

Exit Strategy: Why U.S. Automakers Must Leave China's Critical Mineral Market

written by Jack Lifton | October 9, 2024

"The dominance of China in the global critical mineral supply chain has made it clear that American-owned automotive manufacturers must reconsider their position in the Chinese domestic market. Just as the 1970s oil shock reshaped global energy dynamics, today's reliance on China threatens the future of Western industries, and time is running out for securing a stable, independent supply of critical minerals." – Jack Lifton, [Critical Minerals Institute](#)

It's time for the American-owned OEM automotive industry to leave the Chinese domestic market. I began my third career following my start in semiconductor metals ultra purification, alloying, and utilization, and then in chemicals-for-electronics processes. I designed, manufactured, and marketed engineered chemical materials to the OEM automotive industry. Although by the mid-1970s, I was "reduced" to making and selling coatings (surface coatings also known as "phosphate," primer, and top coat paints) for the domestic American OEM auto manufacturing industry, it was very lucrative. I kept my hand in electronic materials as a consultant even then.

Back in 1972, the year of the first Arab oil shock, I had just gone broke in my first attempt at a technology start-up, Technovation, a manufacturer of solid-state ferroelectric nonvolatile memories for computer use. GM was then, of course, the world's largest car maker, and, of course, we all believed, it always would be. At that time I also helped out friends at

Ford Truck Operations who were designing the first emission control catalytic converter for their vehicles.

GM, reeling from the consumer reaction to the oil (price) shock and which in 1968 had predicted that 2000 would be a 28 million vehicle sales year in the domestic American market, had been building out capacity to get "ready" for the massive increases in sales that would happen, it believed, until that lofty goal was reached.

Does any of this sound familiar? Does it mimic the predictions of endless growth for a domestic Western EV manufacturing industry?

For those of you under 60, let me explain that what was known as the Arab Oil Price Shock occurred in 1972 when Saudi Arabia and other Gulf States nationalized their, up until then, foreign (British, Dutch, American, and French) owned domestic oil production and (limited) refining industries. The issue was profit sharing. The contentious issue was then the paltry **price** paid to the Arabs compared to that charged by the oil imperialists for the value-added products they sold into their home and foreign markets.

(Note: I paid 18 cents a gallon for regular unleaded gasoline during a 1958 gasoline "price war" in Detroit. (That would be around \$2 in mid-first-term Trump years prices.)

By late 1972 gasoline, if you could find it, had soared to \$2 a gallon (more than \$20 dollars in today's prices). The party was over.

Gasoline prices slowed as the Arabs realized demand would crash if they withheld supplies too long. They even realized that they only controlled the cornerstone of the fossil fuel supply chain, the production of crude oil, the raw material.

Cheap oil with prices controlled by the Seven Sisters was over, the baby OPEC was born, and the domestic American OEM automotive industry entered its (probably) last century of life.

Detroit ignored first Japan and then Korea as the automotive industries of those countries carefully introduced their fuel efficient small cars into the domestic American market. Detroit roared with laughter as Hondas and Toyotas arrived with poor fit and finish and sprayed oil on the windshield when the wipers were turned on. Note, that the first Toyotas didn't require catalytic converters because their engines were too small (inline 4-cylinder) to be regulated. Like World War II, Imperial Navy Destroyers, left clouds of smoke to cover the V8 and V12 behemoths then on the American road.

But unlike the attempt to cover a retreat, the smoke screens masked a long term conquest of a market.

The real damage was done, the PRICING of oil on the world market had added Riyadh, Saudi Arabia, then the world's largest producer, to its controlling circle.

The oil barons of Houston, London, The Hague, and Paris thought that the unlettered Arab oligarchs would let them return to business as usual, the absolute control of global oil prices to end users, after getting a lot more money for Rolls Royces, platinum jewelry, platinum blondes, and Villas in the South of France and Marbella. I personally observed the kowtowing to the representatives of the "Kingdom" of Saudi Arabia in Detroit and Washington, which was nauseating and hypocritical.

OPEC meetings in Vienna were quickly touted by the, even then, imbecilic media, as more important than the Congress of Vienna that "restored" European harmony after the defeat of Napoleon. In fact OPEC, then as now, was an organization to divide up the spoils by setting up production targets and prices. The money

was pretty much for the exclusive use of the self-appointed “princes,” just as it is today for America’s oligarchs and Wall Street’s masters of the universe.

Today, America’s and Europe’s pathetic shadows of their diplomatic and economic forefathers have given the same treatment to the very well lettered and massively prepared Chinese state managers of critical minerals as their predecessors did. They have ignored the “rice eaters” until it has become too late to change anything.

Unlike the path taken by the Arabs with oil, the Chinese have purposely worked for 25 years to build out and build up a world-leading industrial manufacturing colossus supported by a planned STEM and business management-focused national education system and supported most of all by a national industrial policy successfully designed and managed to secure for China a secure and sufficient supply of minerals, a processing and fabricating industry to utilize those minerals, and the marketing skills to support domestic growth to slowly replace export dependence.

China today produces 60% of the world’s output of all finished metals. Therefore, it is the Chinese domestic markets where metal prices are set, not New York or London!

Unlike the Arabs of 1972, today’s Chinese are prepared to compete. Their nation is prepared to be and has absorbed the dominant share of the production or ownership of the world’s supplies of critical minerals.

Prices of critical materials and the forms and quantities in which they are available are increasingly dominated by China. The current and stupidly anti-economic answer to this in the West is a return to the protectionist philosophy of the Smoot-Hawley era when the real American socialists attempted (unsuccessfully) to stave off deflation by a rapid and total

deglobalization and finally undertook a massive state-sponsored build-up of a cheap energy industry to force America into a national re-start. A war started by fascist imperialists to acquire raw materials and land was turned by the entry of the United States into the death knell for Eurocentric imperialism. Paradoxically, the massive available **cheap** power delivered by the Tennessee Valley Authority's build-out in the 1930s allowed the once tiny backwater town of Oak Ridge, Tennessee, to become the world's largest user, per capita, of electric power. The result was that enough uranium 235 was produced in that one town to complete the destruction of the Japanese Empire.

Fast forward to today: The purveyors of the Green New Deal are attempting to destroy the cheap energy regime that built today's America. Their C-Suite and Wall Street enablers support them by using their fantasy as cover for looting the American economy and its now declining manufacturing industries for their benefits. They are today's equivalent of the Arab sheikhs of the 1970s being manipulated by smarter mercantilism in Asia for its own benefit, which is much more widespread among its citizens, by the way, than is the massive redistribution of wealth in America caused by the Green New Deal.

I don't know if a Western secure supply of critical materials and the ability to use them is still achievable.

The clock may be ticking, but I can't hear it anymore.