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ICAS is glad to announce the addition of a new section to the Trade and Technology Dispatch called 'TnT Spotlight'. Issues of the Dispatch will occasionally feature a closer perspective on a specific issue in the trade and technology domain over the past quarter. Spotlights will provide necessary background information, updates on seminal current events, and close analysis with key takeaways by the author.

***TnT Spotlight* Topic for this Volume: Rare Earths**

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Excerpt:

The recent Department of Defense deal with the private mining firm, MP Materials, is one of the most aggressive government interventions to diversify rare earth elements supply chains - a tactic similar to China-style industrial policy, in a free market economy. While the agreement shields the company from price volatility and market uncertainty, it risks suppressing competition and creating inefficiencies. At the same time, these supply-side efforts are being undermined by the rollback of demand-side incentives and the imposition of new tariffs. Can the contradictory steps make a dent in China's dominance of critical minerals supply chains?

What's Been Happening

1 — China-EU Summit Yields Limited Outcomes, Trade Tensions Remain — 1

[In One Sentence]

- Chinese President Xi Jinping met European Commission President Ursula von der Leyen and European Council chief António Costa in Beijing on July 24 to mark the 50th anniversary of China-EU diplomatic relations, resulting in a joint statement on climate cooperation.

- President Xi called for closer coordination between the two sides and cautioned the EU's use of "restrictive economic and trade tools" while his counterparts raised the issue of "trade imbalance" and asserted that bilateral ties have reached an "inflection point."
- On rare earths, the two sides agreed to create a new support mechanism to remove bottlenecks in the supply chain.
- Just days before the summit, on July 18, the EU sanctioned two Chinese banks, Suifenhe Rural Commercial Bank and Heihe Rural Commercial Bank, for allegedly providing cryptocurrency services to Russian entities to evade sanctions.
- Prior to the summit, China removed its sanctions on Reinhard Butikofer, a polarizing former EU lawmaker, in addition to recent sanction lifts on sitting EU lawmakers, with Beijing expressing its desire to normalize ties with the bloc.
- Ahead of the summit, senior climate officials from the two sides met in Beijing for the sixth EU-China High Level Environment and Climate Dialogue and promised to continue bilateral cooperation.
- The two sides also agreed to expand cooperation on cross-border flow of automobile data, a key sticking point linked to Chinese electric vehicle (EV) exports to the EU, during the second meeting of the China-EU Exchange Mechanism on Cross-Border Data Flows on July 17.

[Mark the Essentials]

- The joint statement on climate cooperation hailed the "China-EU green partnership," and vowed to work together on sustainable development and poverty eradication.
- The new mechanism on rare earths is aimed at fast tracking export licensing processes and ensuring stable supplies to EU-based firms.
- China registered a 157% jump in its rare earth exports to the rest of the world in June, with Europe accounting for around 43% of total shipments following Beijing's relaxation of its dual-use export ban and trade truce with the U.S. earlier in the month.
- China's latest trade data revealed that its exports to the EU rose by almost 8% in the first half of 2025 even as imports dropped to 4.8%, heightening fears in Europe that China's trade war with the U.S. would lead to a deflection of Chinese exports and widening of its annual \$300 billion-plus deficit with Beijing.
- The removal of sanctions on sitting and former EU lawmakers is expected to contribute to the resumption of political engagements between China's National People's Congress and European Parliament members.
- Despite trade tensions with the U.S., the EU is continuing its de-risking strategy with China by imposing new restrictions on Chinese medical devices and announcing a new stockpiling strategy.

[Keeping an Eye On...]

- EU-China relations continue to be a case of mismatched expectations. In the late-2010s, with relations with the first Trump administration visibly failing, Beijing invested in its relationship with Brussels, leading to the completion of negotiations on the Comprehensive Agreement on Investment. No sooner had it been finalized though, recriminations related to the outbreak of COVID-19 and the designation of "genocide" in Xinjiang led to a freefall in ties. Through much of the first half of the 2020s, EU-China ties continued to tread water, with Brussels prioritizing cooperation with the Biden administration, including against Beijing, and Vladimir Putin's actions in Ukraine casting China in a poor light through guilt by association.

Now, with the return of a politically supersized Trump determined to wield his trade wrecking ball, it appears Beijing is repaying the compliment, with Brussels smarting as Beijing slow-walks the rapprochement in ties. Donald Trump's 'America First' matchmaking skills in terms of remaking third country relationships hasn't quite worked out in the China-EU case – at least, so far. This having been said, China has gone some distance towards narrowing down some of the bilateral trade and investment irritants over the past 12 months. Cross-border data export rules have been loosened, human rights-related countersanctions on EU parliamentarians removed, de facto customs restrictions on Lithuanian goods lifted, adherence to WTO dispute settlement procedures respected, both in the battery electric vehicle (BEV) and anti-suit injunctions cases, key anti-dumping probes on pork and brandy settled on terms that are not overly unfavorable to key (Spanish and French) exporters, price undertaking negotiations related to Chinese BEV exports to the bloc are progressing in good faith and, more lately, a 'green channel' established to expedite the flow of rare earths and critical minerals to EU-based firms.

If China and the EU are to take their relationship to a qualitatively new level though – which is something that Beijing seeks, it will have to sincerely address its homegrown industrial policy perversions – which is something that President Xi Jinping has promised on many an occasion but has never quite come around to delivering on. The EU does not seek decoupling; it seeks interdependence with derisking. The EU does not seek favorably rigged market access on the lines of the U.S.' market purchase targets; it seeks an open, fair and competitive level-playing field. The experience of EU exporters and foreign invested companies in China has been quite to the contrary in this regard, worsening with each passing year. In multiple sectors, be it advanced rail equipment, robotics, high-performance medical devices, or automotive, once Chinese enterprises are able to field a relatively comparable product, often on the back of initial technology transfers, the scope for access to China's market gets severely limited including by way of unfair procurement mandates, discriminatory preferences, non-compliant subsidies, and other barriers (this is not to diminish the exceptional competitive gains made by Chinese firms in these sectors). Little wonder, then, that having lost patience, the EU has begun deploying its own coercive instruments against Chinese investments within the bloc in these very sectors so as to deny Chinese firms the ability to use EU markets to scale up their operations and competitiveness. The EU's Foreign Subsidies Regulation has been hurled against a Chinese rail sector firm, the Procurement Instrument against China's medical devices firms, and countervailing duties against Chinese BEV and battery sector firms (CATL, Beijing's battery sector leader and a key input provider to its BEV sector is also China's most subsidized firm by some metrics!). Rather than have Brussels' patience wear completely thin and the tit-for-tat reprisals extend across the full range of advanced manufacturing industries, it is incumbent on the leadership in Beijing to begin conforming its industrial policy practices to lines that are fairer and more consistent with advanced economy standards. The EU will not allow the underlying technologies of its high-end robotics, machine tools, scientific instrumentation, medical devices, and turboprop aviation sectors to be vacuumed up, only for these industries thereafter to be incrementally elbowed out from the Chinese marketplace through discriminatory means.

At the end of the day and in the larger scheme of things, the EU's framing of China as a *negotiating partner* (on environmental issues) and as a *systemic rival* (on global strategic and governance issues) matter less. It is the framing of China as an *economic competitor* and the terms of that competition that will ultimately make or unmake the EU-China bilateral relationship (Beijing's large trade surplus, a function of depressed

consumption at home, is not helping matters either). Trade and industrial policy must be the bridge that connects the two sides. At this time, it is a barrier that divides the two. And the larger share of the responsibility for this rancorous state of affairs, which was on ample display at the 25th China-EU summit, resides at the Chinese end.

[Expanded Reading]

- [Europe and China agree to take action on climate change during a tense summit in Beijing](#), *AP News*, July 24, 2025
- [Chinese and European Leaders Agree on Climate but Not Much Else](#), *The New York Times*, July 24, 2025
- [EU and China agree on plan to iron out rare earth export restrictions, von der Leyen says](#), *South China Morning Post*, July 24, 2025
- [China slams EU banking sanctions as tensions rise ahead of key summit](#), *South China Morning Post*, July 21
- [International: China and EU discuss cross-border data flows](#), *Data Guidance*, July 19, 2025
- [China and Europe's savage squabble](#), *The Economist*, July 15
- [EU-China trade tensions on display ahead of Beijing Summit](#), *DW News*, July 15
- [Exclusive | China lifts its sanctions on retired EU lawmaker Reinhard Buetikofer](#), *South China Morning Post*, July 15
- [China's exports jump in June amid trade war truce with US](#), *Financial Times*, July 14

2 — U.S. Reaches Multiple Trade Deals, Threatens Additional Tariffs as August 1st Deadline Looms — 2

[In One Sentence]

- U.S. Treasury Secretary Scott Bessent said the United States will emphasize the quality of trade deals and is “not going to [be] rush[ed]” by the August 1 deadline.
- Port of Los Angeles Director Gene Seroka warned of a potentially sharp decline in cargo volumes after August 1 due to new tariffs, following a record-breaking June trade fueled by the temporary pause in President Trump’s trade duties.
- Both China and the United States confirmed that the next round of talks will take place in Sweden from July 27 to 30, with Bessent further noting that China will not be impacted by the August 1 deadline.
- The U.S. and Indonesia reached a trade deal on July 15 whereby Indonesian goods will face a 19% tariff while the U.S. will gain “full access” to the Indonesian market.
- The U.S. also inked a trade agreement with Japan after eight rounds of negotiations with a lower tariff rate of 15%, while Tokyo is to invest \$550 billion in the United States.
- On July 22, the United States reached a trade agreement with the Philippines, featuring terms thought to be similar to those in its recent deal with Indonesia.
- Earlier, President Trump announced new tariff rates on 16 countries, including Indonesia, Japan, South Korea, Malaysia, Kazakhstan, Tunisia, South Africa, Bosnia, Bangladesh, Canada, Serbia, Cambodia, Thailand, Laos, Myanmar, and Brazil that will be effective on August 1, along with a new 50% universal tariff on copper imports.
- Amid Washington's tariff threats, South Korea emphasized its close industrial partnership with the U.S. and called for Section 232 tariffs on autos and steel to be addressed in ongoing talks before the August 1 tariff deadline.

- President Trump announced on July 12 that the European Union and Mexico will face 30% tariffs starting August 1, urging the EU to address its goods trade surplus by removing unfair tariff and non-tariff barriers, and urging Mexico to step up efforts to combat drug trafficking and eliminate trade barriers.

[Mark the Essentials]

- President Trump demanded Indonesia to eliminate tariffs on U.S. exports and commit to large-scale purchases of \$15 billion worth of American energy, \$4.5 billion worth of agricultural products, and 50 Boeing aircraft as part of the trade agreement.
- The U.S. and India are aiming to finalize an interim trade deal that would lower proposed U.S. tariffs on Indian goods to below 20% as India seeks to preserve space for further negotiations toward a broader agreement later this year. Talks remain unresolved after a fifth round due to disagreements over sensitive issues, such as market access for U.S. agricultural products and pharmaceutical regulations.
- Japan's promise of a \$550 billion investment and loan package in the US is aimed at supporting America's strategic industrial base. An increase in its annual spending on defense articles sold by U.S. firms from \$14 billion to \$17 billion is also committed.
- On goods purchase targets, Tokyo has committed to buy 100 Boeing aircraft, and \$8 billion worth of agricultural and other products, including a 75% increase in rice import quota, which it had previously rejected.
- The European Union reiterated its disapproval of the U.S. tariffs and preference for a negotiated solution by the August 1 deadline, but also warned of countermeasures. The package of countermeasures include tariffs on \$72 billion of U.S. goods and activation of its anti-coercion instrument.
- The United States has launched a Section 301 investigation into Brazil's trade practices on digital trade ethanol, and illegal deforestation, drawing anger and threats of retaliation from Brasilia.
- Canada has pledged to continue trade talks with the U.S. despite the August 1 threat while also warning of possible retaliatory measures.

[Keeping an Eye On...]

- At long last, a flurry of dealmaking is underway, driven by the threat of the August 1st 'Liberation Day' tariff deadline. Agreements appear to have been struck with Japan, Indonesia, Vietnam and the Philippines (in addition to the already completed framework agreement with the United Kingdom). Deals with the European Union – and, down the line, with South Korea - may also be in the offing, if the terms of the Japan deal are anything to go by. Given that the details of most of the framework deals remain scarce (joint statements have only been released for the UK and Indonesia deals), it is best not to preemptively jump to conclusions or conduct a premature comparative analysis. One key point is worth making though. President Trump seems to be willing, finally, to pull the trigger on dealmaking - even if the deals don't go as far as he might have wished in reducing the respective bilateral trade deficits. Of course, fairly sizable reciprocal tariffs in the range of 15-20% will remain on all of the aforementioned economies (with the exception of the UK), while clarity on sectoral tariffs is as yet awaited. With regard to the advanced economies, Mr. Trump's priority appears to be tilted in favor of industrial reshoring as well as multi-hundred-billion dollars worth of investment commitments, along with managed goods purchase targets. The deal with Japan is emblematic of these priorities, with a sovereign-style fund to the tune of \$550 billion to be set up to support American industry. Tokyo had itself volunteered the idea of a (\$400 billion) fund to deflect the American president from his punitive tariffs fetish. South Korea is now being

badgered for a similar ‘manufacturing cooperation enhancement fund’, and although it won’t be able to pull a \$550 billion rabbit out of its hat, expect a multi-hundred-billion-dollar fund commitment to be made. As for the emerging economies, Trump’s focus appears to be four-fold: market access (driving their relative higher tariff levels on imported American goods down to the low single digits or to 0%), targeted managed purchases (of Boeing aircraft and food, agricultural and energy products), permanent elimination of customs duties on cross-border electronic commerce transactions to benefit U.S. Big Tech and digital companies, and drawing up “facilitative rules of origin” to flush out the ‘transshipment’ of (Chinese) goods from bilateral trade exchanges.

The last point raises an important China-related question: what exactly constitutes a ‘transshipped’ good, *and particularly one from a ‘non-market’ economy*, in the context of the U.S.’ non-preferential rules of origin? Typically, a product that undergoes a “substantial transformation” – i.e., a change in name, character, use or ‘essence’ within the production processes of a country is deemed to have been “substantially transformed”, and thus compliant with prevailing rules of origin treatment. On the other hand, a number of firms based in China or controlled by China-based entities have begun to actively relocate their supply chains to effect a substantial transformation outside China, with the goal of avoiding Section 301 tariff liability – even where the final product is substantially or even wholly composed of Chinese content. Do such products fall under the category of a transshipped good? Relatedly, Southeast Asia’s production networks manufacture a variety of downstream goods that are substantially transformed outside China but which contain significant and critical China-origin inputs. Do these products fall under the category of a transshipped good? There have been calls within the Beltway to treat both such categories of exports as being non-compliant with the U.S.’ product origin rules, as well as calls to incentivize the diversification of supply chains via graduated reduction in U.S. tariffs commensurate to the reduction in the amount of key China-sourced inputs in the final assembled product. At this time, there are more questions than answers as to where the Trump team will come down with regard to the definition of ‘transshipment’. Will a high-level of Chinese content bar a Vietnamese final export product from being compliant with the agreement’s rules of origin, even if that product is “substantially transformed” in Vietnam? Or will the disqualifying factor be the criticality or significance of the China sourced-input, even if that product contains limited Chinese inputs and is “substantially transformed” in Vietnam? Much will ultimately hinge on how the Trump administration and its Southeast Asian partners draw up these rules in their implementing agreements, especially given that the former seeks to decouple its supply chains from China while the latter are largely dependent on Chinese intermediate inputs to fire up their export engines.

[Expanded Reading]

- [EU Approves Counter-Tariffs on US Goods, Says Trade Deal Within Reach](#), Reuters, July 24, 2025
- [China’s Vice Premier He Lifeng to hold US trade talks in Sweden](#), Reuters, July 23, 2025
- [Trump Strikes Tariff Deal with Japan, Auto Stocks Surge](#), Reuters July 23, 3035
- [Philippines to Pay 19% Tariff, Trump Says](#), Reuters, July 22, 2025
- [Japan, US Trade Negotiators Meet as Aug. 1 Tariff Deadline Looms](#), Bloomberg, July 22, 2025
- [US not rushing trade deals ahead of August deadline, will talk with China, Bessent says](#), Reuters, July 21, 2025
- [EU To Ramp up Retaliation Plans as US Tariff Deal Prospects Dim](#), Reuters, July 21, 2025
- [India-US trade deal: Fifth round over, India is not budging](#), The Economic Time, July 19, 2025
- [Brazil Urges Trade Talks with U.S. after Trump Tariff Hike](#), Reuters, July 16, 2025
- [US and Indonesia Reach Tariff Deal](#), BBC News, July 16, 2025

- [Trump Says India Trade Agreement is Close, Europe Deal Possible](#), Reuters, July 16, 2025
- [Striking Trade Deal with US was an 'Extraordinary Struggle,' Indonesia Says](#), CNN, July 16, 2025
- [US Launches Probe into Brazil's Trade Practices, Digital Payment Services](#), Reuters, July 15, 2025
- [Tariffs Impact on Businesses](#), The Port of Los Angeles, July 14, 2025
- [Trump Threatens 30 Percent Tariffs on the EU, Mexico](#), Politico, July 12, 2025
- [US, India in Talks on Trade Deal That May Cut Tariff Below 20%](#), Bloomberg, July 11, 2025
- [Canada Pauses New Tariff Threats as Trump Escalates](#), Politico, July 11, 2025
- [Trump Issues Tariff Letters to Seven Countries](#), Reuters, July 9, 2025
- [Trump Says He will Impose 50% Tariff on Copper Imports](#), CNBC, July 8, 2025
- [Trump Announces Steep Tariffs on 14 Countries Starting Aug. 1](#), CNBC, July 7, 2025
- [Korea Pulls out All Stops to Delay Trump's Reciprocal Tariffs](#), The Korea Times, July 6, 2025

On the Hill



[Legislative Developments]

- Rep. Josh Gottheimer (D-NJ) introduced a bill requiring the Congressional Budget Office to publicly assess the economic impact of any proposed tariffs before they can take effect, aiming to increase transparency as President Trump moves forward with sweeping new duties set for August 1.

[Hearings and Statements]

- Democrats on the Senate Foreign Relations Committee have warned in a new report that President Trump's tariff policies are weakening U.S. alliances, undermining efforts to counter China, and damaging the U.S. defense industrial base by straining supply chains and isolating key partners.
- Thirty-five Republican lawmakers urged U.S. Trade Representative Jamieson Greer to address foreign pharmaceutical price controls that they say unfairly shift research and development costs onto American patients, proposing the creation of a Chief Pharmaceutical Negotiator within USTR to prioritize fair reimbursement in trade talks.
- A group of Democratic lawmakers has urged the Federal Trade Commission to investigate whether large companies are exploiting President Trump's tariffs as a pretext to unfairly raise consumer prices beyond actual cost increases.
- Sen. Ron Wyden (D-Or) argued that any trade deals resulting from current tariff negotiations must be submitted to Congress for approval to be legally binding, citing constitutional authority and bipartisan precedent, while the U.S. Trade Representative maintains that the agreements will be executive-level and does not require changes to U.S. law.
- Rep. John Moolenaar (R-MI), the head of the China Panel wrote a letter to Commerce Secretary Howard Lutnick on July 18, opposing the Trump administration's decision to allow tech giant Nvidia to sell its H20 chips in China, saying it undermines the U.S.'s AI advantage.

[Expanded Reading]

- [Top Republican on China panel objects to resumption of Nvidia H20 chip shipments](#), Reuters, July 20, 2025
- [Ranking Member Shaheen and Senate Foreign Relations Committee Democratic Members Publish Major New Report on the Consequences of the Trump Administration's Global Retreat and China's Strategic Gains](#), Foreign Relations Committee, July 14, 2025
- [Buchanan, Arrington Lead Letter on Foreign Freeloading on American-Financed Innovation to U.S. Trade Representative](#), Vern Buchanan, July 14, 2025

- [RELEASE: Gottheimer Introduces New Legislation to Increase Transparency on Price Hikes from Trump's Reckless Tariffs](#), Josh Gottheimer, July 11, 2025
- [Warren, DeLauro, Lawmakers Renew Push For FTC Action to Prevent Corporations From Using Trump's Chaotic Tariffs as Cover to Price Gouge Americans](#), Elizabeth Warren, July 10, 2025

TnT Spotlight

A China-like Industrial Policy May Not be Enough to Reduce U.S. Mineral Dependence

By Nayan Seth, Research Assistant

On July 10, MP Materials, the only major rare earths producer in the U.S., [inked](#) a landmark agreement with the Department of Defense (DoD). The Pentagon will now become the biggest shareholder in the mining company with a direct investment of \$400 million while providing long term commitments of guaranteed mineral purchases and sustained price support. Five days later, tech giant Apple also [signed](#) a \$500 million deal with the Las Vegas-based firm to buy US-made rare earth magnets for its products.

While the U.S.-led derisking efforts have been ongoing for the past few years through both [domestic](#) and [international](#) steps, the latest measures are the most aggressive state-led intervention in shaping the US rare earth industry - a tactic akin to China-style industrial policy. While the policy may bear short-term dividends for individual firms, direct state involvement in a market-driven economy risks suppressing competition and creating inefficiencies in the long term, making the goal of diversification even more difficult to achieve.

At the same time, these efforts are being undermined by the rollback or phase-out of demand-side incentives and the imposition of tariffs. Without sustained reforms to boost demand, the vision of secure and resilient supply chains would largely remain a pipe dream.

U.S. Largesse for One Mining Company

The DoD-MP Material deal boasts of many firsts. The Pentagon would pick up 15% stake in the company, invest billions of dollars in building a magnet manufacturing facility and purchase 100% of magnets for the next 10 years. In addition, it has [guaranteed](#) a minimum price of \$110 per kg for 10 years for neodymium-praseodymium (NdPr) oxide, which is almost double the current market price of \$60 per kg. According to the agreement, if the price falls below \$110, the DoD will pay MP Materials the difference in quarterly cash payments.

The deal is intended to intensify diversification of rare earth supply chains, which is currently [dominated](#) by China with over 90% of the global production share. Rare Earth Elements (REE), a group of 17 critical metals, are indispensable components in [military systems](#), [robotics](#), [consumer electronics](#) and [renewable energy technologies](#).

They are part of a raft of recent policy decisions from the Trump administration to bolster domestic critical minerals production and reduce reliance on China with actions such as [streamlining](#) the approval process for mineral projects, accelerating stockpiling efforts, [tapping](#) into defense-related funds, [supporting](#) seabed mining, [imposing](#) tariffs on China-sourced materials, and signing bilateral mineral agreements with the [Democratic Republic of Congo](#) and [Ukraine](#).

The strategy has gained urgency since April when Beijing [slapped](#) export restrictions on key rare earths and magnets in retaliation for U.S. tariffs on Chinese products. As supplies from Beijing dried up, it resulted in a scramble for rare earth magnets among companies and countries and even led to temporary [shuttering](#) of auto factories from Europe to the United States. After two rounds of negotiation between the U.S. and China in May and June, a temporary [truce](#) was reached when China promised to ease the rare earths chokehold in return for lower tariffs and removal of controls on a few AI equipment. In response to U.S. export controls on advanced semiconductors and related technologies, China has increasingly [leveraged](#) its dominance through its own version of export controls and bans not only in rare earths but also in other critical minerals such as gallium, germanium, graphite and antimony.

Trump's Contradictory Mineral Strategy

The U.S. push to secure critical minerals through China-style state intervention could compound the very vulnerabilities it seeks to eliminate. By concentrating support in a few companies, the strategy may reduce resilience, and simply replace foreign dependence with domestic overreliance.

The narrative around critical minerals has shifted significantly in Washington, moving from the Biden administration's focus on clean energy to Trump-era concerns over national security. The urgency of the security argument is driving the U.S. administration to directly intervene in the critical mineral sector to support its domestic players through cash infusion, favorable loans and price guarantees above market prices - the hallmarks of classic industrial policy.

Ironically, U.S. policymakers and analysts have long criticized China for [adopting](#) similar tactics to dominate strategic sectors that include critical minerals. The current administration is competing with China using a playbook perfected by Beijing itself. But unlike China's state-directed capitalism model, the U.S. operates as a market-driven economy, where the government has traditionally focused on setting policy frameworks and offering indirect support while leaving leadership to the private sector.

The grumblings about the MP Materials-DoD deal have already begun. The FT has [reported](#) that rival companies and former officials believe that the deal went "too far" and is "replicating the Chinese model" of heavy state interference. Their concerns highlight a broader tension within the U.S. industrial policy - the challenge of balancing strategic goals with market principles. In an economy, where investor expectations and quarterly earnings often take precedence over long-term strategic patience, sustained government support can be a stabilizing factor. It could enable domestic firms to scale up and compete globally.

However, if such support is heavily concentrated among a select few, it risks distorting the market as it would crowd out other competitors and stifle competition. Moreover, when companies become overly reliant on government contracts or subsidies for revenue and profit, they may lose the incentive to pursue efficiency, invest in R&D, or respond to market signals. This creates a negative feedback loop - fewer competitive firms, less efficiency and weaker incentives for diversification. The goal of building resilient, China-free supply chains could become even more difficult to achieve.

For the government as well, dependence on a few domestic companies for strategic minerals in a less competitive market creates several risks. Overconcentration in supply makes the system more fragile. If the state-picked “winner” faces technical and technological challenges or labor disputes, the ripple effects could disrupt entire industries dependent on the company. In addition, a narrow supplier base leaves policymakers with fewer options when it comes to ensuring environmental standards or enforcing accountability.

Instead of enhancing resilience, such a model could inadvertently replicate the vulnerabilities it aims to fix by merely shifting the source of dependence from foreign entities to a handful of domestic players.

Securing Supply Chains without Securing Demand

The Trump administration has largely focused on aggressively resolving the supply-side bottlenecks in the critical minerals market. However, a secured supply will not be a reality without sustained demand. On that front, the administration seems to be moving in the opposite direction.

It has recently rolled back and [weakened](#) demand-side incentives such as energy tax credit provisions in the recently passed The Bill Beautiful Bill. The provisions, first introduced under the previous Biden administration, played an instrumental role in attracting major investments in mining, battery and other clean energy sectors. Critical minerals like lithium, cobalt, nickel, and rare earths are [essential](#) for electric vehicles, wind turbines, and battery storage. Weakening federal support for these technologies could hurt their domestic market growth and reduce overall demand.

Mining and metal refining companies looking to operate in the U.S. upstream or midstream segments cannot rely solely on government purchases through the Department of Defense or other stockpiling programs. To be viable, they need a sustainable business model built on consistent commercial demand from downstream industries such as electric vehicle manufacturers, battery producers, and energy storage companies. Without a strong market pull from these sectors, the broader strategy to diversify supply chains risks falling flat.

On top of that, existing and proposed tariffs on minerals could make the situation worse. While targeted tariffs, if implemented strategically, could spur domestic production while discouraging imports. But slapping of punitive levies without a clear strategy could create more complications.

For example, the Commerce Department recently [imposed](#) an additional tariff of 93% on Chinese graphite, a key element for batteries. The move is likely to further increase the costs for EVs as China supplies the majority of US graphite demand. Along with the phasing out of tax credits, the tariffs are yet another blow to the fledgling

domestic battery industry. Similarly, U.S. president Donald Trump's latest threat to [slap](#) a 50% tariff on copper would dramatically increase the costs for a vast range of industries from defense to automotives to data centers.

In its push to reduce dependence on China and secure mineral supply chains, the Trump administration has adopted an assertive, state-led industrial policy that marks a significant departure from traditional U.S. market principles. While this approach may spur domestic production for a select few in the near term, its long-term success depends on balancing supply-side intervention with robust demand-side support.

Without clear, consistent incentives for downstream industries, along with mineral trade arrangements with allies and partners, the strategy risks undermining itself. Securing supply is only half the battle. Without securing demand, the vision of a resilient, diversified, and competitive critical minerals ecosystem may prove unattainable.

Related News Source:

- [Chinese graphite is crucial to electric car batteries. Trump just put a 93.5% tariff on it](#), CNN, July 18, 2025
- [Pentagon's China-style rare earths deal triggers industry backlash](#), Financial Times, July 18, 2025
- [Apple in \\$500 million rare earth magnet deal with MP to expand US supply chain](#), Reuters, July 16, 2025
- [MP Materials Deal Marks a Significant Shift in US Rare Earths Policy](#), Center on Global Energy Policy, July 11, 2025
- [Pentagon strikes investment deal with US critical minerals producer](#), *Financial Times*, July 10, 2025