

The Economics of Projected Power

China's Rare Earth Policy v U.S. Aircraft Carriers

While the U.S. continues to project power via military might, China has advanced its own form of warfare on purely economic terms. In order for the U.S. to survive we must incorporate economic strategies as policy. To understand this, consider the example below that compares the costs and benefits of each strategy in the simplest of terms.



A Rare Earth Monopoly vs A Single Aircraft Carrier

USA: A new aircraft carrier cost \$10 billion (Note: batteries not included – a new aircraft carrier requires 90 aircraft and 5000 sailors) and is just one single component of *projected power*. The full cost of U.S. *projected power* includes the rest of the Navy, the Army, Air Force, Marines, CIA, NSA, etc.

The U.S. recently spent over 10 years and at least \$2 trillion dollars in pointless, unwinnable wars trying to gain control over oil, a \$2 trillion market. The U.S. has nothing to show for this and has pushed regional allegiances towards China, Russia and Iran.

This *projected power* strategy has resulted in:

- The U.S. fighting in Afghanistan, Iraq, Libya, Pakistan, etc, etc,.
- The U.S. accumulation of debt and loss of prestige
- The U.S. bringing home body bags and wounded solders

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China: The Chinese government subsidizes the rare earth industry at some unknown cost, but all economic indicators and measures suggest that it is a net positive investment.

China began subsidizing the rare earth industry in the mid-1980s. By gaining control over a \$3 billion market China has gained control over \$4.6 trillion in value added manufacturing and its related IP (worth considerably more). Reports by the GAO and other U.S. investigative bodies confirm that China can halt or even terminate the procurement of multiple U.S. weapons systems that are dependent on value added rare earth materials and components.

This *economic power* strategy has resulted in:

- China's access and control over most U.S. markets (Wal-Mart & Best Buy v. Afghanistan & Iraq)
- China's massive accumulation of U.S. debt as a means of control over U.S. policy
- China brings home profits, IP, technology industries and jobs

This is a war of economics and China is clearly winning.

The U.S. is chasing the past (oil, a 100 year old energy resource), while China develops the next generation of safe nuclear energy (Thorium MSR technology – a proven U.S. technology). Worse yet, the U.S. is actually assisting China in developing this technology at the taxpayer's expense.

Congress needs to understand that a strategy of *projected power* is a cost based system and China's *economic power* strategy is a profit based system. Because China's *economic power* strategy undermines the economic viability of the U.S. *projected power* based system, the U.S. *projected power* system will fail.

It should be obvious that any *projected power* based system is unsustainable without an economic engine. The history of all failed empires confirms this, but they need not be mutually exclusive.

U.S. policy must adopt some balance between *projected power* and economic viability. These policies must match the real world economics of China's State Sponsored Monopoly in rare earths.

There are no 'free market' solutions when critical and strategic resources become the weapon of industrial economic policy for one nation. Molycorp, currently the only U.S. producer of rare earths, has already morphed into part of China's monopoly (they will send 100% of the high value rare earths to China for refining). Even with this contortion of allegiance Molycorp's economic viability is uncertain.

If the U.S. wants to maintain the implements of projected power then it must also establish and support the essential elements of industry and economics. That means that the U.S. must do whatever is necessary to support and defend an economy that provides jobs that offer security and dignity to the men and women who defend this Nation.

Congress and the Administration have a proposal before them that would create a privately funded, owned and operated U.S. Centralized Rare Earth Cooperative that would end China's monopoly. The facility would make the U.S. the new center for rare earth related processing, refining, metallurgy, research and manufacturing and establish an authorized U.S. enterprise that can safely store and develop industrial uses and markets for Thorium, including energy.

Continued Congressional and Administrative inaction is to surrender our fate to China, and surrender is not an acceptable option.