The Eel Trap of Globalization: The West’s Uphill Battle to Reclaim Critical Mineral Supply Chains

written by Jack Lifton | May 18, 2025

The global landscape of critical minerals has undergone significant shifts over the past few decades. Initially, Western nations held the upper hand in exploring, extracting, and processing these valuable resources. However, as globalization progressed and the consumer demand for technological advancements skyrocketed, the dynamics of supply chains evolved rapidly. Countries with the highest grade accessible deposits began to lead in sourcing these essential minerals, followed by establishing local processing facilities to minimize costs. This efficiency-driven transition enabled the creation of comprehensive supply chains, ultimately leading to the migration of end-use product manufacturing to these areas due to their lowest costs.

While optimizing operational efficiencies and reducing expenses, this chain reaction also led to an unforeseen shift in value addition, heavily favoring low-cost countries that matured their industrial capabilities. As Western politicians remained oblivious to this gradual migration of value, business leaders capitalized on the opportunities presented by globalization, reaping immense profits. This short-term gain, however, masked the long-term consequences that are now becoming apparent.

Today, the Western world grapples with the challenge of re-establishing dominance in critical mineral supply chains. This endeavor is further complicated by the entrenched industrial infrastructure and consumer behaviors in countries like China, where the domestic market dynamics have diverged significantly from the West.

The mistake that the governments of the West are all making is that they are trying to re-create a past dominance in critical minerals’ supply chains that was very small and would be today inadequate for the burgeoning needs of technological advances.

Globalization has become an eel trap; you can enter it, but not escape without damage or death. This applies to the People’s Republic of China as much as it does to the United States of America!

The growth of its domestic consumer economy is essential for China to counterbalance any decline in exports from tariff barriers to Chinese manufactured goods or competition from other rapidly evolving economies seeking to capture value additions from natural or skilled labor resources (Vietnam, Malaysia, India, Brazil).

However, any dramatic growth in the Chinese domestic consumer economy is hindered, first of all, by cultural tradition. The Chinese are savers, not spenders. And, the The Chinese Communist Party, which manages the Chinese economy through a comprehensive industrial policy, decided to build massive housing and industrial infrastructure and encourage labor migration to support China’s unprecedented growth from a poor agrarian nation to the world’s manufacturing center in just ONE generation. A foreseeable consequence was a housing boom, and new apartments became the investment du jour for the Chinese people.

Overbuilding became inevitable and obvious recently, so the short-sighted CCP policy triggered a housing price reduction caused by too much supply and diminishing demand. The Chinese government then adopted such practices as “cash for clunkers,” but this was not just for the small fleet of automotive “junkers” that needed replacing, but this oversupply became a cascade also for white goods, large home appliances, in particular. This and the flood of good-quality, lower-cost Chinese automobiles, particularly EVs strongly mandated by the government, had caused a run-up in demand for rare-earth permanent magnet motors (REPMMs) in the Chinese domestic market. Like their foreign counterparts, Chinese regulators had doubled down on previous mistakes and opened the floodgates of the rare earth permanent magnet motor supply chain.

Now, there is overproduction and excess capacity everywhere in the Chinese domestic rare earth permanent magnet motor supply chain.

Chinese companies throughout the REPMM supply chain complain that prices are too low to sustain profitable production and sales.

At this point, the U.S. and European governments have decided to re-shore their once-adequate REPMM manufacturing supply chains.

But all of the added value has long been exported, so re-shoring can only be accomplished and sustained with subsidies and/or tariffs.

Governments learn that they cannot subsidize every aspect of the supply chains for a manufacturing economy unless they want that economy to collapse.

The current continuing emphasis on critical mineral resource discoveries masks the fact that they don’t matter nearly as much in the value stream as the downstream processing and fabricating supply chains necessary for the individual critical elements to be made into end-user-applicable forms for commercial manufacturing.

The Chinese approach, which has been to consolidate the rare earth industry under the control of just a small number—originally 6, now said to be just 3—of large State-Owned Enterprises that control the mining and refining of the structural metals, iron(steel), copper, and aluminum, has allowed the volatility of rare earth pricing to be subsumed into the mammoth cash flows of the major metals.

The U.S. and Europe cannot do this because neither place has such large basic structural metal industries anymore, and neither location has a legislated industrial policy that would allow such interference with the market.

I don’t, therefore, believe that any American or European nation can achieve the building of a profitable rare earth permanent magnet industry at a scale large enough to become self-sufficient without subsidies and protective tariffs.