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Better-Management Newsletter 25 Mar 2015

The exponential increase in resource depletion / Resource wars / Trying to give wealth to 1.4 billion people / Laissez-faire capitalism

The exponential increase in resource depletion

This email is all about resources. Ten years ago when I started looking critically at oil I found a sense of denial from all mainstream media and government agencies about the finite nature of our global oil endowment and the rate at which we were depleting it. Both the US EIA and the International Energy Agency were consciously overstating oil and gas production potential for the future in a systematic way. At that time, China was a shy and careful international player but at 3.5 million barrels of oil usage per day was a growing user of the world's resources. Now China uses three times that amount of oil and has become extremely assertive with its neighbours in Asia. China consumes about 50% of the world's coal and iron ore and has become a market for everyone in the OECD.

Today China is realising it cannot grow as it did before...from Sinocism...

“[China eyes innovation in face of economic "new normal" - Xinhua](#) A document, co-published by the Communist Party of China (CPC) Central Committee and the State Council, China's cabinet, on Monday underscored the role of innovation-driven development amid the economic "new normal" of slower growth. A government work report, delivered by Chinese Premier Li Keqiang on March 5, highlighted the "twin engines" that would drive development, namely popular entrepreneurship and mass innovation paired with increased supplies of public goods and services.”

Given that governments all try to put an optimistic position forward, this Seeking Alpha article today suggests things are not travelling too well...

“[Activity in China's factory sector slipped](#) to an 11-month low in March as new orders crumbled, a private survey showed. HSBC's flash China manufacturing index dipped to 49.2, from 50.7 in February, while the new orders sub-index fell for the second straight month to 49.3. The poor readings will likely fuel calls for more stimulus measures as persistent weakness plagues the world's second-largest economy despite two recent rate cuts and other easing.”

Yet I have remarked to you on a regular basis about the way China is forward committing oil supplier countries (particularly in the third world) to selling their oil to them. To achieve this they have uncritically supported every regime with access to oil and have arranged for US dollar denominated loans to producers of 20 billion here and 26 billion there to many of the world's major oil suppliers including the Saudis, Iran, Russian Gazprom, Russian Rosneft, Venezuela and Sudan – among others. China is not yet ready to use this committed capacity but now does use some of it. Always they contract on the basis of paying world market prices. However this will provide them with future preferential access in times of

scarcity. CNOOC and Sinopec (state owned Chinese corporations with unlimited access to funds) are also buying up long life reserves in Western countries (including Canada).

The same techniques are being used for uranium and gold. Should second tier iron ore suppliers like Australia's Fortescue become insolvent on the falling market prices, Chinese interests will likely buy them because that has become a solid ongoing pattern of Chinese resource capture.

The biggest problem for our children and grandchildren is going to be the exponential increase in resource depletion.

It is not just a land issue, or an atmospheric pollution issue. If we take the ocean, we have fished a number of species to the point where the fishery in various areas has collapsed. It seems likely the total global wild fish catch will be down year of year from now on as incentives are given to the world's fishing fleets by their governments – to use more technology and go further. The progressive increase in fish farming will not help us because we need to feed those fish with other fish of a lower value, and typically fish farms provide concentrated wastes that normally get washed elsewhere by the tide.

Resource wars

Now China is saying they want to push the game faster and take a bigger share. This is the stuff resource wars are made of...

http://www.businessspectator.com.au/article/2015/3/24/china/australian-land-rights-china-really-wants?utm_source=exact&utm_medium=email&utm_content=1227601&utm_campaign=kgb&modapt=

There will soon come a time when krill are threatened and then the entire ocean food chain will be pushed closer to collapse.

China is just doing what everyone else wants to do and making the same mistakes – particularly with debt...

<http://www.theepochtimes.com/n3/1294575-chinese-economy-dangles-on-a-cliff/>

Trying to give wealth to 1.4 billion people

To be fair, trying to give wealth to 1.4 billion people is a hard task and many have so far been left behind. This has already changed the face of the Chinese Communist Party...

https://www.stratfor.com/weekly/chinas-fragile-evolution?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150324&mc_cid=00cc8cbed1&mc_eid=f6520e17b6

Following the loss of spectacular Chinese “growth”, the downturn in commodity prices does not mean there will be less aggressive resource utilisation or less pollution. It means that producers will need to sell more as they try to use economies of scale to make the profits necessary to pay their way. But meantime we have news today that all coal fired power plants

in Beijing are to be closed down. This is due to pollution but it suggests that marginal coal producers could eventually become dinosaurs.

Laissez-faire capitalism

Unfortunately the increase in resource exploitation is a feature of laissez-faire capitalism. Governments can regulate production and stimulate or restrain consumption, but laissez-faire capitalism will always promote growth, volume and profit. Thereby providing challenges for global resource depletion and waste sinks (whether oceanic, air or land). How China has varied is that they have had a form of laissez-faire central direction, where local governments and petty functionaries have generated great wealth for themselves and burdened government with huge debts. So much investment has been poorly targeted.

So just in case you are wondering, I have the same criticism of economists who do not understand the geological reality of finite resources, as I do of laissez-faire capitalism.

Meantime, the rest of us get on with the job of making a living under the rules we are given. The best we can hope for is stability...until time runs out.... or something entirely different comes along.....