

Lifton on China's Attitude towards Trudeau's Proposal for Free Trade

✘ *There is no better sign of the fracturing of globalization than Canadian Prime Minister's, Justin Trudeau's, announcement of his goal of negotiating a mutual free trade pact between Canada and the PRC. In fact when viewed through the lens of "free trade" CIC's, China's large and well capitalized foreign investment firm (owned in part and backed by China's enormous sovereign wealth fund), recent closing of its Toronto office makes very good sense. CIC is acting as the vanguard for Chinese investments worldwide in critical natural resources for China's ongoing industrial and technological development. By closing its office in Toronto's de facto mining finance center CIC and China are sending a strong message to Canada about investing in natural resources development under its, China's, current (WTO[?]) relationship with Canada. I think that China by this move is also sending an unofficial vote of no confidence in a Canada that would join a US led TPP, the trans-Pacific free trade pact that specifically excludes China.*

Note that Chalco's current Molycorp assets bid is primarily targeted at what was Canada's premier rare earth technology utilization company,, the former Neo Materials, and yet it does not involve any revenue producing Canadian operations, but could involve reviving Neo's and the world's formerly largest recycler of gallium perhaps by transferring the technologies to China. If this comes about it will be interesting to see if Neo's Utah, USA, based world-class ultra-purification facility for gallium trichloride used by the chip industry is included as a non-US (Canadian owned) asset.

I believe that Prime Minister Trudeau will receive a warm welcome from the Chinese trade representatives who will be in Davos later this month to hear him speak about his plans and hopes for Canada's economic future.

I firmly believe after reading, for the last year, the commentary on China's new 5-year plan in the Chinese English language press that China's pollution control and switchover from an investment led to a consumer oriented economy places a barrier to any further globalization of natural resources trade and in fact will be the vanguard of a retreat to regional and national resource economics' determinism.

Whether or not China manipulated rare earth prices to topple Molycorp as many conspiracy theorists believe, China will simply not allow foreign markets to restrict its supply of lithium, cobalt, and the other critical materials for alternate energy storage.

You will know if and when China reopens its Toronto CIC office that Prime Minister Trudeau's plan is working.

Molycorp, (The Last) Chapter 11 Exit

There is now a good chance that Molycorp will finally exit  the scene with a last act that was unfortunately very foreseeable. The latest, probably ultimate, chapter of the Molycorp drama has it that the state-owned-enterprise, Chalco, or, as it is sometimes called, Chinalco, China's largest producer of aluminum and one of the six SOEs tasked by the central government to reign in, restructure, and manage a section of the Chinese domestic total rare earth supply chain,

is thought to have made a substantial bid, far above the company's self-assessed valuation, to buy ALL of the **non-US** assets of Molycorp. In other words, Chalco is bidding to buy the former Neo Materials and, perhaps, the former Silmet in Estonia.

I am not really surprised by this action as it has been a year now since Chalco's now subsidiary, Shenghe Resources, which operates a total rare earth supply chain in China, bought an off-take and a participation in the Madagascar deposits of Germany's Tantalus, AG. After that I personally knew of Shenghe approaching two North American juniors. I noted at the time of this activity that it had become apparent that Chalco-Shenghe was operating under the new outreach/outsource paradigm for sourcing critical materials put forward as part of the 5-year plan for 2016-20 by China's President Xi. This is at least a partial break with China's past practice, but I do not think that Shenghe (Chalco) has ever been doing more than testing the waters, so to speak, with regard to buying or joint venturing with North American mining ventures. North America is perceived in Chinese business circles to be a hostile environment politically, and this perception is correct at least with regard to natural resources. After all the only reason that the Chinese petroleum industry did not acquire Molycorp in the first place was the hostility to its offer to buy Unocal in the early 2000s. At that time China was after Unocal's deep sea drilling expertise and technology and Molycorp was just baggage.

I am therefore not surprised that Chalco has specified non-USA assets. It does not want nor does it need any more high cost sources of light rare earths, and the now closed rare earth magnet alloy plant in Tolleson, Arizona has not been profitable since 2012 due to the low cost of Chinese competition. It does however want Neo's expertise in magnets and alloys, and with that acquisition Chalco would be the world leader in bonded rare earth magnets and would acquire

the Singapore and, I believe, Thai R&D operations of the former Neo Material. I suspect also that Chinese engineers could improve Silimae's SX operations, and since feed stock, would no longer be a problem it could use it as a base to aggressively enter the European markets. This would not be welcome by Solvay.

As I've said before China may now move to acquire Lynas, if for no other reason, than to cut Japan off from its currently best non-Chinese source of light rare earths. But the growth of Viet Nam and India in the rare earth space may lessen the value of Lynas to China.

In order to succeed in meeting, the targets for the current 5-year plan China will need not only more lithium than it can produce domestically, much more, but also better technology for battery graphite, and foreign (to China) sources of cobalt.

I predict that China will now look even more to Australia, and Africa, and add both South America, and The South Pacific for the additional critical raw materials it needs to achieve its goals in pollution reduction and the replacement of fossil fuels by alternate energy sources.

All I know is what I see and hear myself, and what I read in the (Chinese translated to English) newspapers, journals, and books. I sometimes wonder if US government planners even do that...