The Opportunity: Transatlantic Supply Chains and Critical Minerals

Thorsten Benner | Co-founder and Director, Global Public Policy Institute (GPPi), Berlin

In 1987, shortly before the end of the Cold War, a prominent German study dismissed the risk of the Soviet Union taking control of supply lines of Western raw materials as a "red herring." At the time, that was a reasonable assessment. West Germany was traditionally one of the larger importers of raw materials from the Soviet Union. But dependency on the Soviet Union did not exceed 30% in the early 1980s with the highest import share for any mineral being palladium (27%) and titanium (22%) in 1982. Almost 40 years later, the picture looks very different. Talk about a "resource war" is no longer a red herring. Today, China controls over 90% of processing of rare earths and critical minerals crucial for all key technologies—from defense to artificial intelligence to the energy transition.

The Chinese leadership is using dependencies as a weapon through an increasingly strict export control regime. European and U.S. defense companies, for example, cannot expect to receive export licenses for critical minerals—a direct challenge to Europe's defense capabilities. The message from Beijing is clear: should Europe try to defend itself with protective measures against the flood of Chinese industrial products, it will put its supply of critical raw materials at risk. This is not an empty threat: last year, some production lines in Germany came to a standstill due to missing shipments from China. A further tightening of export controls is looming this fall.

Europe and the United States Created China's Monopoly

In the 1990s, Europe and the United States facilitated China's monopoly on critical minerals. Until then, the West had dominated critical minerals refining and processing. It was a dirty, energy-guzzling, low-margin business that the United States and Europe all too gladly outsourced to China. For example, in 1995 General Motors sold its Magnequench division, a leader in rare-earth magnets that are crucial for most of today's key technologies, to a consortium under the control of Chinese investors.

Today, the Chinese leadership aggressively defends its absolute control of the global market. It has learned from the United States how to use export controls to gather detailed intelligence on supply chains of Western companies, and its system is more far-reaching. Beijing knows more about the supply chains of European companies than many European governments. Its controls are designed to limit stockpiling – you only receive as much as you need for current production. And most importantly, its state-backed global pricing power undercuts the emergence of competitors. Right now, it is cheaper for Europe to send used materials containing critical minerals for recycling to China than to do this at home.

Without decisive push-back by Western governments, Chinese authoritarian state capitalism that operates free from profitability constraints will dominate global markets and cement dependencies. Beijing will continue to flood the market with cheap supplies to undercut possible alternative suppliers in the West and constrain supplies in order to constrain and coerce. The free market left to its own devices will do nothing to decrease dependencies on China as a global monopolist. Within its own jurisdiction, free market economies would not hesitate to intervene using competition policy tools to break up a monopoly that controls more than 90% of the market and decide on political grounds whether consumers will receive critically important deliveries. With Beijing hijacking global markets, Western market economies need to devise similarly effective tools to break up China's state-backed monopoly power – and use state power to counter it.

Self-Interest as a Foundation for Cooperation

Much of the push-back to China's monopoly over critical mineral supply chains will fall to the United States and the EU as the largest market economies in the world. They both have strong industrial bases, and they have the most to lose from China restricting supplies of critical minerals. That industrial foundation can be part of the solution to creating alternative supply chains. The more market economies like the United States and Europe (alongside Canada and like-minded partners in Asia, Latin America and Africa) cooperate to create alternative sources of supply, the faster and cheaper it will be to reduce dependencies.

The Trump team is putting a premium on international cooperation out of its own self-interest. In 2025, President Trump experienced first-hand the U.S. vulnerability to Beijing's rare earths monopoly when he started a trade war with China announcing ever higher tariff threats. Beijing responded by threatening to cut the United States off from critical minerals supplies. President Trump quickly backed down and negotiated a one-year moratorium with Chinese president Xi Jinping to pause its massively expanded set of export controls.

Having realized the potency of Beijing's critical minerals weapon, the Trump team has set out to do everything possible to reduce dependencies. From mid-2025 to early 2026 alone, the U.S. government mobilized $30 billion in terms of letters of interest, investments, loans and other measures to support projects on securing critical minerals independence. The Trump team moved fast to secure deals such as taking over the Serra Verde mine in Brazil, the largest mine outside Asia producing critically important heavy rare earths, and establishing a full "mine to magnet" chain. The United States also invested massive amounts into national stockpiling projects and securing processing and refining capabilities.

Germany and Europe, despite being equally threatened by Beijing's monopoly, have so far shown neither the necessary speed nor the necessary funding to incentivize similar investments. Brussels does not have the necessary financial resources and national governments have mostly dithered. For example, even though Germany has excellent relations with the Brazilian government led by President Lula, it was the United States that secured the deal with Brazil on the vitally important Serra Verde mine while the German-Brazilian raw materials partnership has not produced much of note. Within Europe, it was the Americans via a government-backed vehicle who invested in securing critical capabilities such as Solvay's processing facility in La Rochelle.

Overcoming Hesitancy

While the United States rightly pushes on the accelerator, Europeans have been more hesitant. One reason is the imbalance in this area: Europeans are moving slowly because they have fewer assets in the critical minerals game and rightly feel they are the junior partner. There is a clear case for reaching out to other key partners such as Australia, Brazil, India, Japan and South Korea who have experience with Beijing tightening supply of critical minerals.

A lack of trust in the U.S. side is understandable given the reckless pursuit of policies by Trump in many areas. Europeans are right to worry about Chinese retaliation singling out Europeans in case they decide to forcefully make common cause with the US, such as on a buyers' club with price floors supported by external tariffs against China. And they are right to worry that the United States will not be able or willing to bail them while dependence on China still persists and the United States alone is far from controlling enough supply to reliably meet European demand.

In Germany, many orthodox market liberals are also still wary of the necessary state intervention. Germany's raw materials commodity fund *(Rohstofffonds)* only has 1 billion Euros in financial resources. What is more: it is inflexible and slow-moving and has underwritten few deals to date. The Trump team has understood that measures guaranteeing demand are essential for alternative suppliers to establish themselves against Chinese monopoly pricing power. Germany has mostly focused on the supply side in an abstract sense, concluding a set of Raw Materials Partnerships with a range of countries from Brazil to Mongolia. But without measures to guarantee demand, these partnerships rarely produce concrete projects that decrease dependence on China, greatly frustrating partner countries.

The solution is not to slow-walk transatlantic cooperation but to make further German and European investments in the critical minerals supply chain with a sense of urgency. There are also strong policy opportunities for transatlantic cooperation, a rarity in the second Trump term. Critical minerals is the policy arena where the Trump administration has invested most in international cooperation. The U.S. government recently hosted three major summits on critical minerals in Washington: the inaugural meeting of the U.S. State Department's "Pax Silica" supply chain alliance in December 2025, a G7+ finance ministers meeting in January 2026, and a Critical Minerals Ministerial with representatives from 54 countries in early February 2026.

That is why it is the right move for the EU and the United States to agree to a strategic partnership and action plan for critical minerals supply chain resilience in April 2026. In it, the EU and the United States commit to exploring a broad range of trade policies and instruments "to reinforce coordinated international action." Cooperation will focus on developing common standards for mining, processing and recycling, the promotion of investment, joint research and innovation, stockpiling strategies, and mechanisms for rapid response to supply disruptions. This is an ambitious agenda that needs fleshing out in the coming months.

No Time to Lose

German Vice Chancellor Lars Klingbeil in May rightly noted that Europeans "have no time to lose" to reduce dependencies. Indeed, the cost of non-action or late action is enormous. Germany should lead the way in Europe alongside France and other key partners. Germany has an outsized interest given its urgent rearmament needs and large domestic industry that are both threatened by Chinese export controls. Beijing is already using the threat of cutting off critical minerals to try to coerce Europeans to keep their markets open to Chinese overproduction supported by unfair cost advantages. Germany also has a growing military budget that can be used to incentivize production on certain essential low volume critical minerals where the state as the anchor customer can make a huge difference.

Europeans and Americans also don't have any time to lose if they want to begin to mitigate supply chain dependencies on China beyond critical minerals, such as on pharmaceuticals (dependencies revealed during the COVID-19 pandemic). Europe and the United States should also cooperate on innovation to decrease reliance in key production processes and to improve the circular economy. Put simply, there is hardly a better return on investment than investing in decreasing dependence on China on critical minerals.