Australian critical minerals vital for US war plans against China

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A report issued in June by the government-sponsored Australian Strategic Policy Institute (ASPI) has provided a revealing insight into the intensifying US preparations for war against China and the centrality of Australia to those plans.

Co-authored by former Australian Labor Party leader and defence minister Kim Beazley, who has life-long links with the US political and military-intelligence apparatus, the report demands a much faster ramping up of weapons making and other military-related production in the US and Australia.

The think tank report also calls for accelerated measures to deprive China of supplies of the critical minerals that are essential for modern warfare, including the manufacture of nuclear warheads, and to divert Australia's substantial volumes of such resources away from processing in China.

This is part of a broader US drive to cut off Chinese access to hi-tech industrial development and cripple its economy. That includes ending, as soon as possible, its current alleged global monopoly over the processing of many rare earths and other critical minerals that are essential for war, as well as for super-computers, AI, batteries and industrial and vehicle electrification.

The ASPI report sheds light on the US drive for war against China, which Washington has designated as an existential threat to American global hegemony. It warns that US industrial and military capacity must be massively increased to develop and sustain the huge military production needed to win what would be a catastrophic war, almost certainly involving nuclear weapons.

The report by Beazley and former prime ministerial advisor Ben Halton is explicit on the urgent necessity for the US to establish control over critical minerals and their processing. "Mass military production wins wars," it declares.

"This is where Australia comes in. Australia has the essential minerals, which are more readily exploitable because they're located in less densely populated or ecologically sensitive areas." Moreover, "Australia is yet to explore 80 percent of the continent for critical minerals."

This is a vision of Australia as a giant quarry for war purposes, as well as a base for US forces and warships.

The report emphasises that the critical mineral supply issue is of paramount importance to the AUKUS military pact between the US, UK and Australia to provide long-range, nuclear-powered attack submarines, hypersonic missiles and other cutting-edge weaponry to be based in Australia.

"Australia is ground zero for AUKUS because the alliance is based on supply-chain security that enables war-winning capabilities," it says.

Titled "AUKUS and critical minerals: Hedging Beijing's pervasive, clever and coordinated statecraft," the report urges a much quicker pace of industrial war preparation, because "establishing a viable non-Chinese supply chain will take years."

This was one of the crucial lessons of the increasingly disastrous US-NATO war against Russia in Ukraine, the report insists, indicating the linkage between the US war operations against Russia and China.

"Suggestions that mass military production is less pertinent in the nuclear age are debatable: the capacity for mass production is as relevant as ever, as highlighted by Russia's invasion of Ukraine.

"The emerging risk of global war aside, the war in Ukraine has at times resembled an emerging war of attrition based not on casualties, but on the ability to resupply the war fighter. Nations such as Russia, Ukraine and even the US are depleting their arsenals to various degrees—remedies include mass industrial production."

A footnote adds: "For instance, the Center for Strategic and International Studies suggests that some 7,000 US Javelin advanced anti-tank weapon systems have been sent to Ukraine as at April 2022, or about one-third of the US arsenal, which will take years to replenish."

Because of its large deposits of critical minerals, as well as its geographic location and bullying pro-US role in the Asia-Pacific region, Australia is pivotal to US war plans.

The report defines critical minerals as "metals, non-metals and minerals essential to economic and national security, the supply chain for which is vulnerable to disruption and serves an essential function in the manufacturing of products, the absence of which would have significant consequences for our economy or our national security."

For example, "some 3,300 items of US military equipment depend on rare earths, which have few known or potential substitutes. They include almost every weapon being used by combatants in Ukraine as well as every fighter jet, navy vessel and nuclear weapon on Earth."

But "China has control over about 94 percent of the world's (usable) rare-earth production."

Also, among the developments at stake is "nanotechnology, which requires extraordinarily compact components with extraordinary performance." It is "dependent upon critical-mineral-based materials. The absence of some minerals may also reduce the option of mass military production to boutique quantities."

Currently, mines in Australia produce a significant proportion of the world's critical minerals, but nearly all are shipped to China for processing. For example, Australia supplies more than half of the world's lithium, yet 96 percent of it goes to China.

Lithium has surpassed liquefied natural gas as Australian capitalism's second biggest export to China behind iron ore, with sales soaring to $7.4 billion between January and June this year, from only $300 million in the same period of 2021.

"Lithium isn't just for batteries," the report points out, "even though batteries account for 74 percent of its global end-use market. It's also essential for armour, airframes, jet engines and nuclear reactors, too."

The report declares that "all AUKUS capabilities and the rules-based order that they uphold, depend heavily on critical minerals." The "rules-based order" is a euphemism for the US-dominated framework imposed internationally to uphold the interests of Wall Street after the American victories over Germany and Japan in World War II.

The report sounds an alarm: "China eclipses not only AUKUS for processing those minerals into usable forms, but the rest of the world combined. Without critical minerals, states are open to economic coercion in various technological industries, and defence manufacturing is particularly exposed to unnecessary supply-chain challenges…

"Currently, China dominates critical-mineral supply chains and has production lines that are secure from 'mine to battlefield.' Its enormous economic reserves of minerals such as rare earths and magnesium also support China's dominant position. Australia is the only nation able to challenge it, and often vastly exceed it, based on proven mineral reserves (and with considerable specialist mineral expertise)."

Australia, the report states, is pivotal not only because of its essential minerals, but because it has supportive universities and other facilities—a revealing comment on the accelerating integration of universities and other services into the development of a war economy—and the capacity to exploit resources in Asia and Africa.

"Australia also has the right expertise, including universities offering the appropriate advanced geoscience degrees, as well as advanced infrastructure, world-class resources technology and deep industry connections with Asia and Africa, which are also vital global sources of critical minerals."

The primary problem confronting the US and its Australian ally, according to the report, is the need to shift to huge government spending and corporate subsidies because of the hefty amounts involved in building critical minerals processing plants, estimated at $1 billion each.

"This issue can only be dealt with strategically, not commercially. We haven't done this since World War II. We didn't need to in the Cold War because the AUKUS nations had negligible dependence on the Soviet Union."

The report adds: "Furthermore, modern weapons systems (as well as vital green technologies) are more dependent on critical minerals than those in service during the Cold War, and current supply chains are beholden to processing in China."

Bluntly, the report states: "The challenge lies in the need to diversify from China. The many attributes of China's dominance in critical minerals include complex and carefully guarded processing capabilities that make critical minerals usable. That extends to the manufacturing of essential inputs to technologies such as rare-earth permanent magnets, which enable technologies such as leading-edge missile guidance, satellites and aircraft."

These problems "are compounded by the unprofitability of much of the critical-mineral markets." The report complains of the failure of most critical minerals start-ups, while accusing China of being responsible for these corporate bankruptcies.

"China's enormous economies of scale, including through the state amalgamation of companies, is remarkable. Beijing has merged 150 private companies into six state-owned enterprises in the rare-earths sector alone. While Beijing's subsidies keep prices low, they also maintain its vast influence over market prices, which disrupts the viability of new entrants, upholding China's monopsony [a market situation in which there is only one buyer]…

"For instance, only one major rare-earth producer independent of China's supply chain survives to this day: Lynas Rare Earths Ltd, a public company registered in Western Australia (WA). It took 11 years for Lynas to turn a profit and enormous strategic foresight and financial support from the Japanese Government totalling hundreds of millions of dollars."

The solution "is for AUKUS and its partners to engage Australia as the spearhead of mineral diversification." No price tag is suggested for this war effort, but it must involve hundreds of billions, if not trillions of dollars, both American and Australian. That money could only come from slashing the social services and conditions of the working class.

The report cites Jeffrey Wilson, a former Director of Research at the US and Australian government-funded Perth USAsia Centre in Western Australia:

> Establishing a viable non-Chinese supply chain will take years and require major government support, international co-operation and collaboration from industrial giants… The Chinese state-owned producers can do the Saudi oil trick: they turn on the taps, flood the market, the price of dysprosium crashes, the new entrant is washed out, and then they've re-established their monopoly.

Also cited is James Kennedy, writing for *National Defense Magazine*, who suggested in 2019 that:

> Out of more than 400 rare earth start-ups publicly listed in 2012, less than five reached production. Of those, only two reached significant volumes. Of those two, one became bankrupt [allegedly because of Chinese market-price manipulation] and resurrected with Chinese financing, and the other lost its operating permit for a short period.

This is a recipe for accusing China of coercively seeking a stranglehold over war-related industries, while going into overdrive to build the expensive plants needed in the US and Australia for amassing vast military stockpiles.

The report concludes: "It's time for AUKUS to act. It's time to allay immediate strategic risk. It's time to secure the liberal-democratic order for the next 75 years. Failure to do so would be unforgivable."

Despite its claims of "stabilising" relations with China, the Albanese Labor government in Australia has already moved aggressively in this direction. This year, Treasurer Jim Chalmers has blocked two investment proposals from Chinese-linked companies dealing with rare earths and lithium. "We'll need to be more assertive about encouraging investment that clearly aligns with our national interest in the longer term," he said in a speech last November.

But much more is being demanded, and much faster, to prepare for what would be a cataclysmic war against China.