# The Great Chinese Headfake

written by Peter Clausi | December 3, 2024

No, this isn't another article bemoaning China's strategic maneuvers in the critical mineral sector or the West's failure to plan more than one election cycle out. But it does seem China always is at least one step, and usually several steps, ahead. It's as if China is playing the long game. This article asks a different question, namely, what if China is playing an even longer end game than currently thought.

There is a popular (and likely incorrect) anecdote that Chinese Premier Zhou Enlai in 1972 declared it "too soon to tell" the significance of the French Revolution of 1789. Whether he was referring to that Revolution or the Paris Riots of 1968, it is demonstrative of the West's perception of the Chinese as wise long-term planners.

China has established itself as the most dominant force in the critical mineral supply chain. Blessed with abundant large mineral deposits hosting some of the rarest industrial minerals, China also possesses significant portions of global processing capacity for minerals like cobalt, copper, and rare earth elements. This dominance provides China with substantial political leverage, as other countries need these minerals for their own technologies in defense, clean energy, and electronics.

China's Belt and Road Initiative has facilitated extensive investments in critical mineral mines worldwide, particularly in Africa's Democratic Republic of Congo (DRC), where China controls most cobalt mining operations. In fact, globally, China owns or controls roughly 44% of the cobalt supply.

Additionally, China has imposed export restrictions on minerals

like gallium and germanium, which are crucial for semiconductor production. Predictably, in return, limits were imposed on China's access to chips and semiconductors.

In the face of China's relentless advances, the rest of us are spending heavily to play catch-up. We're running a race where the other runner left the starting line thirty years ago. Countries like the United States and Canada are now 'investing' furiously to diversify their supply chains and reduce dependency on Chinese minerals, which by necessity diverts funds from other science. Canada's budget in March, 2023 allocated $70 billion to support investments in clean electricity and clean growth, in addition to the $2.5 billion for Environment and Climate Change Canada.

In comparison, Canada committed $30 billion over 5 years to establish a national child care system. (I realize $30 billion is an unimaginable amount of money, but that works out to only $6 billion a year, or roughly 8% of allocation to clean electricity investments.)

And what if that was the point all along?

I remember reading a short story some years back (I can't find it and I don't remember the title). The plot went like this. American scientists today realize the space race with Russia in the 1950s and 60s yielded very little by way of usable science, but at the time, many high-quality research programs went unfunded as resources were poured into beating Russia to the Moon. It was all about national pride and ego, regardless of the cost, with little to show for it.

In the story, there are rumours that China will fund a program allowing it to be the first nation on Mars. The American scientists with pending research are terrified, not because of China going to Mars but the potential impact it could have on

the American government's ego, who would in turn spend uncountable dollars in a new space race to Mars. The Chinese program to Mars is announced, days later a rival American program is announced. The American scientists see their carefully planned research programs go unfunded as all resources are suddenly concentrated on beating China to Mars, for the good of pride and ego, with a Chinese diplomat laughing quietly in the background.

A situation that may not be entirely different from what is happening today in the critical minerals space.

**Here's a thesis into the longer Chinese game.**

We start with the observation that our world will change. It's inevitable. This blue dot of ours has seen five major mass extinctions. We had very little oxygen in the atmosphere for 4 billion of our 4.5 billion year history, until cyanobacteria released oxygen into seawater and then into the atmosphere, fundamentally changing the nature of life. The magnetic poles have reversed positions roughly 171 times in the past 71 million years, with the most recent reversal coming a mere 780,000 years ago. Falling sea levels helped create the Bering Land Bridge roughly 36,000 years ago, and rising levels covered it 12,000 years ago. There is nothing to be done to compete against these large scale natural events. They are going to happen regardless of how smart we think we are or what technologies we invent.

But a great deal can be done to address the effects of change. Look at the province of Manitoba. The *Winnipeg Free Press* criticized Wab Kinew's budget for not doing anything to battle climate change. The government's response was that fighting climate change was a national and international issue, not one for a provincial government to address on its own. However, it is up to the province to combat the local effects of change,

hence the rebates for electric vehicle purchase, investments in local zero-emission bus manufacturing, and support for cleaner energy solutions like heat pumps.

In 2024, Manitoba budgeted over $51 million for wildfire suppression, with another $19 million to support Manitoba's firefighters. If there will be fires due to climate change, Manitoba intends to be ready to fight them.

Is it possible China, taking the long term view, knows that the climate will change, in some places for better and some places for much worse, but most importantly sees such change as inevitable. It is instead looking at how to place China in a globally superior position once such massive changes are underway. One way to do that is to encourage other countries to expend vast resources on battling climate change, which by necessity takes funds away from other projects like helping people deal with the results of climate change. Meanwhile, behind the Big Red Wall and with its authoritarian government, China could be getting ready to benefit from the consequences of change. The Great Chinese Headfake.

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The upcoming **CMI Summit IV**, themed *The War for Critical Minerals and Capital Resources*, is scheduled to take place in Toronto, Ontario, on May 13-14, 2025. The CMI Summit aims to foster strategic partnerships and develop actionable solutions that support the growing demand for critical minerals, crucial for the advancement of clean energy, technology, and national security.

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