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U.S. And China Vie For Copper As Demand And Prices Soar

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Jan 23, 2024, 09:00am EST

Updated Jan 23, 2024, 01:39pm EST



Dump trucks transport mined materials along access roads on the excavated terrain of the Veliki ... [+] © 2023

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The world is running short of copper, and companies and countries are scrambling. This essential metal, a staple of civilization going back to the bronze age, is the lifeblood of existing energy infrastructure and cutting-edge technology. Unfortunately, it [faces a projected supply shortfall by 2025](#) with projections showing a [20% price jump by May 2027](#). Annual demand will surge to [36.6 million metric tons by 2031](#), up from 25.3 million in 2021.

This vulnerability isn't merely an economic inconvenience; it's a geopolitical powder keg. The U.S. finds itself in an increasingly high-stakes scramble for global copper supplies against China. If this competition isn't managed the same way the competition for crude oil is, competition for copper could further destabilize the already rocky international system.

China's insatiable appetite for copper is driven by a combination of passively increasing demand from a huge domestic market, its macroeconomic strategy which sees green energy as a frontier it can beat the West in, and its [long term geoeconomic strategy](#) to monopolize the international refining of critical minerals. In line with China's "going out" strategy, this involves a lot of foreign acquisitions in direct competition with Western stakeholders.

Recent acquisitions like MMG Ltd.'s purchase of [Botswana's Khoemacau mine](#) and [Jinchuan Group's](#) investment in Chile's Antofagasta mine highlight this strategy. Moreover, [Xi Jinping's unwavering focus on resource security](#) makes this strategy unlikely to abate. China's economic hiccups haven't derailed this either, [as evidenced by ongoing Belt and Road investments despite loan defaults](#). In Xi's China, damn the profits: geopolitical ambition trumps all.

Beyond supply, as the recent EU measures against China's EV exports demonstrate, [Beijing's hyper-financialized model](#) gives it a worrying edge in cost competition. Chinese producers can throw money at the problem since they enjoy the political support of Xi and have access to the near bottomless coffers of the public treasury. The U.S. needs strategic tools beyond subsidies. Judicious use of tariffs on finished goods, strategically aimed at countering unfair practices, could level the playing field.

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[The CHIPS and Science Act](#) offers a viable blueprint, demonstrating the effectiveness of targeted industrial policy conscious of free market dynamics. A CHIPS HIPS +1%-like approach for copper, [combining export restrictions](#) with expansion of domestic mining and processing subsidies, could be a game-changer. While such measures might temporarily ruffle feathers among domestic copper producers like [Freeport McMoRan](#) and the [Southern Copper Corporation](#), the long-term benefits outweigh the short-term pain. Like in the case of semiconductors, CHIPS-like subsidies can soften the blow and foster domestic production capacity, which is necessary in the era of heightened international tensions.

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But America's obstacles go beyond Chinese aggressive industrial policy. Domestic hurdles like the bloated [the National Environmental Policy Act](#) add years of wait times and hefty costs to project approvals, playing into the hands of [NIMBYism](#) and boosting environmental litigation. Streamlining or reforming NEPA is crucial to creating a nimble and environmentally responsible mining and processing sector.

Copper is only one front of this quiet war. U.S. dependence on China [extends to a constellation of critical minerals—lithium, cobalt, rare earth elements](#)—vital for everything from batteries to renewable energy infrastructure. Diversifying sourcing and boosting domestic production across a broader range of minerals is critical. [Central Asia](#) possesses a wealth of untapped rare-earth element resources, which, if responsibly developed, could contribute to a more diversified and secure supply chain for the U.S.

The stakes are monumental. If China dominates the copper supply chain, it will retain its advantage in EVs and across the entire green energy sector. This leverage will not only hurt U.S. manufacturers, but it could also make other countries more hesitant to challenge its ambitions. The U.S. must act now, deploying every tool in the government toolbox—targeted industrial policy, strategic trade measures, and a more permissive regulatory reform—to win this race and secure its future in the new energy age.

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With Acknowledgment to Annie Robinson



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