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Pentagon Strengthens U.S. Rare-Earth Supply Chain to Counter China's Dominance

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The U.S. Department of Defense has significantly increased its investment in domestic rare-earth mineral production, becoming the largest shareholder in MP Materials, a major American producer, through a multibillion-dollar deal structured under the Defense Production Act. With nearly \$540 million already committed, the Pentagon is using purchase guarantees and price-floor protections to reinforce domestic

supply chains for critical minerals essential to defense and technology sectors.

MP Materials operates the Mountain Pass mine in California and has initiated processing operations at its new Texas “Independence” facility, focusing on extracting neodymium-praseodymium (NdPr), minerals crucial for high-performance magnets used in missile systems, radar, electric vehicles, and consumer electronics. The Pentagon’s support includes agreements to purchase a significant portion of the produced magnets and ensure a minimum NdPr price of around \$110 per kilogram, helping hedge against market volatility and lowering investment risk for industry partners.

These efforts aim to crack China’s near-monopoly, which currently controls approximately 90 percent of rare-earth processing worldwide. Under a cost-sharing model, the administration’s investment strategically leverages limited public funding to bolster private-sector confidence in the long-term viability of domestic mineral projects. By sharing risk rather than making open-ended subsidies, the policy aligns with fiscally disciplined and free-market-backed defense approaches.

Private-sector momentum is growing in parallel. Apple recently committed \$500 million toward MP Materials to support recycled magnet manufacturing and diversification efforts. While encouraging, industry analysts note a broader national challenge: developing downstream refining and magnet manufacturing capacity beyond this single firm to ensure long-term supply resilience.

The Pentagon’s model is both bold and targeted. It extends through existing statutory authorities, with additional appropriations pending

congressional approval. As a result, MP Materials is set to expand magnet production capacity via its planned 10X facility, supported by both stock guarantees and loans.

Critics caution that price guarantees could lead to inflated costs for non-military industries using the same materials. However, proponents argue that securing national security interests justifies measured support, particularly given the strategic nature of the supply chain. This public-private partnership marks a departure from passive dependence on foreign suppliers.

Looking ahead, continuity in funding and potential expansion of rare-earth projects will signal Washington's commitment to reducing strategic vulnerability. By combining targeted federal backing with private-sector execution, this initiative aims to restore American leadership in rare-earth production and protect defense readiness, all while countering geopolitical risks posed by Chinese dominance.