with the U.S. Department of Energy and Department of Defense. While other players chased mining permits, REAlloys focused on the harder problem: building the metal-making and alloying capabilities that turn processed rare earths into defense-grade inputs.

That meant working with suppliers, developing processing technology, training metallurgists, and qualifying output to military specs. That kind of work takes years, even when you know what you're doing.

On the processing side, REAlloys locked in an exclusive offtake covering 80% of the output from North America's only heavy rare earth processing plant.

That facility is run by the Saskatchewan Research Council, which spent over 12 years working with rare earth clients at the lab scale before breaking ground.

In 2020, Beijing passed export controls that blocked sales of rare earth processing technology to countries it didn't consider allies. That should have killed the project.

Instead, the team built custom furnaces, automation systems, and separation chemistry from core physics and chemistry, requiring no Chinese technology transfer at any step.

What came out of that constraint surprised even the engineers. Because the team built the processing side from scratch instead of copying Chinese designs, the facility now runs on AI-driven controls that handle thousands of adjustments around the clock.

A comparable Chinese facility employs dozens of workers managing manual processes across an eight-hour shift. REAlloys' supply chain produces metals at higher purity with a fraction of the labor.

The Deadline That Changes the Math

All of this matters more now because of the regulatory clock that is about to run out.

On January 1, 2027, updated DFARS rules take effect, banning Chinese-origin rare earth materials from American weapons and defense systems. The ban covers every stage: mining, refining, separation, melting, and fabrication.

Earlier loopholes let contractors melt Chinese oxides in a third country and call the output non-Chinese, but that workaround ends in 2027. The Pentagon is backing the rule with compliance checks on every covered contract, random spot-checks, and increased Claims Act liability.

That means every company selling into the defense base will need a verified, non-Chinese source for rare earth metals and magnets. And we're heading into that deadline with almost no alternatives in place.

New Heavy Rare Earth Facility

REAlloys' recent announcement fills in the last piece of the puzzle. The company will use roughly \$40 million from its recent IPO offering to build the Heavy Rare Earth Metal Facility - delivering materials first assembled and tested in Saskatoon, then moved to REAlloys' Ohio operations.

From there, it'll be available to serve U.S. defense customers and supply Defense Logistics Agency stockpiles. First production is aiming for early-to-mid 2027, with full commercial scale expected by mid-to-late 2027.

REAlloys expects to receive roughly 400 tonnes of defense-grade rare earth metals per year once the processing facility reaches full production, scaling to about 600 tonnes by 2028-29.

Washington has signaled their confidence in REAlloys' capabilities too: the U.S. EXIM Bank issued a \$200 million letter support the company's broader supply chain development

That's in addition to their contract worth up to \$1.7 million announced by the Department of Defense to fund the design processing facility to produce metals for weapons and electronics.

Now, as the company approaches Phase 2, it plans to target an annual output of about 18,000 tonnes of heavy rare earth permanent magnets.

As the West finally faces the consequences of relying on China for these critical resources, strategic moves like those may help America close the gap.

Here's the honest picture: China will still process the bulk of the world's rare earths for years to come. The goal was to half the market from Beijing. After three decades of state-backed dominance, that isn't realistic on such a short timeline.

The goal is to lock in enough non-Chinese capacity to keep the Western defense base running on its own and give the leverage where it has none today. REAlloys is one of a small number of companies working with the U.S. government to this goal.

Other companies to keep an eye on as the sourcing deadline approaches:

Most of the rare earth conversation centers on neodymium and praseodymium for magnets. NioCorp Developments' (N starts somewhere different: the Elk Creek Critical Minerals Project in southeast Nebraska, the only niobium, scandium, titanium project in North America that has cleared a positive feasibility study and secured all key federal permits.

The niobium case is straightforward: the U.S. currently imports roughly 75% of its supply from a single Brazilian company which controls around 85% of global production. That's a different dependency from China, but it's still a single point of mineral used in high-strength steel for military vehicles, aircraft, and pipelines.

The Metals Company (TMC) is the global leader in deep-sea mineral exploration, targeting polymetallic nodules on the the Clarion-Clipperton Zone in the Pacific Ocean. The company's NORI-D project is estimated to contain enough Nickel, Copper, and Manganese to meet the requirements of 280 million electric vehicles, roughly the size of the entire U.S. light fleet. Because these nodules are "rocks on the seafloor" rather than ore buried in the ground, TMC's collection process the need for blasting, tailings dams, and deforestation typically associated with terrestrial mining. Peer-reviewed studies and 2026 have suggested that this method could reduce the lifecycle carbon impact of battery metals by up to 90% compared to land-based ores.

Compass Minerals International (CMP) remains a leading provider of essential minerals, solidifying its position with consistent performance and strategic growth initiatives. Since the previously mentioned reference, the company has made significant advancements in its operations, product offerings, and sustainability efforts.

Compass Minerals has expanded its product portfolio by introducing new and innovative solutions. Notably, the company developed a range of specialty salts for various industrial applications, including pharmaceuticals, food additives, and wastewater treatment. These value-added products have not only strengthened the company's revenue streams but also enhanced its competitive advantage in specialized markets.

USA Rare Earth (USAR) promised commercial magnet production in 2023. It's now 2026. That slippage matters and should be glossed over. But the magnets are now actually being made. In March 2026, USAR commissioned Phase 1a of its commercial magnet production line at the 310,000-square-foot Stillwater, Oklahoma facility, beginning production of sintered neodymium-iron-boron permanent magnets for defense, aerospace, and semiconductor customers. Phase 1a targets a 600 metric tons per year by end of 2026, with Phase 1b bringing total capacity to 1,200 metric tons by Q1 2027. Customer deliveries are expected in Q2 2026.

The company also controls Round Top Mountain in West Texas, the richest known U.S. deposit of heavy rare earth elements, holding 15 of the 17 rare earths including dysprosium and terbium, plus gallium, hafnium, beryllium, and lithium.

Every other company on this list is trying to dig something out of the ground. Comstock Inc. (LODE) is going a different direction: recovering critical metals from the mountain of end-of-life solar panels that's about to hit the U.S. market.

Comstock Metals, the company's Nevada-based subsidiary, is building what it describes as the only certified zero-landfill solar recycling solution in North America. Its first industry-scale facility in Silver Springs, Nevada is commissioning now, designed to process up to 100,000 tons-approximately 3.3 million panels-per year. A second site in Clark County is in permitting.

By. Charles Kennedy

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