



RESOURCE SECURITY WATCH

The American Foreign Policy Council's Review of
Changes to the Global Strategic Environment

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Related Categories: Energy Security; International Economics and Trade; Resource Security; Arctic

RESOURCE SALES FUEL PUTIN'S WAR... FOR NOW

International sanctions seem to be having only a modest effect on the Russian economy, and the Kremlin's current account surplus is reportedly up from \$28 to \$96 billion in just a year. Even with countries like Germany now reducing their energy dependence on Russia, its oil and gas revenues are expected to hit \$285 billion this year. Furthermore, the country's exports of other commodities like wheat, nickel and palladium more than make up for the \$300 billion in foreign reserves that have been frozen to date. Meanwhile, Europe's hesitancy to implement a comprehensive ban on Russian oil provided Putin time to establish Russia in new markets, namely India and China. From the onset of the war in late February to early May, Indian refiners purchased 20% more Russian crude than they did during the whole of 2021. Meanwhile, China is also taking advantage of discounted barrel prices, and is in talks with Moscow to replenish its strategic crude stockpiles with Russian oil. Whether this economic adaptation is sustainable is an open question, however. Experts predict that the Russian economy will continue to be weakened by sanctions imposed by the international community, raising questions about the long-term viability of its energy and manufacturing sectors. (*Bloomberg*, June 1, 2022)

U.S. WORRIES OVER CHINA'S INFLUENCE OVER LATIN AMERICAN MINERALS...

In early June, the Ninth Summit of the Americas convened in Los Angeles to discuss China's growing influence over Latin America's critical mineral resources. Critical minerals like lithium and nickel are defined as "non-fuel minerals essential to the economic and national security of the United States." Driven by the demand for lithium-intensive clean energy technologies, China's net foreign direct investment in mining overseas between 2018 and 2020 totaled almost \$16 billion – including investments in parts of Argentina, Chile, and Bolivia (a.k.a. the Lithium Triangle) that produce approximately 56 percent of the world's lithium resources. China's broader effort to pursue its Belt and Road Initiative has led the country to make massive investments in Latin America, including a partial acquisition in 2021 of Argentinian lithium mining projects, as well as investments in copper mines in Peru and Colombia. Most recently, Chinese-owned Zijin Mining announced plans to invest \$380 million in a new lithium carbonate plant in Argentina's northern province of Catamarca.

Washington is acutely aware of China's expansion on the continent – and increasingly concerned about it. This is so for good reason. According to a February 2022 U.S. Geological Survey conducted for the Department of Interior, the U.S. is 100 percent net import reliant on 13 of the 33 crucial minerals listed in the survey, and more than 50 percent net import reliant for at least an additional 13 of them. Meanwhile, China was the leading supplier of nearly 40 percent of the essential minerals listed. (*Lawfare*, June 8, 2022)

...AS CHINA LOOKS TO AFRICA IN THE RACE FOR LITHIUM

With China currently producing 80% of electric vehicles (EVs) globally and demand skyrocketing over the past year, the PRC is scrambling to ensure supplies stay stable. According to Shanghai government-supported publication *The Paper*, Shenzhen-headquartered Chinese conglomerate BYD is currently in negotiations to purchase six new lithium mines in unspecified African countries – with the lithium generated by these mines estimated to be enough to produce 28 million EVs. And in the Democratic Republic of Congo, Chinese mining giant Zijin is in a legal battle with Australia's AVZ over control of the Manono mine, which is possibly the world's most significant lithium deposit, housing an estimated 400 million tons of high-grade lithium oxide ore. (*Voice of America*, June 4, 2022; *Epoch Times*, June 21, 2022)

RUSSIAN MILITARY MOVES IN THE ARCTIC WORRY THE WEST

Over the past decade, Russia has significantly expanded its footprint in the Arctic. It has been busy restoring Soviet bases and building new facilities like Trefoil, its northernmost base. In addition to the Kremlin's new "Arctic command," Moscow has established four new Arctic brigades, and renovated airfields and deep-water ports. The U.S. and its NATO allies worry that the Arctic could provide Moscow not only economic benefit, but serve as a new staging area for potential military attacks against the West – worries that have become more acute since Russia's February invasion of neighboring Ukraine. "Seeing Russia's aggressive and unpredictable behavior, particularly since the Ukraine invasion, has heightened concerns about Russian activity," one State Department official has told the media.

The U.S., meanwhile, is strengthening its Arctic military presence as well. In 2021, the United States Army published "Regaining Arctic Dominance," its first-ever strategic plan for the region. And in June 2022 – for the first time in 70 years – the Army announced it is activating a new 12,000-troop-strong Arctic airborne division. Future plans include Naval Arctic maneuvers with ships and submarines and Air Force F-35s deployed to Alaska. Congress has also approved funding for six new ice breakers. Finally, satellites meant to enhance polar communications and offer surveillance on Russia are being launched, along with new radar systems from Alaska to Denmark. (U.S. Army, January 19, 2021; *Yahoo News*, June 10, 2022)