

China's rare-earth export restrictions

In response to United States (US) tariffs, and citing national security interests as a reason, China introduced two waves of export controls for rare-earth elements (REEs) in April and October 2025 respectively. The second wave has been suspended until November 2026. The EU has been negatively affected by the controls on REEs, which are indispensable for its digital, green and defence industries. While the partial suspension has been widely welcomed, China's move highlighted major vulnerabilities of the EU supply chains that remain hard to mitigate.

Importance of rare-earth elements

REEs have featured on all five EU lists of [critical raw materials](#) published since 2014 that contain materials of high economic importance for the EU economy. They are shortlisted for being both indispensable and having a **high risk** of supply disruption – because of highly concentrated sources and lack of adequate, affordable substitutes.

REEs comprise a group of **17 elements** necessary for both the green and digital transition and the defence industry. They are used, for example, in wind turbines, artificial intelligence hardware, electric vehicles and fighter jets. Similarly to the rest of the world, the EU is heavily dependent on China for its supply, as China controls 60 % of global REE production and 90 % of their refining, a position that is unlikely to change (Figure 1). The EU [sources](#) all of its heavy REEs and 85 % of its light REEs from China, as well as 98 % of its [rare-earth magnets](#). According to [scientists](#), it is difficult – and often impossible – to replace REEs because of their unique properties.

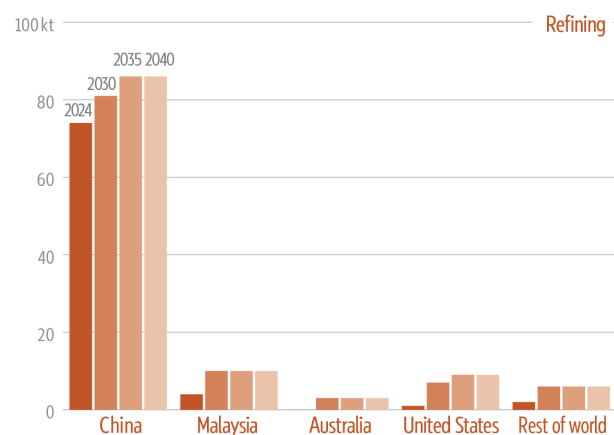
China's export controls

On 4 April 2025, as one of the [responses](#) to US President Donald Trump's administration's 'Liberation Day' [tariffs](#), China introduced export controls on **seven heavy REEs** (with licensing requirements), as well as on all related compounds, metals and magnets. Exporters are required to obtain a licence, and need to provide information on the end users of REEs; however, this information is considered [sensitive](#) by some firms. The licensing process is considered by many [exporters](#) to be opaque, selective and [slow](#) on purpose.

This was followed by a [second wave](#) of restrictions on 9 October 2025, which added a further **five REEs**, related products, equipment and technologies, as well as the use of personnel expertise on the subject. Most of the measures were to take effect on 8 November. Citing national security concerns, China [widened](#) the scope beyond physical goods, seeking to control technological know-how and even foreign-made products using Chinese inputs. Foreign firms would need to obtain approval to export magnets containing even trace amounts (0.1 %) of Chinese-sourced REEs or those that were produced using Chinese mining, processing or magnet-making technologies.

This means that, for the first time, [the Chinese law has extraterritorial reach](#), with far-reaching implications for many critical supply chains. On 7 November 2025, the Chinese government [announced](#) the **temporary suspension** of the second wave of export controls until **10 November 2026**.

Figure 1 – Expected REE supply



Data source: [International Energy Agency](#), 2025.
Graphic by Nadejda Kresnichka-Nikolchova, EPRS.



Consequences for the EU

Economists from the [European Central Bank](#) (ECB) estimated that over 80 % of large European firms are no more than three intermediaries away from a Chinese REE producer. This exposure, coupled with high integration into complex global value chains, makes the **EU vulnerable** to any restrictions on REEs. The manufacturing sector and the defence, electronics, automotive and energy industries are particularly affected, and the ECB found that the firms in general had not stockpiled on REEs. Possible consequences include **higher input costs** (the [International Energy Agency](#) reported REE prices in the EU of up to six times higher after the restrictions) and **shortages of materials**, possibly leading to delays and even stoppages of production, reported for instance in the automotive sector. The [Merics](#) think tank showed that EU **rearmament** is in danger, while a paper by the [World Economic Forum](#) noted that the EU simply does not have control over the supply of REEs necessary for its **green and digital transition**.

The main **EU policies** to address the REE issue include the [Critical Raw Materials \(CRMs\) Act](#), which entails risk monitoring as well as support for strategic projects, diversifying imports and incentivising technological progress and resource efficiency. In March 2025, the Commission selected the first batch of [projects](#) under the act, five of which – located in France, Italy, Poland and Sweden – are focused on the different stages of the REE value chain: extraction, processing, manufacturing and recycling. The EU has also set up the [European Raw Materials Alliance](#), which works on resilience of [rare-earth magnet](#) supply chains. In October 2025, the President of the European Commission, Ursula von der Leyen, announced the [RESourceEU initiative](#) for joint purchasing and stockpiling of REEs, supporting domestic 'strategic' projects (for production and processing of CRMs) and diversifying suppliers with new [CRM partnerships](#). In November 2025, Commission Vice-President Stéphane Séjourné announced plans to set up an EU [critical minerals centre](#) to fund and coordinate EU purchases of CRMs, set aside stocks and ingrain economic security into firms' supply chains.

Expert views

The [European Council of Foreign Relations](#) warns that Chinese export controls pose a serious threat to the EU and need to be met with a strong response: possible escalatory measures include the use of the EU [anti-coercion instrument](#) and curtailing access to speciality machinery such as that used in chips and aircraft manufacturing. [Merics](#) advocates policy actions to incentivise recycling of REEs, as well as public funding to support domestic mining and processing projects. [Experts](#) also suggest embedding REE policies into those that fund the boosting of defence supply chains, collective investments with allies such as Japan, and funding research that could mitigate the environmental impact of REE mining and processing in the EU.

European Parliament position

The European Parliament has consistently supported strengthening the EU's **strategic autonomy and resilience in the supply of CRMs**. It favours an integrated approach encompassing multiple policies (such as industrial and trade policy) and the whole value chain (including recycling and circularity) to increase and diversify supply. To manage shortages, it has called on the Commission to improve efficiency in the use of industrial side streams in order to [recover and separate RREs](#).

In July 2025, Parliament adopted a resolution on [REE export controls](#) urging the Commission and the Member States to speed up **implementation of the CRMs Act**. MEPs deemed China's action to be unjustified and that it was intended to be coercive, given the country's quasi-monopolistic position in supply chains. They also expressed concern about requirements to disclose sensitive data when applying for export permits, which could endanger the EU's security and technological leadership. According to the resolution, the EU needs to activate **domestic mining projects** and determine the minimum level of strategic REE stocks. MEPs also want to see swift progress in **concluding bilateral partnerships** on raw materials with countries that meet high sustainability and human rights standards.