

The U.S. at a Strategic Crossroads with China – and the Industrial Policy Lifeline (and Relationships) That Could Save Us.

written by Jack Lifton | January 28, 2026

The debate over American economic hegemony is not an abstraction. It is grounded in a concrete truth: **industrial power rests on access to natural resources and the means to convert them into the technologies and infrastructure of prosperity.** The United States and China are now engaged – whether consciously or by consequence – in a competition defined by how each nation secures the foundations of its productive capacity.

China's rise to industrial power was not accidental. It was precipitated by the radical transformation of a largely agrarian society under Mao Zedong and perpetuated by the strategic priorities of his successors. The architects of modern China understood that industrialization demands an unbroken supply of raw materials – metals, minerals, energy – and a workforce capable of harnessing them. They also recognized that these resources are not uniformly located; they are scattered across a global landscape of supply and demand. To rectify this mismatch, China inserted itself into the **world trading system**, joining the World Trade Organization in 2001 and scaling its export-oriented industrial base.

In exchange, Western – particularly American – firms saw an opportunity: access to a vast labor pool and an expanding

market. What China offered was simple in concept but profound in consequence: **manufacturing capacity at scale and cost**. Western capital, technology, management, and intellectual property flowed in. Finished goods flowed out. The world's assembly line was born. Over time, this arrangement conferred enormous advantages on Chinese industry – advantages that are structural, not cyclical.

The Strategic Structure of Resource Dependence

Today, China dominates the production chains for many critical minerals. These are the elements essential to clean energy technologies, advanced electronics, defense systems, and high-speed communications. While their name implies rarity, they are abundant – but difficult to process economically outside of China due to **capital intensity, environmental constraints, and specialized technological expertise**.

By one authoritative measure, China today accounts for roughly **70% of rare earth mining, more than 90% of rare earth processing, and over 90% of the world's rare earth magnet production** – the latter being essential in electric vehicles, drones, and precision guidance systems.

These figures are not anomalies. China's **rare earth oxide output in 2024 was approximately 270,000 tonnes**, about 75% of global production.

The implications are clear: even when the U.S. or its allies possess resource endowments, the **midstream processing capabilities** – refining, separation, alloying, magnet manufacture – are overwhelmingly situated in China. This

structural dominance means that the United States is not merely a consumer of foreign materials; it is **dependent on foreign systems to convert raw inputs into strategic outputs**.

In fact, as of 2024, the U.S. was **100% net-import reliant for 12 critical minerals**, and **50% or greater net-import reliant for 29 more**. Even where domestic extraction exists, without domestic processing, the end products remain foreign-sourced.

This is not a matter of temporary imbalance; it is a **strategic configuration** wrought by decades of policy choices: the embrace of “free markets” absent a coherent industrial plan, the outsourcing of manufacturing, and an assumption that global markets would reliably self-adjust to supply strategic needs.

China's Policy Advantage

China's national strategy has been unapologetically industrial: secure resource chains, build processing capacity, and leverage state coordination to achieve scale. It is not “market capitalism” in the Western sense; it is **state-supported economic mobilization** toward national priorities. A 2025 analysis by the Council on Strategic and International Studies highlighted how China's control – approximately **70% of rare earth mining and 90% of refining capacity** – poses enduring competitive and security challenges.

The West has responded with a patchwork of initiatives and diplomatic alignments – agreements with Australia on critical mineral development totalling **over \$8.5 billion in strategic project pipeline commitments**, for example. Yet the nature of these efforts remains reactive rather than foundational. They do not, by themselves, constitute an integrated industrial policy that places resource access, processing, and advanced

manufacturing at the core of economic strategy.

The Stakes Are Economic, Not Merely Commercial

The challenge posed by China is not a military one first and foremost. It is economic. It is the competition of one **resource-rich, policy-driven industrial state against a Western model that has underinvested in its own industrial backbone**. The weapon in this contest is not a battleship, but control of supply chains that underpin future technologies and security capabilities.

For all its political self-assurance, Europe too has found itself unable to mount a unified industrial response. Fragmented policy, divergent energy and environmental priorities, and dependence on external sources for critical inputs have left it without a coherent strategy commensurate with the scale of the challenge.

Beyond One-Off Measures: The Need for Industrial Coherence

The question before American policymakers and industry leaders is simple: **can the United States articulate and execute an industrial policy capable of defending and advancing its economic primacy?** That policy must be comprehensive, aligning trade measures, research and development funding, education and workforce initiatives, and resource security strategies into a coherent national framework.

Is Washington bureaucratically capable of such transformation?

The answer, in truth, depends less on individual personalities than on whether there is the political will to reconceive economic policy as a strategy rather than as a residual of market orthodoxy.

Conclusion: The Clock Is Ticking

The United States faces a stark strategic choice. It can continue to react to individual symptoms of industrial decline as discrete policy problems. Or it can grasp the broader reality that **industrial power depends on sovereign access to essential materials and the ability to convert them into the technologies that define economic and national strength.**

The United States today remains highly dependent on foreign sources for the materials that underpin future industries. As of 2024, the country was **100% net-import reliant for 12 critical minerals and more than 50 percent net-import reliant for nearly 30 additional ones**, even where domestic resources exist, because the means to process them are largely offshore.

This dependence is not merely a commercial vulnerability – it is a strategic one. It speaks to a **failure of industrial foresight**, where market ideology supplanted national strategy and ceded control of supply chains to states that have shown greater willingness to align policy with long-term industrial objectives.

To meet this challenge, American decision-makers must embrace a practical, coherent industrial policy – one that recognizes not only the imperative of domestic capacity but also the opportunities inherent in solid partnerships with like-minded

neighbors. Canada, for example, has articulated a comprehensive **Critical Minerals Strategy** aimed at growing its supply of responsibly sourced metals and fostering secure supply chains for the advanced technologies of tomorrow.

The United States and Canada have already taken steps toward cooperation through initiatives such as the **Canada-U.S. Joint Action Plan on Critical Minerals Collaboration**, explicitly designed to secure the raw materials needed for aerospace, communications, clean energy, and defense applications.

Recognizing that **industrial destiny is shaped by choices, not inevitabilities**, the U.S. must act with urgency and clarity of purpose. If it fails to do so, it will not be global markets that define its future – but the strategies of those who have already made industrial power a national priority.

The clock is ticking.