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THE BUILD-OUT

Critical minerals, chips, energy, infrastructure and the supply chains powering Asia's digital economy



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EDITORS' NOTE

Welcome to the July 2026 edition of StoneBench's *The Build-Out* newsletter. From rare earth nationalism to AI-driven electricity surges, from the Strait of Hormuz to Southeast Asian battery storage projects, the physical foundations of the global economy are being actively contested. Asia sits at the centre of this: simultaneously a dominant supplier, a rapidly growing consumer and an increasingly assertive policy actor.

In this edition of the newsletter, we continue to dig a little deeper into the global rise of resource nationalism—not just critical minerals but also key technologies. These resources have become points of contention between the world's largest economies, resulting in other governments following suit.

Globally, export controls, production quotas, processing mandates and investment restrictions have become *de rigeur*, as governments attempt to assert control over critical minerals. According to analysis by global law firm Gibson Dunn, this momentum could expose investors to new "legal risks", such as *force majeure* declarations or outright seizures.

RESOURCE NATIONALISM RATTLES ASIA

In Asia, this is playing out in multiple jurisdictions simultaneously: Vietnam has tightened state control over rare earth mining and banned exports of raw materials. Indonesia's nickel export ban, by contrast, has attracted billions of dollars in downstream investment and become a model for other resource-rich nations seeking to capture more value from their mineral wealth. Outside Asia, the Democratic Republic of Congo imposed a cobalt export ban before replacing it with production quotas, disrupting battery supply chains globally.

Malaysia has emerged as a flashpoint in the rare earths contest, in particular, the ASX-listed Lynas Rare Earths mining company. A long-time point of controversy in the country due to its handling of radioactive waste, Lynas operates the world's largest single rare earths processing plant in Malaysia, making the country a critical node in the non-Chinese supply chain.

As of mid-July 2026, Lynas has come under intense scrutiny due to a recent agreement to supply rare earths to the Pentagon, which has triggered a parliamentary investigation into the deal's implications for Malaysia's foreign policy and strategic minerals sector. Separately, Lynas has signed a long-term partnership with South Korea's JS Link to develop a rare earth permanent magnet factory in Kuantan, Malaysia—deepening the country's role in the downstream magnet supply chain.

THE THUCYDIDES TRAP

The Lynas story has a geopolitical dimension as well. The company has grown its market capitalisation roughly 60 times to A$16 billion by surviving Chinese coercion, Malaysian political pressure and a hostile takeover attempt—becoming the primary non-Chinese rare earths processor in the world. That a single Australian mining company operating in Malaysia has become a strategic asset for the Pentagon illustrates just how thin the non-Chinese supply chain remains, and how much geopolitical weight now rests on a handful of alternative producers.

In this context, the Lynas story offers a miniature version of the deeper structural contest between the US and China. Over the past decade, both countries have sought to exert influence over key commodities trade: China closes off avenues to critical minerals, while the US responds with a global initiative to form a trade zone for critical minerals essential to manufacturing AI, robotics, batteries, smartphones, autonomous devices and weapons.

For some, like Harvard Kennedy School professor Graham Allison (who coined the term "Thucydides Trap"), these dynamics signal the possibility for war between the two great powers.

What's key to look out for is the trajectory of US-China relations over the physical economy. The rare earth export control episode demonstrates that China can inflict significant economic pain on the West without firing a shot—and that Washington now understands this. With the AI economy dependent on critical minerals, whether or not these two countries can manage their competition without triggering real conflict will define the geopolitical environment for the next decade.

For businesses operating across this landscape, the ability to hold positions on both sides of that divide or to build supply chains that are genuinely resilient to either outcome, is becoming a core strategic capability.

In Southeast Asia, governments are taking steps to insulate themselves through build-outs of domestic energy infrastructure and regional partnerships.

SOUTHEAST ASIA BUILDS THE INFRASTRUCTURE OF TRANSITION

While these dynamics roil at the world's biggest stage, in Southeast Asia, governments are taking steps to insulate themselves through build-outs of domestic energy infrastructure and regional partnerships. The hope is that having these resources at home will enable these countries to sustainably leverage technologies such as AI and renewable power generation to drive further economic growth.

Indonesia has formalised an expanded partnership with UNOPS to accelerate its energy transition, covering coal-fired power plant phase-out studies, smart grid development, energy storage systems and renewable energy pre-feasibility work. The Philippines and Japan have signed a memorandum of cooperation on energy, covering renewable energy, grid integration, hydrogen, ammonia, LNG and carbon capture—aligned with Japan's Asia Energy Transition Initiative.

Malaysia is developing one of the region's first large-scale battery energy storage projects under its national MyBeST programme, with a 100 MW/440 MWh facility in Pahang designed to provide peak shaving, frequency regulation and grid balancing as renewable energy penetration increases. The project is being positioned as a reference model for future large-scale battery deployments across Southeast Asia.

The US has expanded a US$491 million grant programme to support critical minerals infrastructure in Zambia.

Africa's copper belt is also being drawn into Asia's orbit. Zambia is experiencing a dramatic turnaround in fortunes as major powers compete for access to its vast copper reserves, driven by surging demand from AI, green energy and defence sectors. The US has expanded a US$491 million grant programme to support critical minerals infrastructure in Zambia, while Vedanta's planned US listing of its CopperTech Metals unit could accelerate a US$2.7 billion expansion of Konkola Copper Mines.

WHAT WE ARE WATCHING FOR

The convergence of AI infrastructure demand, energy transition requirements and geopolitical competition over critical minerals represents a structural reorganisation of the global economy's physical foundations. These are key dynamics to watch:

- **The legal and contractual landscape for mineral investors is being rewritten.** Export controls, processing mandates and production quotas are creating new types of legal risk that existing stabilisation clauses and bilateral investment treaties were not designed to handle. Businesses with exposure to critical mineral supply chains should be reviewing ownership structures, updating contracts and evaluating political-risk insurance as a matter of urgency—not as a precaution, but as a baseline operating requirement.
- **The minerals supply crunch will deepen before it eases.** Years of underinvestment, lengthy permitting timelines and declining ore grades mean the mining industry is structurally ill-prepared to meet surges in demand. Vale's CEO has noted that mineral supply will need to increase five to six times relative to everything mined to date. The challenge lies in whether enough new mines can be developed in time to avoid a significant supply deficit. Companies and governments that move early to secure offtake agreements, processing capacity and supply chain partnerships have structural advantages.
- **Southeast Asia is becoming a critical (and contested) processing hub.** Indonesia's downstream nickel model, Malaysia's rare earth processing role and Vietnam's tightening of state control over rare earth mining all point to Southeast Asia as the region where the battle for processing capacity will be most intensely fought. For businesses, this means that operating in Southeast Asia increasingly requires navigating overlapping foreign policy considerations, parliamentary scrutiny of supply agreements and rapidly shifting regulatory frameworks.

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- **Energy independence is accelerating as an investment and policy theme.** The Strait of Hormuz crisis has made the cost of energy dependence viscerally clear to Asian governments and businesses. Expect accelerated investment in domestic renewable energy, grid-scale battery storage and nuclear capacity across the region. Countries with the ability to offer energy self-sufficiency or to help others achieve it will gain strategic influence. The Philippines-Japan energy partnership and Indonesia's UNOPS collaboration are early signals of a broader regional realignment.