Disclaimer: This two-pager has been prepared by the CKN Secretariat and should not be considered the work of the individuals listed as authors of the report.

#50 China and Trade in Critical Raw Materials (CRMs): Understanding the means of exchange, control, and power amid heightened geopolitical tension

Authors: John Seaman, Vincent Donnen, Wouter Jacobs

September 2026

Key Takeaways

- Critical Raw Materials (CRMs) are now a lever of geopolitical power — and a matter of sovereignty for Europe.
- China's dominance of production and processing, once about resource security, is now just as much about industrial strategy and geopolitical leverage. Beijing is increasingly looking to capitalize on and entrench its advantage.
- Diversification for Europe is key, but CRM markets are fundamentally different from classical commodity markets, vastly complicating the effort.
- Strong public-sector engagement is fundamental, but while the state must lead, it cannot succeed alone. Engagement and close coordination with the private sector is essential, as demonstrated in the case of Japan.
- Ultimately, the price of inaction far outweighs the cost of ensuring resilient CRM supply chains.
- The Netherlands, as a logistics, warehousing and trading hub, has an outsized role to play in bolstering European resilience, even without significant domestic mineral deposits or processing capacity of its own.

Recommendations

- European nations should pursue stronger diplomatic and legal protection for European firms against coercive information-sharing requirements, increase scrutiny of anti-competitive behavior by Chinese firms, and a more deliberate use of access to the EU's common market as leverage to push back against strategic-level export bans and firm-level restrictions that erode European competitiveness beneath the threshold of political attention.
- To strengthen European resilience, CRM security must be embedded as an explicit, decades-long objective across energy, digital and defense policy, rather than treated as a byproduct of environmental or industrial policy. This requires market-shaping tools, a centralized European purchasing agency, and urgent rebuilding of strategic stockpiles.
- Europe is urged to move beyond declaratory strategic partnerships toward substantive, mutually beneficial cooperation with resource-rich countries across the Global South.
- Europe should engage constructively with the US without creating a new dependency.

Disclaimer: This two-pager has been prepared by the CKN Secretariat and should not be considered the work of the individuals listed as authors of the report.

Executive Summary

In a time of increased rivalry between great powers, control of critical raw materials (CRMs) has shown to be at the core of power politics. China's position across mining, processing and trade has turned resource security into a defining question of sovereignty for Europe and its allies. China has started to use export controls and other tools to leverage this dominance, risking the survival of key European industries (automotive, energy, health, aerospace, and defence). This paper claims that too little attention is paid to the underlying mechanism of the CRM markets, allowing China to dominate, and aims to explain the functioning of the market as well as outline potential solutions.

CRM do not trade like conventional commodities. They differ from metals like iron or zinc in two basic respects: their availability is exposed to multifactorial risk, and demand for them is set to grow considerably as they underpin high value-added applications. Because substitution is very difficult, demand will not fall even with less supply or price spikes. CRMs are obtained as by-products of more common metals, so the production and output levels are dictated by the market dynamics of an unrelated 'host' metal. The resulting lack of predictability blocks out the kind of market infrastructure normal in other commodities like future markets or options. Instead, all CRMs are traded over the counter (OTC). As a result, industrial buyers tend to negotiate forward contracts directly with producers, some with terms of up to 15 years. These factors make the CRM markets opaque and highly vulnerable to concentrated control by the actor that dominates production, China.

China did not get luck with mineral deposits. Since the founding of the People's Republic, a desire for self-sufficiency driven by a sense of vulnerability made resource security a key national priority. In 2026, this has developed into a dominance of the CRM market, with China accounting for over half of global production or processing for 19 of 34 raw materials the EU deems critical. This position of strength has benefitted China's industries through the easy and relatively cheap access to upstream CRM inputs, boosting industrial competitiveness. It has also given China a new instrument to increase international political leverage, converting market dominance into a source of deterrence and a way to pressure foreign powers.

Export controls are central in China's CRM foreign policy. These measures allow China to restrict access to critical materials for its competitors, as is visible in its relation to the US, and simultaneously makes Chinese firms more competitive on the global market, as they are not impacted. The licensing process further concretizes Beijing's position. Exporters of CRM must provide information regarding end uses, (overseas) buyers, and supply chain structure. Essentially, this creates a detailed map of CRM supply chains. This deep understanding allows for targeted export control measures, damaging specific sectors or competitors without large diplomatic or economic impacts. Yet, reversing reliance is possible, since China's dominance is the result of policy and not geology. Japan has successfully reduced its reliance from 90% to 60% since 2010 through a five-pillar strategy combining substitution, efficiency, recycling, stockpiling and overseas investment.