KHAOS HOLDINGS

INTELLIGENCE BRIEF

The November Cliff

China’s Rare Earth Export Controls and the 81-Day Window That Will Reshape Global Supply Chains

August 21, 2026

Classification: Open Intelligence

khaosholdings.com | siobhan@khaospartners.com

Contents

1 Executive Summary

On November 10, 2026, China's suspension of export controls on seven heavy rare earth elements, related permanent magnets, and graphite anode materials is scheduled to expire. If Beijing allows the suspension to lapse — a decision that has not yet been made but for which the preparatory signals are increasingly clear — the consequences will propagate through defense manufacturing, electric vehicle production, semiconductor fabrication, and AI infrastructure within weeks, not months.

This brief assesses the current state of the critical minerals contest, identifies the specific pressure points that will be tested on or before November 10, and evaluates whether Western diversification efforts have produced anything capable of absorbing the shock. The short answer: they have not. Deposits, subsidies, and press releases are not supply chains. Until the West can mine, separate, refine, and manufacture qualified products at commercial scale, Beijing retains the ability to decide who receives critical minerals, in what form, and on what terms.

KEY ASSESSMENT

The November 10 deadline is not simply an export control expiration. It is the day the West discovers whether it has built anything that China cannot interrupt. The 81-day window between now and that date is the last opportunity for procurement teams, defense contractors, and executive leadership to stress-test their exposure.

2 The Landscape: What Changed in 2026

The critical minerals environment has shifted materially since the second wave of U.S. trade sanctions in April 2025. Three developments define the current state of play.

2.1 China's Export Control Architecture Has Expanded

Beijing has moved beyond the initial rare earth restrictions imposed in response to U.S. tariffs. In June 2026, China added new U.S. companies — including MP Materials and USA Rare Earth — to its restricted entity list and created a formal reporting mechanism for violations.[1] The system is no longer reactive. It is an administered regime with enforcement infrastructure.

China's dominance is not a resource story. It is a processing story. According to the International Energy Agency, China controls nearly 60 percent of heavy rare earth mining, 91 percent of refining, and 94 percent of permanent magnet production.[2] Dominance increases as you move downstream — the exact point where substitution is hardest and lead times are longest.

[1] The Diplomat, "Why the World's Hedging Responses to China's Rare Earth Dominance Have Failed," August 21, 2026.

[2] International Energy Agency, Global Critical Minerals Outlook 2026, Executive Summary.

Stage	China Share	Next Largest	Western Capacity
Mining (HREE)	60%	Myanmar 10%	Minimal
Refining	91%	Malaysia 4%	Lynas (AU) scaling
Magnet Production	94%	Japan 3%	MP Materials (TX) pre-revenue
Downstream Integration	>90%	—	Fragmented

表 1 China's rare earth value chain dominance (IEA, 2024 data)

2.2 The November 10 Deadline Is Real

MOFCOM Announcement No. 70 suspended one package of export controls covering seven heavy rare earths (dysprosium, terbium, samarium, gadolinium, lutetium, scandium, yttrium), related magnets, and graphite anode materials under a single end date: November 10, 2026.[3] The suspension was a diplomatic concession during the tariff negotiations. It was never intended to be permanent.

The market is already pricing in the risk. European erbium prices have risen more than 50 percent since June. Chinese prices are up roughly 40 percent. Holmium and ytterbium are seeing precautionary buying.[4] These are not speculative moves. They are industrial customers purchasing insurance against a political decision that has not yet been made.

The critical insight: export controls exercise influence even while suspended. Uncertainty changes inventories, contract terms, and capital allocation months before any license is denied.

2.3 Copper Is the Canary

Copper's physical market is providing the clearest early warning. On the London Metal Exchange, the cash-to-three-month spread widened to approximately $434 per tonne — its steepest backwardation in five years. Cash copper remains near $14,500 per tonne as exchange inventories have declined for 42 consecutive sessions.[5]

The Democratic Republic of the Congo has prohibited exports of copper and cobalt concentrates. DRC cobalt export quotas for 2026–27 are capped at 96,600 tonnes per year — roughly half of 2024 export volumes. Cobalt hydroxide prices surged approximately 328 percent in 2025 as the curbs took hold.[6]

Copper's squeeze is not simply a warning about too few mines. It is a warning that inventory geography, midstream economics, and trade policy can create scarcity even where metal still exists elsewhere in the system.

[3] MOFCOM Announcement No. 70, Ministry of Commerce, People's Republic of China.
[4] InvestorNews, "Critical Minerals Report (08.16.2026): The Critical Minerals Bull Market Is Here," August 17, 2026.
[5] Reuters, via InvestorNews Critical Minerals Report, August 17, 2026.
[6] S&P Global Market Intelligence, October 2025; S&P Global Platts assessments.

3 The Four Materials That Matter Most in H2 2026

Four materials carry the sharpest near-term exposure. Each operates on its own timeline, but all converge in the same 81-day window.

Material	Primary Use	Concentration	H2 2026 Risk Signal
Rare Earths (Dy, Tb, Sm, Gd, Lu)	EV motors, defense magnets, sensors	China refines 85%	Export suspension expires Nov 10
Cobalt	Battery cathodes (NMC)	DRC mines 70%	Export quota: 96,600t/yr (half of 2024)
Natural/Spherical Graphite	Battery anodes	China produces 82%	Export suspension expires Nov 10
Lithium	Battery cells	Top 3 hold <70%	Prices down 80% + but investment down 40%

表 2 Critical mineral exposure matrix for H2 2026 (Sources: IEA, USGS, MOFCOM, S&P Global)

Rare earth magnets carry the most immediate deadline. Every F-35 requires 417 kilograms of rare earths.[7] China refines 100 percent of the heavy rare earths used in high-temperature permanent magnets. There is no qualified non-Chinese source at commercial scale today.

Lithium tells a different story. Prices have fallen more than 80 percent since the 2023 peak, and near-term supply looks comfortable. But that same collapse pushed lithium-specific investment down around 40 percent in 2025 — a sharper pullback than the 9 percent decline across critical minerals overall.[8] The current price comfort is building the next shortage.

4 Why Western Diversification Has Not Worked

The United States, Europe, Japan, and Australia have all announced diversification strategies. The aggregate financial commitment is substantial: the White House claims 160 mineral transactions worth nearly $40 billion since January 2025.[9] Bank of America has launched a $250 billion Critical Infrastructure Finance Initiative. JPMorgan and Morgan Stanley have each announced $1.5 trillion programs covering strategic industries.

The problem is not capital availability. It is the sequence of industrial capability.

[7] USGS, Rare Earths Statistics and Information, 2026.
[8] IEA, Global Critical Minerals Outlook 2026, Executive Summary.
[9] White House Fact Sheet, August 7, 2026.

4.1 The Sequence Problem

A resource must become a stable process, then a specification-compliant product, then a dependable industrial input. Western programs are financing the first step while China controls the last three. MP Materials — the clearest U.S. success story — stopped sending material to China for processing and saw processed rare earth revenue nearly quadruple to $94.4 million. But its second U.S. magnet facility is not fully online until 2028.[10] Washington is providing $110.9 million in cumulative price-protection payments to keep the company viable during the transition.[11]

4.2 The Coordination Failure

Every allied nation wants to bring critical supply chains home. The United States wants domestic mining, processing, and magnet production. Europe pursues strategic autonomy through the Critical Raw Materials Act. India wants to move up the value chain, not be an ore provider for Japanese manufacturers. Japan wants diversified resources but also wants to preserve its advanced manufacturing advantage.[12]

The result: allied nations are competing with each other for the same scarce output while China maintains integrated control. As the European Court of Auditors warned in February 2026, many EU Critical Raw Materials Act strategic projects are likely to miss their 2030 delivery targets.[13]

4.3 The Enforcement Escalation

China has begun detaining Japanese nationals, including senior executives, in investigations involving alleged violations of dual-use export restrictions. Corporate offices have faced inspections.[14] For multinational manufacturers, the risk now extends beyond delayed shipments to personnel safety, internal controls, and decisions about whether technical employees should travel to China.

5 What the November 10 Decision Looks Like

Beijing has three options, each with different signaling value.

Scenario	Signal	Impact
Full reimposition	Escalation. Trade negotiations have failed.	Immediate supply disruption. Defense production delays within 60 days. EV production pauses within 90 days.

[10] JAGGAER, "Critical Mineral Risk in Auto Procurement," August 21, 2026; Columbia Energy Policy Center.
[11] Reuters, "MP Materials second-quarter loss shrinks on rising sales, US price support," August 6, 2026.
[12] The Diplomat, August 21, 2026.
[13] European Court of Auditors, Special Report 04/2026, February 2026.
[14] South China Morning Post, August 2026.

Scenario	Signal	Impact
Selective reimposition	Targeted pressure. Specific materials or companies restricted.	Sector-specific disruption. Magnets and graphite most likely targets. Signals willingness to weaponize selectively.
Extension of suspension	De-escalation signal. Tariff negotiations progressing.	Temporary relief. But precautionary buying continues. No structural change.

表 3 November 10 scenario matrix

The market is not waiting for the decision. The precautionary buying already underway demonstrates that the controls are exercising influence regardless of the outcome. Even an extension of the suspension does not eliminate the structural vulnerability — it merely postpones the test.

6 Implications for Executive Leadership

The November 10 deadline is not a supply chain problem. It is a governance problem. The question for executive leadership is not whether rare earth prices will rise. It is whether the organization has the intelligence architecture to detect, assess, and respond to a supply disruption that arrives as a political decision, not a market signal.

6.1 What a Properly Instrumented Organization Would Do Now

In the next 30 days: Map Tier 2 and Tier 3 supplier exposure to the four critical materials. Identify which products, production lines, and revenue streams depend on materials that transit Chinese export controls. Quantify the financial exposure in days of inventory and revenue at risk.

In the next 60 days: Qualify alternative sources where they exist. For materials where no alternative exists at commercial scale (heavy rare earth magnets), negotiate strategic inventory positions or long-term offtake agreements with emerging producers. Brief the board on the exposure and the mitigation timeline.

Before November 10: Stress-test the organization's crisis response capability against a full reimposition scenario. Pre-draft stakeholder communications. Ensure the executive team has a decision framework that does not depend on real-time information that may not be available when the disruption arrives.

6.2 What Most Organizations Will Actually Do

Wait for the supplier email.

7 Legal Notice and Methodology

This intelligence brief is produced by Khaos Holdings and is based exclusively on publicly available, open-source information. All data, statistics, and factual claims are sourced from published reports, government filings, regulatory announcements, financial disclosures, and credible news organizations. Specific sources are cited in footnotes throughout the document.

This brief does not contain classified, proprietary, or insider information. It does not constitute legal advice, investment advice, or a recommendation to buy, sell, or hold any security. The analysis reflects conditions as of August 21, 2026 and is subject to change as new information becomes available.

Khaos Holdings provides intelligence and advisory services for complex systems. The assessments in this document represent the professional judgment of the author based on available evidence and are provided for informational purposes only. Recipients should consult their own legal, financial, and compliance advisors before taking action based on this analysis.

Methodology: This brief synthesizes data from the International Energy Agency (IEA), U.S. Geological Survey (USGS), Ministry of Commerce of the People's Republic of China (MOFCOM), S&P Global Market Intelligence, Reuters, the European Court of Auditors, and peer-reviewed policy analysis published in The Diplomat, Modern Diplomacy, and InvestorNews. Market data reflects conditions as of August 19–21, 2026.

Distribution: This document is classified as Open Intelligence and may be shared with authorized recipients. For questions regarding distribution or to request a briefing, contact siobhan@khaospartners.com.

KHAOS HOLDINGS

Intelligence for Complex Systems

khaosholdings.com | siobhan@khaospartners.com