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Supply Chains and Rare Earths

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Since the COVID pandemic early in this decade, we have written regularly about the weaknesses in global supply chains that came to light during this period. In reality, this is not just a post-COVID issue, the overreliance on individual countries or companies for certain items in the manufacturing chain is not good practice in any scenario, let alone a pandemic.

The current furore around President Trump's obsession with Greenland is generally being reported on as a NATO issue or through the lens of sovereignty. This is why equity markets only really reacted negatively when the US talked about increasing tariffs on countries rather than when President Trump talks about defence. Sadly, whether Greenland is controlled by Denmark or the US is not a material issue for investors in the short to medium term. Its impact on the global economy over the longer term is what matters.

We actually look at the events of the last twelve months through the lens of accessibility to rare earths and building resilient supply chains. It is interesting that the US has done two 'deals' now on rare earths, one with Ukraine and now one around Greenland.

Rare earths are a group of 17 metallic elements used in many modern technologies, from smartphones and wind turbines to electric vehicles and advanced military systems such as radars and precision-guided weapons. Despite their name, they are not especially rare in the Earth's crust, but economically viable deposits are uncommon and processing them is complex, dirty and expensive, which limits where they are mined and refined.

China currently dominates the rare earth supply chain, producing around 60–70% of global output and handling about 90% of processing, giving it major pricing power and geopolitical leverage. This matters because controlling these materials means influence over strategic industries like clean energy, defence and high-tech manufacturing, all of which are priority sectors for both China and the US. The US is therefore trying to secure alternative supplies at home and with allies to reduce its dependence on Chinese exports, especially after export controls and restrictions were used as a pressure tool in recent trade disputes.

Greenland holds some of the world's largest untapped rare earth element deposits, and has become more and more strategically important as the US, EU, and allies seek alternatives to Chinese-controlled supply chains.

In reality we do not know whether these so-called 'deals' will stand the test of time. We do however know that diversifying supply chains for rare earths is vital in a world driven by technological advances occurring at breakneck speed. Although most of us do not like the approach taken by the current US President, it should not stop us thinking rationally about the underlying resilience all governments need to build into their supply chains moving forward.

To reflect the changing world, Tacit strategies remain more globally diversified than at any time since our inception in 2010 as this is the most effective way of us accessing growth potential whilst managing the risks in induvial countries and companies at present. For a more in depth insight of our current thinking, we held our regular quarterly webinar this week and a recording of this can be accessed using this link: 2026 Q1 Tacit Thought Live Webinar – Tacit Investment Management.

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