



Letter n°142

Hydrocarbons versus rare earths: A new front in the US–China conflict. China’s strategy (1)

“Those who conduct war properly must not follow events but be in front of them.”
Demosthenes, The Philippics.

Another war is unfolding. Much is said about the technological rivalry between China and the United States. Far less attention is paid to the war over energy and metals.

- In China, as in the United States, there is the *same desire to secure* reserves of raw materials – hydrocarbons, metals, water, and food – and the same quest for energy independence.

In China, this pursuit relies heavily on the development of renewable energy; in the United States, it has focused largely on fossil fuels, the “drill, baby, drill” approach championed by Donald Trump.

- *China has proceeded quietly.* Under the banner of its “Belt and Road” narrative, it has for years been acquiring or taking stakes in mines across Africa, Latin America, and Central Asia.
- *China holds an advantage* because, keenly aware of its weaknesses, dependencies, and vulnerabilities in raw materials, it has long sought to diversify its sources of supply.
- *China is pursuing a long-term strategy.* In the 1990s, Western countries were producers of rare earths, but extraction was highly polluting and water-intensive. Mines were therefore shut down, allowing China to gradually become the world’s leading producer. Today, across the technology sector, this dependence is widely felt.

In this Letter 142, we will examine how China has, for many years, meticulously planned its investments and woven a global web to gain access to, and in some cases control, strategic mines, agricultural land, and oil resources that are essential to its development and in which it is structurally under-endowed.

In Letter 143, we will turn to the response and the attempted counteroffensive of the United States.

China has pursued a policy of prevention:

The proliferation of dominant positions:

Independent of the Made in China 2025 plan unveiled in 2015 with its wide-ranging technological ambitions and recently updated through the new 2026–2030 Five-Year Plan, which sets out goals in artificial intelligence, semiconductors, robotics, space, and nuclear fusion, China has pursued a parallel strategy: securing independence in energy and agricultural commodities, two areas in which it struggles to meet the needs of a population of 1.4 billion.

Viewed through the lens of this quest for independence, China’s emphasis on electric vehicles, solar power, wind energy, and nuclear power can be interpreted in a light that is not purely ecological. Had the fight against pollution taken precedence over the search for energy autonomy, China would long ago have stopped building new coal-fired power plants.

Control of global maritime routes:

China controls seven of the world's ten largest container ports. In Latin America alone, it has invested in around 30 ports in Brazil, Chile, Mexico, Cuba, and most notably Peru, with the opening of a giant port 75 km from Lima in 2024, backed by €3 billion in Chinese investment. This infrastructure will enable China to ship manufactured goods throughout Latin America while securing access to the continent's raw materials, agricultural products, fish, and timber.

To transport these flows, China has also secured more than 50% of the global shipbuilding market, a sector in which the United States is virtually absent.

A global strategy to diversify energy, metals, and agricultural supplies and reduce dependencies:

- The mining example:

For years, China has sought to secure the extraction and refining of strategic resources such as lithium, rare earths, and cobalt. It has pursued an all-out strategy of acquiring controlling or majority stakes in mines across the globe.

In Africa, China has invested heavily in energy, for example oil in Angola, and in mining, notably cobalt in the Democratic Republic of Congo (around 70% of which is controlled by China) and lithium in Zimbabwe, followed by the infrastructure required to transport these outputs.

In recent years, China has also invested some USD 40 billion in Central Asia in mining and hydrocarbons, as well as in Myanmar for rare earths.

In Latin America, bilateral trade amounted to just USD 12 billion in 2000 but exceeded USD 500 billion in 2024 and is expected to continue growing. In Brazil, since 2000, more than 80% of foreign direct investment has been carried out by China. In 2023, BYD even acquired mining rights in Minas Gerais. China operates a giant port in Peru, exploits lithium in Argentina, purchases 60% of Peru's copper, 45% of Bolivia's mineral output, around 70% of Brazil's iron ore, as well as nickel, and more so since Donald Trump's return to the political stage. China has thus overtaken the United States as South America's leading trading partner.

This puts into perspective the likely effectiveness of the so-called Donroe doctrine. Following the recent election in Chile of a president seen as favourable to Trump, it will be interesting to observe how relations with China evolve, given that China currently holds a majority stake in SQM, Chile's leading lithium exporter.

- The agricultural example:

While China accounts for 18% of the world's population, it has only 7% of the world's arable land, and its limited water resources, just 6% of global reserves, constitute a major constraint on development.

From a domestic standpoint, China is concerned about its food dependency: 80% of its soybean needs, 30% of its dairy consumption, and 10% of its meat consumption are met through imports.

Here again, China has sought to gain access to agricultural land around the world and to multiply long-term supply contracts, for example in Brazil for soybeans and in Argentina.

China's relationship with Iran:

Since 2021, China has established a 25-year "strategic partnership" with Iran, involving USD 400 billion in Chinese investments in Iran's energy and transport sectors in exchange for preferential oil purchases. China also opened the doors of the Shanghai Cooperation Organization (SCO) to Iran in 2023 and included Iran in the BRICS framework in 2024.

Today, Iran accounts for nearly 15% of China's oil imports, with about 90% of Iranian crude going to small Chinese refineries through a shadow fleet that relies on multiple transshipments off the coast of Malaysia. In other words, the U.S. demand to halt these transactions, under threat of a 25% tariff increase on exports to the

United States, poses a diplomatic challenge for China. Nevertheless, bilateral trade with Iran remains limited, at under USD 15 billion, compared with USD 100 billion with Saudi Arabia.

China's engagement with Iran has always been marked by caution and forms part of its broader strategy to diversify energy supplies. There has never been a military cooperation agreement. In the Middle East, China remains primarily dependent on Saudi and Emirati oil and carefully avoided taking sides during Israel's offensive in 2025.

China's policy of responding to Trump-era measures

Recent measures to put pressure on the United States:

In response to the U.S. attempt to impose what it considered prohibitive tariffs, China has chosen to target two particularly sensitive areas: soybeans and rare earth metals.

Soybeans, because they are produced in the heart of Republican states. Already in 2018, Trump had to compensate U.S. farmers with USD 23 billion. This year, he promised USD 11 billion after Chinese purchases in the first ten months of 2025 were zero, having been redirected to Brazil.

China's second strategic tool is rare earths. China accounts for 60% of global production and 90% of refining capacity. Delivery threats worry U.S. tech companies, as seen at the end of 2024 when China suspended shipments of antimony, germanium, and gallium. China could also leverage tungsten supplies, essential for both the military and space sectors, in which it produces 80% of the world's output, as a form of strategic pressure.

The ability to resist the United States:

It lies in the diversification of its partners. Oil is a particularly sensitive issue for China, as it is the world's largest importer, consuming 10 million barrels per day, importing more than two-thirds of its crude needs and more than half of its natural gas requirements.

Despite these dependencies, a disruption in supplies from Venezuela or Iran could be managed and compensated.

China's crude oil suppliers are: Russia 20%, Saudi Arabia 14%, Malaysia 13%, Iraq 11.5%, Brazil and the UAE 7% each, Angola 5%, Venezuela 4%, and Iran 13%, equivalent to 400,000 barrels per day.

Conclusion: "The Middle East has the oil, China has the rare earths." Deng Xiaoping

This statement by the Chinese leader dates back to 1992, a testament to his foresight. Whether he was anticipating a struggle with the United States over energy and mineral resources is unclear, but the observation remains relevant today, as the world has changed:

- ***The end of liberal capitalism:*** The era of "happy globalisation," multilateralism, free trade, and the fight against monopolies seems over. Today marks the rise of a power-driven policy, a struggle to secure mineral resources across the globe.
- ***Global growth is energy-hungry:*** Between 1970 and 2020, according to the UN, the quantities of underground resources extracted, such as oil, coal, and minerals, have increased 3.5 times worldwide. Demand is expected to continue growing as emerging economies such as India develop.

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