



Letter n°143

Hydrocarbons versus rare earths: A new front in the US–China conflict. The attempted American counteroffensive (2)

“The father of war is greed, its mother is ambition.” Vauban.

The rivalry between the two great powers has both economic and, indeed, ideological foundations.

- Economic. This relates to the idea of growing demand for certain metals. The issue is not a long-term shortage of reserves, but control over production. Bringing a mine into operation takes years, whereas access to rare earths for the manufacture of semiconductors or fighter jets is an immediate necessity. The United States, like Japan today, has recently grown increasingly uneasy with what it perceives as Chinese leverage, or even coercion, over supply.
- Ideological. Here we find echoes of the theories of Carl Schmitt, the Nazi-era thinker who developed the concept of the “great space”, allowing a dominant power to exercise regional hegemony over subordinate states. Similar echoes can be found in the ideas of Aleksandr Dugin, the fascist ideologue who has influenced Vladimir Putin’s ambition to disregard borders and pursue the conquest of Ukraine.

For a long time, the United States paid little attention to China’s predatory policies. It is now awakening abruptly, increasingly concerned about its dependence on China for rare earths. Let us therefore examine America’s vulnerabilities, Donald Trump’s prioritisation of fossil fuels, the reassertion of the Monroe Doctrine, and recent examples involving Venezuela and Iran.

American vulnerability:

Today, China controls around 60% of global rare earth production and 90% of their refining.

According to the U.S. Department of Defense, producing a single fighter jet requires 408 kilograms of rare earths, while building a submarine requires 4,173 kilograms. The United States controls only 11% of global rare earth production and therefore must rely on imports, often from China. Although the Mountain Pass mine in California is being brought back into operation, this remains insufficient. This explains the expressed interest in Greenland, which, according to the European Union, holds rare earths, 25 of the 34 critical minerals, as well as zinc and titanium, and also molybdenum. To date, however, no mines are in operation, due to a lack of infrastructure, ice-related constraints, and stringent environmental regulations.

Trump's prioritisation of fossil fuels:

Trump’s assessment is straightforward. China is now well ahead in the development of renewable energy. It controls around 80% of the global solar panel market, 60% of wind power and electric batteries, and is the undisputed world leader in the sale of electric vehicles. From Trump’s perspective, following this path would strengthen China’s industrial power, reinforce its dominance, and amount to an admission of American dependence.

According to Trump, the United States’ comparative advantage lies in its abundant reserves of oil, gas, and coal. He therefore dismisses the reality of climate change, downplays the risks associated with greenhouse gas emissions, side-lines electric vehicles, which require six times more strategic metals than internal combustion vehicles, and does everything possible to promote fossil fuels. During his first term, shale oil production

expanded rapidly across the United States. The country once again became the world's leading oil producer, with close to 14 million barrels per day in 2025e, ahead of Saudi Arabia and Russia. Following his election in 2024, Trump also expressed his intention to increase U.S. crude oil production by a further 3 million barrels per day. This objective, however, is incompatible with his parallel goal of keeping oil prices at around \$50 per barrel in order to curb inflation in the United States. The contradiction is clear: production costs in the U.S. are high and generally require a price closer to \$60 per barrel to be profitable. Today, with WTI crude trading around \$59, a decline in the number of active drilling rigs is already evident, suggesting that U.S. crude production may have reached a plateau.

From Trump's perspective, it is therefore necessary to offer American oil companies an alternative, namely, secure access to reserves outside the United States. This explains the renewed offensives targeting Venezuela and Iran.

Another factor is Trump's ambition to reindustrialise the United States. In 2000, industry accounted for 14% of U.S. GDP; today it represents less than 10%. According to Trump, there can be no industrial revival without access to cheap energy. Yet electricity prices are rising by 8% to 10% per year. Data centres are highly energy-intensive, and Trump has halted subsidies for renewable energy.

The reassertion of the Monroe Doctrine:

By reaffirming the Monroe Doctrine and openly presenting itself as a neo-colonial power, the United States is targeting not only a market of 640 million people, but more importantly Latin America's raw materials. Argentina and Bolivia together hold around 60% of global lithium reserves, while Chile and Peru account for one third of global copper production. Chile is the world's leading copper producer and the second-largest producer of lithium.

The United States is also seeking to counter China, which has significantly expanded its trade with Latin America, reaching \$500 billion in 2024 – 40% of which is with Brazil, compared with \$300 billion in trade with Africa. In Latin America, between 2005 and 2023, the U.S. market share fell from 36% to 31%, while China's share rose from 7% to 20%.

Since his re-election, Trump has expressed his desire to regain control of the Panama Canal. However, China, which controls its operations through the company Costco, has so far not relinquished its position.

Trump's interpretation of the Monroe Doctrine is expansive. This is illustrated by U.S. interests in Ukraine and the Congo, as well as his insistence on acquiring Greenland, a territory of 56,000 inhabitants, hosting around 200 U.S. soldiers today compared with 6,000 a few decades ago, and endowed with rare earth resources that are admittedly costly to exploit.

Venezuela and Iran: Examples of American petro-imperialism:

20% of China's supplies come from countries under U.S. sanctions. Trump is trying to cut China's imports of Iranian or Venezuelan crude to gain stronger leverage in discussions on rare earths and to respond to China's acquisitions of stakes in mines under the "Belt and Road" initiative.

- *Venezuela:*

China has lent heavily to Venezuela, probably close to \$100 billion, with about \$10 billion still outstanding. Unable to repay, Venezuela offered oil as compensation, around 400,000 barrels per day, or 4% of China's imports. Given Trump's planned takeover, China could be forced to write off this debt.

Trump aims to take control of Venezuela to pre-empt 30 to 50 million barrels per year, roughly \$2.5 billion, seize the country's oil, bauxite, gold, and nickel reserves, and prevent China from taking control of these resources.

Despite Trump's pressure, major companies such as Exxon, Chevron, and Conoco, wary from past setbacks, are reluctant to invest in Venezuela. Production was 3 million bpd in the early 2000s but has since fallen by a third due to poor management and sanctions. Venezuela is reputed to hold the world's largest crude reserves,

20% of the global total, far ahead of Saudi Arabia, but its crude is heavy. Conoco claims \$12 billion in damages for the 2007 nationalisation of its Venezuelan assets, and Exxon claims \$20 billion. Smaller companies are tempted to produce in Venezuela, but guarantees are required, a regime change would be beneficial, skilled personnel would need to return, and production costs, estimated by Wood Mackenzie at over \$80 per barrel, remain a barrier. Upgrading infrastructure to 2010 production levels would require \$110 billion in investment by 2030, according to Rystad Energy. In neighbouring Guyana, crude is light and therefore more attractive. The Venezuelan vice president is considered illegitimate; Maduro lost the last elections, and Trump would need to support the victorious opposition and establish a legal framework offering guarantees.

In the late 1990s, 1.5 million bpd of Venezuelan crude was processed in the United States; recently, only 135,000 bpd. Trump wants to secure Venezuelan oil for U.S. refineries. Major refineries in Texas and Louisiana, two Republican states, are equipped to process heavy Venezuelan crude.

However, 50 million barrels pre-empted by Trump represent only \$2.5 billion and the equivalent of just a few days of refining in the United States.

- **Iran:**

Trump intends to impose an additional 25% tax on all goods entering the United States from any country that trades with Iran. Meanwhile, Beijing imports up to 90% of Iran's oil, which accounts for roughly 12 to 18% of China's total supplies. In contrast, China exports only about \$6 billion worth of goods to Iran.

Conclusion: "In war, whichever side may call itself the victor, there are no winners, but all are losers." Neville Chamberlain, Speech 1938.

- **The persistent role of oil:** Today, most oil-producing countries are in the global South and aligned with China. Oil still accounts for 30% of global energy demand. Using hydrocarbons as a weapon, Trump aims to counter China's threats regarding rare earths. Is this realistic? In a global environment of overcapacity, China can replace the 4% of imports from Venezuela. The United States, by contrast, will struggle to develop Venezuelan production in a context of low prices.
- **Low oil prices may not last:** While low prices suit Trump, they increasingly burden many countries. According to the IMF, Saudi Arabia needs oil at \$86 per barrel to balance its budget. The same more or less applies to Azerbaijan, Kuwait, and Iraq. Algeria would need a price close to \$150 per barrel. Only the UAE could balance its budget with oil below \$50. Today, OPEC does not dare to contradict Trump – but for how long?
- **Oil as a political weapon:** Oil, like other raw materials, has often been used as a weapon by dictators. It is no coincidence that many resource-rich countries are not democracies. Setting aside Canada, Brazil, and Australia, one can look at Venezuela, Iran, Russia, and many others in Africa or the Middle East.

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