

Quote by Anurag Singh, Managing Director and COO GCH, Primus Partners

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Importers fret over China's new critical mineral framework

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China's new framework for mineral resources is stoking concerns among Indian importers as Beijing ties critical supplies to national security objectives, say industry executives and experts. The new regulations will come into effect on June 15. Chinese Premier Li Qiang approved a new set of regulations on the implementation of the country's Mineral Resources Law in May. These regulations "facilitate the proper development and utilisation of mineral resources", a Chinese government statement said.

Officials in India are keeping a close watch on the

situation. Rules to restrict availability across value chain

The new policy formalises China's significant dominance on the critical mineral processing value chain. That country controls 90% of critical mineral processing for the world.

"This makes it more permanent and while ostensibly the idea is to stabilise the supply chain and to avoid price shocks, it also provides stronger control on supply to other countries like India," Manas Majumdar, partner-lead energy & resources at PwC India, told ET.

The policy is presented as a measure to enhance transparency and environmental accountability.

"It equips China with additional tools to derive political and commercial advantages from supply chains in which it holds a dominant position," said Anurag Singh, managing director of Global Capability Hub at Primus Partners.

Given its dominant position in the supply chain of critical minerals, China's decision to secure supplies of these minerals could restrict their availability across the entire value chain, according to K Srikumar, senior vice-president & co-group head at ICRA Ltd.

"This may result in increased price volatility, risks of supply shortages and margin pressures on downstream players, especially in automotive, electronics and associated sectors," he said.

"These measures may shift the balance of power further toward Chinese suppliers relative to customers worldwide," Singh said. But Asia's largest country remains dependent on international demand and has a strong interest in maintaining access to global markets, he added.

According to Srikumar, Indian importers would look at building strategic inventory reserves to manage the near-term impact.

"Medium-term dependence on China would continue given inadequate non-China capacities at present," he added.

