



## How Canadians Can Profit From the China/U.S. Trade War

### Description

The United States relies on China for about 80% of its rare earth elements (REEs), many of which are essential in applications such as wind turbines, EVs, smartphones, military equipment, computer memory, DVDs, rechargeable batteries, catalytic converters, magnets, fluorescent lighting, and much more.

### **Canada accounts for approximately 40-50% of the world's known REE reserves**

Canada has some of the world's largest rare earth deposits and expertise in processing them. Canada also has a reputation for technical and contractual reliability and strict environmental standards.

Canada has the clout to exert political leverage and influence to grow this market and stimulate further production domestically as a trusted advocate of the planet. The current climate should stimulate Canadian rare earth companies to seek investment where needed and to increase their research and development efforts.

The largest and most dominating exporter of these products currently is China. In the 1980s and 1990s, China began a mission to become a global leader in the production of REEs. In 1986, it introduced the National High Technology Research and Development Program. China initiated a long-range plan to utilize its technical talent and resources to take over the market.

The Chinese leadership has long recognized the strategic value of this resource. In 1997, China introduced a second program: the National Basic Research Program of China. This program brought to bear China's scientific talents in conducting innovative research and succeeded on a grand scale.

Finally, China has two state laboratories and two institutes that focus almost exclusively on REEs. One of several negative aspects of China's domination in this market is its history of abusing the environment.

The U.S. was once the number one manufacturer of these rare elements. China took the lead due to the U.S. not making development a priority, and because China plays a dirty game.

Now, the U.S. is a major importer of rare earth materials, with demand for compounds and metals worth US\$160 million in 2018; that's up from US\$137 million in 2017. The country has classified REEs as critical minerals — a distinction that has come to the fore due to the trade war between the U.S. and China.

An excellent play in this specific situation is **Neo Performance Materials** ([TSX:NEO](#)). [The company is a global leader](#) in rare earth material production; it's number one in the markets for several of its business segments.

Neo Performance Materials supplies advanced materials used in a wide range of technology applications. The company engages in the production, processing, and development of rare earth and zirconium-based engineered materials, as well as rare metals including gallium, indium, rhenium, tantalum, and niobium.

## The real deal for REEs

Trade tensions have caught the interest of Canadian rare earth metal explorers who are also looking to position themselves for an expected leap in demand for these metals. This situation creates a real stimulus with these companies and a higher tolerance for risking the expense to ramp up production. Likely, several of the small-cap rare earth companies will seek partnerships or capital-investment assistance to take advantage of the future.

China will continue to be the elephant in the room; however, the United States has a large appetite for these minerals coming from major defence firms and, of course, many large consumer companies. This appetite will keep growing larger, and the products to quench that appetite could very well come from Canadian interests.

The trade war is a reality. It has already lasted over a year, and no immediate end is in sight. [Tariff and currency manipulation](#) have taken a toll on global financial markets in varied ways and will continue to do so on a day-to-day basis.

China has ruled the REE market for many years. Now there is a perfect storm in place that will drive production and push customers to find new purchasing options. Investing in rare earth stocks could potentially reduce some of the pain we all may experience from the trade conflicts between the superpowers.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

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