What's Hot: US-China Trade Talks Highlight Strategic Value of Rare Earths

Veröffentlicht am 16. Juni 2025

Baoqi Zhu
Associate Director, Quantitative Research & Multi Asset Solutions

Die wichtigsten Erkenntnisse

- China’s dominant share of rare earth output and reserves enables it to wield export controls as a geopolitical instrument.
- Developing viable alternative supply chains requires overcoming significant investment, regulatory and environmental challenges.
- Potential US support under the Defence Production Act could accelerate domestic rare earth mining and processing capacity.
- The positive market momentum of non-Chinese rare earth miners underscores growing investor confidence in the sector.

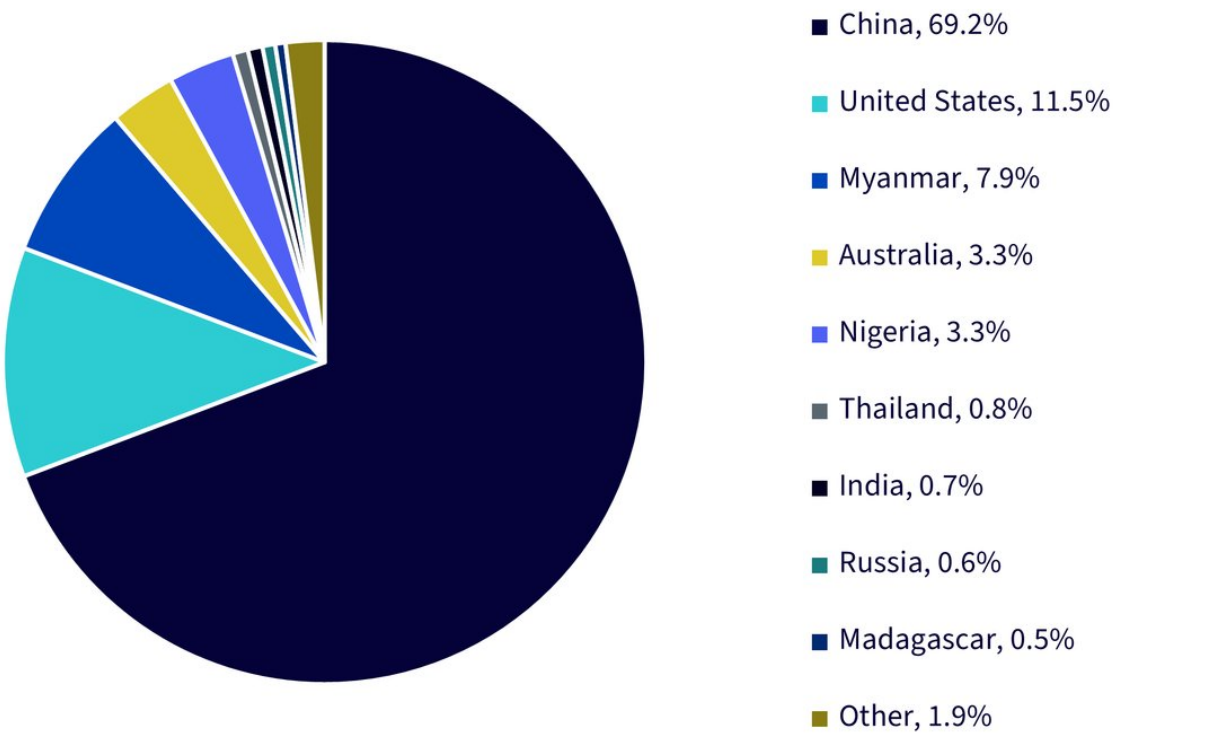
The recent US-China trade talks held in London in June 2025 have once again thrust rare earth elements (REEs) into the spotlight. As negotiations concluded, China agreed to ease its export restrictions on rare earth metals, demonstrating clearly how Beijing uses these essential commodities strategically—much like the US employs tech export controls—to advance geopolitical interests. This strategic move highlights an increasingly clear truth: rare earths have become potent geopolitical tools.

Why Rare Earths Can Be Weaponised

Rare earth elements are crucial to the functioning of high-tech industries and defence sectors globally. They are fundamental components of advanced technologies, from radar systems used in defence and aviation, to precision-guided munitions, and even essential elements in semiconductor manufacturing.

China’s overwhelming dominance in rare earth production provides it with a unique geopolitical lever. Accounting for nearly 70% of global rare earth output, according to the latest US Geological Survey (USGS) figures, and holding approximately half of the world's known reserves, China’s position grants significant influence over global supply chains. The ease with which Beijing can adjust export quotas or enforce export bans means rare earths are easily weaponised to counterbalance geopolitical pressure from Washington.

Figure 1: Rare Earths Mine Production (2024)



Source: United States Geological Survey.

In recent years, China has strategically utilised rare earth exports as leverage during geopolitical tensions, notably during trade disputes. This control not only provides direct economic advantages but also significant indirect geopolitical influence, placing pressure on high-tech industries in competitor nations reliant on these materials. Such dependence exposes vulnerabilities, making it difficult for nations like the US and its allies to effectively challenge China's manoeuvres without risking substantial economic disruption.

Can the US Find Alternatives?

The US is increasingly aware of the vulnerability inherent in relying heavily on Chinese rare earth supplies. Efforts to develop domestic or allied alternative supply chains are gaining momentum but are fraught with complexity. MP Materials Corp's Mountain Pass mine in California and Lynas Rare Earths Ltd's operations in Australia and Malaysia represent notable non-Chinese producers. Yet, despite their promising production capacities, these firms face significant hurdles.

Firstly, rare earth extraction and processing require significant capital investment and advanced technology. Building and scaling these facilities swiftly enough to reduce reliance on China poses substantial financial and supply chain challenges. Additionally, environmental concerns and stringent regulations in Western countries can slow project approvals, further complicating the rapid scaling of alternative production facilities.

Opportunities on the Horizon

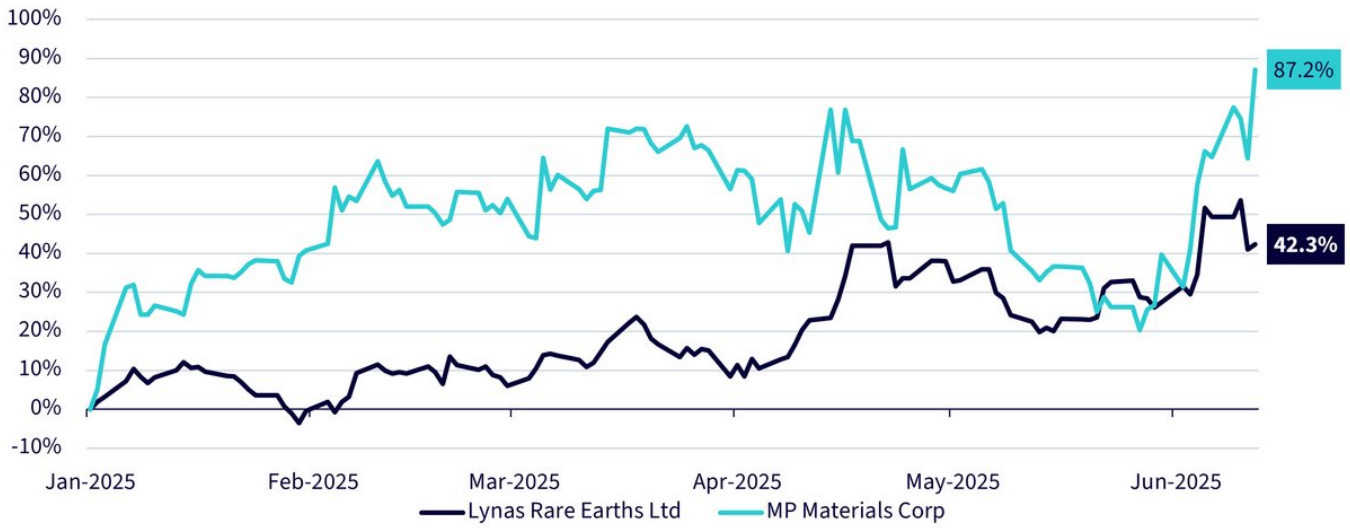
Nevertheless, recent developments hint at significant opportunities in the rare earth sector, driven by both governmental backing and favourable market sentiment.

The Trump administration is currently considering invoking the Defence Production Act—historically a Cold War-era tool—to provide robust financial backing, loan guarantees, and direct investments for rare earth projects across mining, processing, and downstream technologies. While the precise details and timelines remain uncertain, the move signals potentially substantial government investment to bolster America's strategic autonomy.

From a market perspective, investor sentiment toward companies positioned in the rare earths supply chain has been exceptionally positive in 2025. Shares of Lynas Rare Earths and MP Materials have soared significantly year-to-date, reflecting investor optimism and anticipation of further strategic moves and investments by the US government.

Furthermore, the broader strategic metals sector—encompassing not only rare earths but also lithium, cobalt, and other critical minerals—presents additional growth opportunities. With electric vehicle production accelerating and advanced technological manufacturing expanding, demand for these essential elements is expected to remain robust.

Figure 2: YTD Performance: Lynas Rare Earths Ltd. and MP Materials Corp.



Source: WisdomTree, Bloomberg. As of 12 June 2025. Historical performance is not an indication of future performance and any investments may go down in value.

Conclusion

The geopolitical tensions underscored by recent US-China trade talks provide a compelling narrative for the growing strategic importance of rare earth elements. China's dominance in global rare earth production highlights both the risks of reliance and the imperative for the US and its allies to build alternative supply chains.

For investors, rare earth mining and processing sectors appear increasingly attractive, supported by strong government signals of substantial financial backing and buoyant market sentiment. While challenges in environmental management, regulatory approval, and capital intensity remain, the opportunities for significant returns in this strategic sector appear tangible. Thus, the rare earths and broader strategic metals sectors merit close attention from investors looking to navigate the geopolitical complexities shaping today's global markets.

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in ETPs is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained on this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for

distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information on this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to

redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the

Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.