

# China Collapse

**Biden calls China a 'ticking time bomb' over economic troubles**

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**Probably an understatement!**



(1) Horrible demographics, (2) massive debt load (3) overbuilt infrastructure in colossal proportions (4) low consumer driven economy reliant on exports that is deglobalizing, (5) leadership purge = inept decision-making, (6) oppresses its people so can't get the best out of them, (7) few natural resources and no global navy to get them and protect them, (8) little expertise in making advanced technologies, (9) heavy-handed foreign diplomacy means everyone now hates China and distrusts them, (10) simultaneous inflation due to the fact that China has to import most of its resources that are becoming more expensive, but also deflation due to declining population, no vibrant consumer economy and declining exports due to a deglobalizing world. This last two-punch inflation/deflation has never been seen before in modern economies.

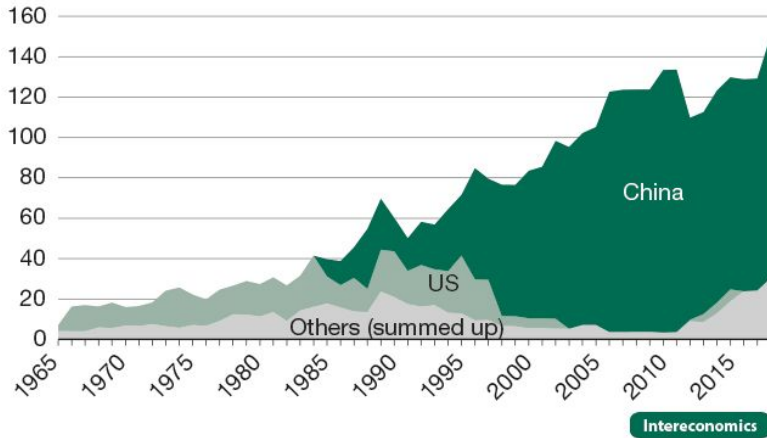
What happens to the world economy when the second largest economy collapses? China already provides huge intermediate processing for many metals and goods. If they go away, who will take up the slack?

A counterpoint, however, is that while China's demographic implosion seals its fate, as an authoritarian country, it has a lot of power to force its population to do things that could postpone its demise, possibly decades. There is good and bad to this. The good is it gives the US and other countries time to reindustrialize and reduce their reliance on China. The bad is that as a geopolitical adversary, it means China sticks around much longer, creating havoc for the U.S. and its allies that costs us in other ways.

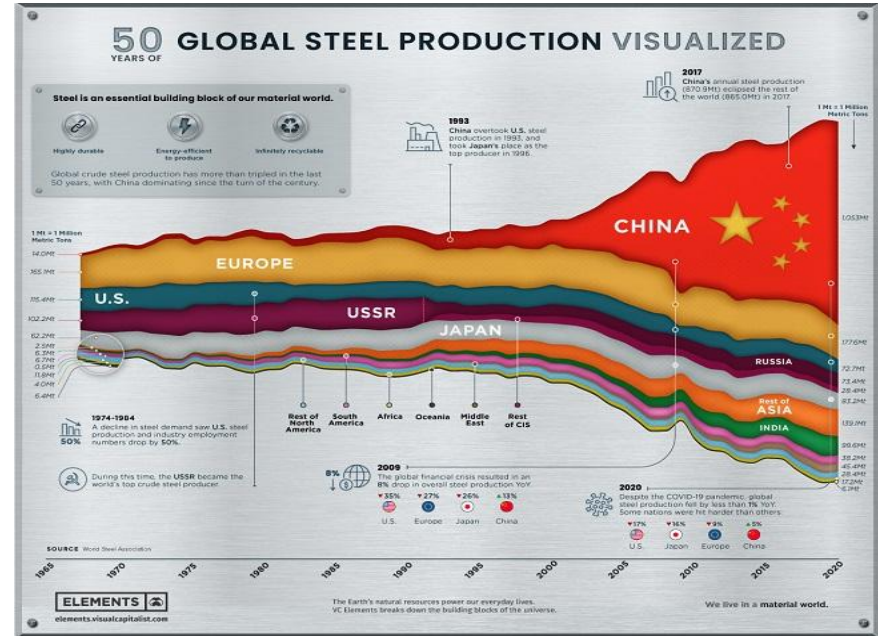
Outcome: no one is insulated because the interconnected effects means the world suffers. It is unknown how this will affect us at present because there are too many variables at play. We have to prepare for worse case scenarios. In the least, we need to reindustrialize as fast as possible and move our reliance away from China.

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Development of the production market of rare earth in kilotonnes



Source: Own illustration, based on data by USGS: Rare Earths, U.S. Geological Survey, Mineral Commodity Summaries, available at [http://minerals.usgs.gov/minerals/pubs/commodity/rare\\_earths/](http://minerals.usgs.gov/minerals/pubs/commodity/rare_earths/), in rare earth oxide equivalent content.



**China's processing and production output is enormous**