The Shifting Dynamics of Resource Nationalism as the Demand for Critical Minerals is Set to Soar

written by Jack Lifton | April 18, 2024

In the current global landscape, the management and control of critical minerals such as nickel, lithium, and rare earths are undergoing significant transformation. This transformation is driven not only by market forces but also by strategic national policies. Recent developments in the industry reflect a marked shift from traditional Western dominance towards a model where resource-rich countries are asserting greater control over their natural assets.

The Monopoly of Rare Earths and the Rise of Resource Nationalism

For years, we've observed China's strategic maneuvering to solidify its dominance over the rare earth market. The nation holds the largest operational rare earth mines and processing systems globally. This monopoly has often been criticized as resource nationalism, but it reflects a broader strategy where nations leverage their natural resources for greater economic and strategic autonomy. This approach is evident not only in China but also in countries like Chile and Indonesia, which are now following suit in the lithium and nickel sectors, respectively.

The Case of Chile and SQM

Chile's recent decision to deny a Chinese company's participation in the restructuring of SQM—a major lithium

producer—underscores a significant shift towards nationalizing resource extraction. The government's move to partner SQM with Codelco, traditionally a copper giant, to form a national critical minerals company, is a bold step towards retaining more value within the country. This development is particularly crucial as Chile is the world's second-largest lithium producer after Australia and accounts for 24% of the global lithium production as of 2023.

Indonesia and Nickel: A Strategic Pivot

Similarly, Indonesia, the world's largest nickel producer, has introduced policies that require miners to add downstream value to their operations within the country. This strategy not only enhances the value retained by the local economy but also helps in building a more sustainable and self-sufficient industrial base. Recent production cuts and market dynamics have influenced major players like Glencore PLC (LSE: GLEN) to reconsider their investments. For instance, Glencore's exit from the Koniambo nickel operation in New Caledonia after a substantial investment highlights the challenges companies face due to high operating costs and fluctuating market prices.

Global Implications and the Future Outlook

These national strategies are reshaping global supply chains and the distribution of economic benefits derived from natural resources. The traditional model where Western countries control resource extraction and processing is being challenged, leading to a more multipolar resource governance landscape.

Looking forward, the demand for these critical minerals is set to soar, driven by the growth in technologies such as electric vehicles and renewable energy systems. For example, Moody's forecasts a significant jump in lithium demand, potentially increasing by 150% by the end of this decade and nearly

quadrupling by 2050. However, the entry into new markets such as lithium by companies like Codelco will require substantial capital investment, which could affect their financial stability.

Concluding Thoughts

The evolution of resource nationalism and the strategic repositioning by resource-rich nations are not merely economic decisions but are pivotal to the geopolitical dynamics of the 21st century. As nations like Chile and Indonesia assert greater control over their resources, the global community must navigate this new reality where resource sovereignty becomes a cornerstone of national policy. This shift represents not just an economic transformation but a fundamental realignment of global power structures in the mineral resource sector.