

## As Australian leader heads to China, a critical (minerals) issue looms



By [Michael E. Miller](#)

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SYDNEY — When Anthony Albanese sits down with Chinese leader Xi Jinping in Beijing on Monday, the meeting will mark an achievement for the Australian prime minister, who has managed to mend once-fractured relations with his nation’s biggest trading partner without making concessions.

Looming over the event, however, will be Albanese’s previous overseas trip.

A week earlier, Albanese was in Washington, engaging in a not-so-subtle attempt to reduce his country’s reliance on China when it comes to critical minerals.

Albanese and American officials announced a raft of measures to steer Australia’s vast store of critical minerals — metallic elements and minerals crucial for clean energy technologies and some advanced weapons systems — away from being processed in China and instead sent to new plants in their own nations.

“China has a head start, and that means we have to work a little harder and a little faster,” U.S. Secretary of Commerce Gina Raimondo warned at an event with Albanese.

“They have the technology and sustained investment ... to dominate the market for critical minerals,” she continued. “And we all know, if China were to point that new direction unfavorable to us, it can cause a great deal of pain, very quickly.”

Albanese’s language was more cautious ahead of his China trip, which will begin Saturday in Shanghai and is the first by an Australian prime minister in seven years.

But Australian officials are also worried Beijing will cut off critical mineral supply chains — a move that could cripple the world’s transition to cleaner energy and undercut China’s military adversaries.

“China, with its market dominance, has restricted trade in” critical minerals in the past, Madeleine King, Australia’s minister for resources who also traveled to Washington, told The Washington Post. “So we have to have our eyes wide open about the potential for those restrictions. And if we don’t diversify, then we’ll be beholden to them in the future.”

In China, the flurry of U.S.-Australia collaboration on critical minerals is stirring fears that their military cooperation could be creeping into areas that threaten Beijing’s bottom line at a time when the Chinese economy is struggling.

“Under constant pressure from the United States, the foundation of Australia’s previous balanced policy of ‘relying on China for economy and relying on the United States for security’ has been eroded,” Yu Lei, a professor of international politics at Shandong University, told state-affiliated tabloid the Global Times.

The clash over critical minerals is just one front in an intensifying geopolitical contest between Beijing and Washington. The two superpowers increasingly have vied for influence in the Asia Pacific, where China’s growing military strength and assertiveness have spurred new American security initiatives, including a resurrected Quad and a landmark deal to provide Australia with nuclear-powered submarines.

In perhaps his most pointed move, President Biden barred sales of advanced computer chips and chip-making technology to China last year.

The “chip war” has threatened to spread to critical minerals. China recently announced export controls on two metals used to make semiconductors and graphite, which is key to electronic vehicle batteries.

Among the announcements during Albanese’s trip to Washington were a \$150 million U.S. loan for an Australian company building a graphite processing facility in Louisiana and a \$100 million U.S. grant for another Australian company producing synthetic graphite in Tennessee.

These moves, along with others already underway for rare earth elements, are part of a broader global tilt toward protectionism and “friend-shoring” and away from free markets that accelerated during the covid-19 pandemic.

In the case of critical minerals, U.S. and Australian officials argue China already wields near monopolistic control.

“It’s not a free market,” said King. “China has dominated this, and they can dominate any operation they want really because of the nature of their regime.”

China hosts more than half the planet’s production of metals used in electronic vehicles, including lithium, cobalt and manganese. It is the world’s No. 1 graphite producer and exporter, and refines almost all of the global graphite supply. And its state-owned companies have cornered the market on rare earth elements required for super magnets used in advanced weapons systems.

“We’re in a cold war essentially on the trade front now,” said Jeff Green, a defense industry consultant and lobbyist in Washington. “I think the U.S. government is responding in kind. It’s working with allies like Australia, the U.K. and others to try to push back on this.”

China first flexed its critical mineral muscles in 2010 when, amid a maritime dispute with Japan, it suddenly cut off rare earth exports to Tokyo. Trade resumed after two months, but when a mine in Mountain Pass, Calif., tried to begin exporting rare earths to Japan, Chinese state-owned enterprises flooded the market, crushing the price and the American upstart, which eventually filed for bankruptcy.

China did the same thing to Australian company Lynas, which would have gone under had it not received help from the Japanese government.

For years, Lynas was the only major rare earths producer independent of China’s supply chain. It has a processing plant in Malaysia but it is now building one in Texas after its American subsidiary received a \$258 million grant from the U.S. Defense Department.

The Mountain Pass mine has also reopened and begun processing rare earths, thanks to Defense Department funding.

Australia announced a similar deal last year, awarding a loan worth about \$700 million to Australian company Iluka to build a rare earths processing plant Down Under. In Washington, Albanese announced an additional \$1.3 billion in available loans for Australian critical minerals companies.

Kim Beazley, a former Australian defense minister, said it was about time his government intervened to boost domestic processing of critical minerals, rather than sending them to China.

“The Chinese have made absolutely certain with their statecraft that if a competitor gets going, they’ll be rubbed out,” he said. “So we’re practicing a bit of statecraft, too.”

In a [recent paper](#), Beazley warned conflict with Beijing could result in China cutting off the flow of critical minerals. He called for more critical mineral collaboration within AUKUS, the trilateral security partnership of Australia, the United Kingdom and the United States. With investment, Australia could provide the trio with critical minerals for shared weapons systems for decades, he argued.

“We are a good ally, we know where the central weakness is and we have an answer to it,” he said.

More American investment could be coming. Biden has asked Congress to add Australia and the United Kingdom as “domestic sources” under the Defense Production Act. That would open up new investment and export possibilities for Australian critical minerals companies. They could also be eligible for funds from the Inflation Reduction Act passed last year.

Jane Nakano, a senior fellow at the Center for Strategic and International Studies, said Australia deserved the domestic designation given how important it has become to the United States in recent years. She supports diversifying critical mineral supply chains but warned against moving too aggressively to sideline China.

“It would be very challenging to even try to cut China out of the picture without causing major disruptions to deploying these clean energy technologies, not just in the U.S. but elsewhere through commodity prices sky rocketing or becoming quite volatile,” she said.

Marina Zhang, an associate professor at University of Technology Sydney, said American and Australian efforts to reduce reliance on Chinese critical minerals could backfire.

“Critical mineral supply chains, in the context of climate change, are perhaps one of the few areas where the U.S. and China can reach an agreement to work together,” she said.

Australia, meanwhile, was in a “very awkward situation,” torn between economic and national security interests, Zhang argued. It could be years before Australia and the United States are able to process the amount of critical minerals they currently send to China, and, even then, the products would be more expensive.

She and Nakano agreed that the issue is unlikely to come up in Albanese’s meeting with Xi, as neither nation had a reason to raise it right now. But Zhang worried that critical mineral competition could escalate.

“It seems this tug of war, this strategic competition, is getting worse in recent times,” Zhang said. “So we really don’t know what is going to happen.”

*Meaghan Tobin and Pei-Lin Wu in Taipei contributed to this report.*