

US-EU move forward in anti-Chinese critical mineral supply chain agreement

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The United States and the European Union announced Thursday that they had reached the initial stages of an agreement aimed at establishing a new international supply chain for critical minerals. The purpose of this Critical Minerals Agreement (CMA) is to economically prepare for the escalation of the US-led drive to cripple and dominate China.

Over the last two years, the US and the EU have launched a series of measures to encourage the production of so-called critical minerals. Critical minerals refer to several dozen nonferrous metals that are essential to many aspects of modern production, including batteries, electronics, and advanced weaponry.

Demand for some of these minerals, for example, lithium, is expected to grow by as much as 42 times in the next decade. This is being driven by, among other things, booming sales for electric vehicles (EVs).

The supply chains, however, for critical minerals are dominated by Chinese companies.

Facing lackluster domestic oil production and an increasingly expensive and volatile global oil market outside of its control, China made a strategic bet almost two decades ago to develop a domestic EV supply chain. In order to do so, several Chinese companies emerged in the 2000s that excelled at battery production and the critical minerals necessary to produce them. This, and the turning of China into the world's sweatshop, have caused critical mineral supply chains to be largely controlled by Chinese companies.

As the US prepares for war with China, and leads or cajoles its European allies to join, securing new critical mineral supply chains, as well as battery production, is vital to these military-economic preparations.

The new US-EU CMA lays the groundwork for how the US and the EU will begin to cooperate with each

other on creating these new mineral and EV supply chains, while at the same time reducing the chances that they harm each other's economies in the process. It follows a similar agreement between the US and Australia signed in May.

For months, European lawmakers and car company executives have been upset about the impacts of the Biden administration's Inflation Reduction Act (IRA).

While the act was not seriously aimed at addressing climate change—and, in fact, provided a major boon for the fossil fuel industry—it did create a \$7,500 tax rebate for EVs with a majority of their mineral content made in the US or one of its free trade partners. This significant tax bonus was seen by European car companies as a potentially devastating measure that would prevent the competition of European EVs in the US.

The new EU-US CMA is still being worked out. What has been agreed to, following talks at the G7 and in Sweden last month, is an initial framework for collaboration between the US and the EU on critical minerals.

This initial framework contains two core aspects.

First, the US has agreed to make an exception for the EU in terms of the IRA, therefore giving European critical mineral production the same status as American production. Effectively this means that EVs and batteries made with American and European critical minerals will receive a massive \$7,500 rebate, but companies that rely more on Chinese sources will not. (Because Chinese companies are so widespread in this sector, the IRA only stipulates that at least half of the mineral content should come from the US or an allied country.)

Second, the US and EU have agreed to begin developing a series of cooperative measures aimed at

improving the “sustainability,” “equity,” “environmental protection,” and “labor rights” of critical mineral production.

The true purpose of this language is to cloak the construction of an anti-China supply chain in progressive terms.

“Sustainability” and “labor rights” are not the real concerns of the major capitalist governments, whose industries and militaries pollute and maim on a daily basis. Rather, as they construct their new supply chains with the world’s largest, most advanced mining companies, they will use these claims to drive a wedge between “good” critical minerals—from the US and its allies—and “bad” minerals from China.

The US-EU agreement builds upon existing EU and US agreements, including the Net Zero Industry Act (EU), the Critical Raw Material Act (EU), the CHIPS Act (US) and the Inflation Reduction Act (US), as well as the expanded use of the US’s wartime Defense Production Act. Collectively these are funneling hundreds of billions of dollars towards the development of critical mineral production controlled by the US and the EU.

While the agreement suggests a new period of cooperation between the EU and the US on these issues, it should not be assumed that the tensions between these two blocks have subsided.

In Germany, in particular, there is a high degree of dependency on the Chinese consumer market for the selling of its cars. BMW, for example, sells a third of its cars in China. As the US intensifies its economic and military ensnarement of China, the position of German capital in the country may be disrupted.

This is one of many potential rifts between the ruling class of the US and sections of the European bourgeoisie. As nationalist protectionist measures grow, and all pretenses of supporting the “free market” are abandoned, conflicts between the major imperialist powers are bound to rise and fracture the US-led imperialist world.

Within the borders of Europe there are preparations underway for critical mineral production. However, it is unlikely that production within European borders will significantly change in the next five to 10 years.

Last week, Norway announced that it would open up a massive underwater region in the Arctic to mining. The size of the area it is opening up is equivalent to the

size of Germany. However, the mining would be of a highly experimental character, operating at depths up to 4,000 meters. The minerals beneath the floor bed include cobalt, nickel and copper. But the feasibility and affordability of this potential zone of extraction remains to be seen.

Neighboring Sweden previously announced the find of the largest rare earth deposits in the EU. Now, LKAB, the Swedish company overseeing the development of a new mine to extract these minerals, says the deposit is a quarter larger than they thought.

More importantly, Russia and Ukraine have some of the most substantial reserves of critical minerals in Europe, making the outcome of the NATO-Russia war of key importance for the development of a US-led conflict against China.

The problem, however, with many of these European deposits, including Ukraine’s lithium, Norway’s deep-sea mining, and Sweden’s rare earth find, is that they are all in relatively early stages of speculative exploration. In contrast, the production chains in Russia, Indonesia, Chile, China, Australia and the Congo are proven, long-established sites of profitable extraction.

As in all resource extraction, the feasibility of extracting a resource—the time it takes to develop it, how much is actually there, and the profitability of the operation—cannot be fully understood before extraction. Sweden’s rare earth deposits, for example, are thought to take a minimum of 10 years to develop. This is particularly the case with Norway’s deep-sea mining, an extreme form of production that will not easily compete with cheaper, easier sources elsewhere.

This difficulty in starting new mines for these operations, placed alongside the expected growth in demand for these minerals, further underscores the feverish hunt by the US and the EU to develop these resources.



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