



A podcast about the economics of trade & policy  
with Chad P. Bown

## Episode 205. Trump's Ukraine minerals deal and China

[Episode webpage](#)

March 10, 2025

Transcript

(lightly edited)



**Chad Bown:** On February 28<sup>th</sup>, an Oval Office meeting between American President Donald Trump and Ukrainian President Volodymyr Zelenskyy turned into a shouting match.

**President Donald Trump (Oval Office, February 28, 2025):** *"You're not in a good position. You don't have the cards right now."*

**President Volodymyr Zelenskyy:** *"We're not playing cards."*

**President Donald Trump:** *You're gambling with the lives of millions of people. You're gambling with World War III..."*

**Chad Bown:** This isn't a podcast about World War III. It's about what the two presidents were discussing before everything went wrong...

**President Donald Trump (Oval Office, February 28, 2025):** *It is an honor to have President Zelenskyy of Ukraine. We have been working very hard and very close... We have something that is a very fair deal. We look forward to getting it and digging, digging, digging and getting some of the rare earth. That means we will be inside. It is a big commitment for the United States and we appreciate working with you very much. We will continue to do that...We're going to sign the agreement at the conference in the East Room in a little while, right after lunch.*



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**Chad Bown:** As we record this, Presidents Trump and Zelensky haven't signed that agreement - relations still aren't great since their argument. But it's still a possibility.

In this episode we ask why anyone would *want* a critical minerals deal, and what one would mean. This is part of a much bigger story, about trade, national security, and... China.

I'm going to be joined by a very special guest.

**Geoff Pyatt:** Geoff Pyatt.

**Chad Bown:** Geoff Pyatt is a retired American diplomat. For 35 years, he worked in the foreign service for American presidents of both political parties. He was US ambassador to Greece under Presidents Obama, Trump, and Biden. He was US ambassador to Ukraine during Russia's invasion of Crimea in 2014. Most importantly for today's show, Geoff was America's top diplomat for critical minerals – as the Assistant Secretary of State for Energy and Resources – from 2022 to early 2025.

**Chad Bown:** You are listening to an episode of *Trade Talks*, a podcast about the economics of trade and policy. I'm your host, Chad Bown, the Reginald Jones Senior Fellow, at the Peterson Institute for International Economics in Washington.

## **PART 1. DEFINING THE PROBLEM**

**Chad Bown:** To kick off, let's talk about why critical minerals are so important today. So what are critical minerals actually *used* for?

**Geoff Pyatt:** What makes the whole issue around critical minerals so fascinating is how it connects to the energy transition that the world is going through. You're seeing a massive build out of electric capacity – what the International Energy Agency calls the electrification of everything – combined with significant growth in energy demand globally from two or three sets of issues. There's going to be a massive increase in power demand as a result of the AI revolution, especially in the next couple of years while these new models are being trained.

But another hugely important aspect of this is cooling. Because of a changing climate, we're requiring a lot more power to provide the cooling that citizens require, and not just in the developed world, but in the developing world. From countries like India, Indonesia, Nigeria, Kenya, South Africa, Brazil, all of which are seeing massive growth in power demand because



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people are moving into the middle class at hundreds of millions a year, and they all want the same things that we have: big screen color TVs, refrigerators and freezers to store their food, computers, and that cooling again.

And what's really fascinating is how the requirement for that additional power, as we look at the margins today, it's almost all clean. Well over 90 percent of the power that's now being installed onto the U.S. grid is wind and solar. And if you look at the permits that are in the pipeline for interconnection, it's wind, it's solar, and critically storage.

And that brings us to minerals. Because one of the things that we need a whole lot more of to transmit that electricity, to generate it, but especially to store it, is critical minerals. Cobalt, lithium, nickel, zinc, copper, rare earths – and now all of a sudden they're being thought of as strategic assets.

Which is how you get to what happened last week. President Zelensky in the Oval Office with President Trump. And what are they talking about? But a critical minerals agreement.

**Chad Bown:** Great – and we will definitely come back to that agreement.

But now I want to keep going with the underlying economics. So the transition away from fossil fuels means *demand* is rising a lot – the International Energy Agency put out a report recently that demand for lithium might grow by something like 40 times between now and 2040. And over the next few years we're going to need a lot more graphite, nickel, and cobalt too.

But what about *supply*? How easy is it to match all that demand?

**Geoff Pyatt:** First the mining industry historically has had a checkered reputation in terms of environmental practices and social standards. A lot of these mineral resources – and they're all where God put them – but a lot of them are in developing countries that understandably want to enjoy the benefits of that resource, if it's going to be extracted.

And then critically, the other piece that doesn't get enough attention is processing, because it's not just a matter of where the minerals are found in the ground, it's how you transform that raw ore, those rocks. into the commodities that we need to put into our rare earth magnets or into our batteries.

And this is an area where we have a huge geopolitical challenge because the industry over the past decade or two has become overwhelmingly dominated by one country. And that one country is China.



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**Chad Bown:** Right - China is hugely dominant in the *production* of critical minerals – for some it's as much as 70 percent of the global market. And it also is *massive* in their processing – sometimes over 90 percent of the world total. So how did we get here and why does it matter?

**Geoff Pyatt:** This is a result of Chinese industrial policy, which set out systematically Both to monopolize the upstream supply – so buying up mines in Africa, in South America – but also to concentrate the processing industry.

This has not been a great deal for the developing countries. So in a lot of cases, you're talking about raw ore being extracted with poor environmental practices in sub Saharan Africa put on a ship, sent off to China where the processing and value addition happens, and then selling it to the world.

I think the key point is we have to attack two challenges at the same time. We have to grow the supply of these materials to meet our energy transition goals. But we have to do so in a way that doesn't reinforce the high level of concentration that exists today.

When you have a growing market, a growing requirement, even if we're super successful in adding additional non-Chinese capacity for processing at the margins – and whether those are projects in, in Ukraine, in Central Asia, or here in the United States as the Trump administration wants to do – even if we're really successful at that, when we're so deep in a hole in terms of China's dominance of the market, it's going to be a generational task to grow ourselves out of the vulnerability that this dependence on a single source of supply creates.

So the Trump administration is laser focused on the economic and trade policy contest in which we are engaged with China. I would argue that what the Trump administration is doing, and its basic approach does not depart that dramatically from where the Biden administration was, in terms of concern about China's market dominance.

## **PART 2. WHY CHINA'S MARKET DOMINANCE IS A PROBLEM**

**Chad Bown:** I want to dive into the *specific* concerns associated with China's dominance of critical mineral supplies. And in some cases there is a very familiar story of overcapacity...

**Geoff Pyatt:** You see what's happened, for instance, in the area of nickel, where China has made huge investments in especially Indonesia, oftentimes with terrible, terrible environmental practices, poor worker rights practices, which have been widely dominated. Nobody in



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Indonesia wants this, but that's the situation that we have today. And as a result, China is able to manipulate markets. So there is a huge problem right now over the short term of oversupply in refined nickel.

Now everybody looks out to the 2030s and beyond. There's going to be more than enough demand at that point. But the current oversupply, and the currently depressed prices, makes it very hard to incentivize the investment required to build up alternative supply chains, whether here in the United States or in Canada.

Take Australia, especially. You have an economy in Western Australia which is overwhelmingly dominated by mineral and energy extraction industries.

And so when mines start closing and projects go belly up because of an adverse market environment, because of Chinese oversupply, it's not just a strategic concern in Western Australia. It's actually a national political concern.

**Chad Bown:** So policymakers and even business leaders might *want* to diversify supplies. But that is really hard when prices are being driven so low by all the Chinese extraction, and the financial incentives just aren't there.

Today the problem is that Chinese production is too high. The worry is that *tomorrow* it'll suddenly be too low.

**Geoff Pyatt:** The other aspect is something that our allies in Japan are especially familiar with, which is China's demonstrated willingness to use its domination of certain critical mineral supply chains to pursue its strategic objectives. So, about a decade ago, the Chinese were upset about some things that Japan had done and some statements that the Japanese had made around territorial issues.

And so they cut off the supply of rare earths which had an immediate impact on the sustainability of Japan's industry that uses permanent magnets in everything from electric motors to wind turbines.

**Chad Bown:** Back in the early 2010s when this happened, suddenly the Japanese had to scramble...

**Geoff Pyatt:** That was what led the Japanese government and JOGMEC, the Japanese government's agency for resource security, to invest in the diversification of supply chains.



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And in fact, it's that governmental investment from JOGMEC that was indispensable to getting certain projects, including projects in Western Australia, again, through that "valley of death" that's part of the investment cycle in a long lead sector like mining.

And I should have said at the beginning, one of the things that makes this sector challenging is, first of all, there's a huge upfront capital requirement. You have to sink hundreds of millions of dollars into the ground before you're going to have your first extractable commodities. And then you have to process them. So the cycle time from prospecting to first production to return on investment is measured in decades. And that means that anything that's decided here in 2025 is not going to show results until the 2030s.

**Chad Bown:** Solutions are slow, while problems can emerge *quickly*. A lesson the Chinese taught its trading partners again recently...

**Geoff Pyatt:** Japan was early to this party in terms of experiencing China's willingness to manipulate supplies of critical minerals. But we all got a wakeup call last year when China took a couple of steps. First was the announcement of new export controls on what in government we came to call the "three G's": gallium, germanium, and graphite. (You can add antimony, but it doesn't sound as good if you say "three G's and an A.") And more recently, you've seen, after I left, left government the finalization of new Chinese controls on rare earth magnet manufactures.

So, all of these point to China's awareness of its market power. And its willingness to leverage that market power.

**Chad Bown:** To give you a sense of how important those three Gs are for some of today's most essential products: gallium is used in semiconductors and solar panels. You need germanium also for semiconductors as well as for fibre optics. And graphite goes in batteries for energy storage or electric vehicles.

Importers of these critical minerals saw China's restrictions as a big deal.

**Geoff Pyatt:** I, and others, in the Biden administration were right in the middle of working with our allies as this began to unfold. Not surprisingly, the Japanese were one of the first to express grave concern. Korea, as well, as a country that has made a huge, huge investment in working to diversify battery supply chains and big Korean chaebols that have moved into this sector in a big way in part to support their electric vehicle industry, but also in a strategic way here in the United States, incentivized by the Inflation Reduction Act.



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So, you saw different responses from different countries also here in the United States talking to our different auto manufacturers. Nobody was excited about this. Different market players had different ideas about how to solve it.

There were some of our international partners who said, “Well, we just have to talk to the Chinese and tell them not to do this.” That's not a very good diplomatic strategy.

**Chad Bown:** So, what is a good strategy?

**Geoff Pyatt:** It's essentially to build alternatives. And frankly, that's the right way to attack this problem. If you have a market manipulator, in an international environment where there is no equivalent of the SEC or the Federal Trade Commission to rule against anti-competitive practices, what you have to do is change the market dynamics. And you change the market dynamics by developing alternative sources and making the upfront investments that are required to achieve that.

Now, just like the conversation that we had with our European allies around Russian gas supply, there will always be people who will say, “well, you're never going to beat the China price so this is a waste of time.” Very much like some elements of German industry were arguing until February of 2022, “of course, we should build Nord Stream because Russian gas is so cheap. It's how we maintain our economic competitiveness.”

But in both those instances, I would argue that there is a hidden price related to security of supply and national security. And certainly that's what Russia's weaponization of its gas resources taught Europe. And it's also, I would argue, what China's behavior in the critical minerals area has taught all of us.

And I will always remember last year during the U.S.-EU Energy Council here in Washington at the State Department, and the senior European was Energy Commissioner Kadri Simpson, who I think played a historically important role. I will always remember Commissioner Simpson saying, “We must not trade an era of European dependence on Russian gas for a new era of collective dependence on Chinese critical minerals.”

So we have to build up that alternative supply. And that's what the Biden administration was trying to do. And it appears that the Trump administration, although they may not want to say that they're building on what the Biden administration did, that's the fact of the case and that seems to be where President Trump is leading as well.



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### **PART 3. THE STRATEGY SO FAR**

**Chad Bown:** Diversifying critical minerals supply chains is a bipartisan issue. It's also hard, and slow. The work has already started, though.

The Inflation Reduction Act – or IRA – signed into law by the Biden administration was part of the effort. Geoff got confirmed in September 2022, so literally one month after IRA goes into effect.

**Geoff Pyatt:** My first year in office was dominated by conversations around the world with our international partners as they were trying to size up this huge move by the Biden administration. And remember the top line figures, \$36 billion a year of investment focused on clean energy with the assurance of 10 years of predictability, so \$360 billion.

When I first started traveling around the world as Assistant Secretary and talking about this the initial reaction was, “whoa, that's not fair,” because you saw a giant sucking sound as investment flowed towards the United States to leverage these incentives.

But I think over time, that sort of shock and awe initial reaction has shifted. It was fascinating to me that the Japanese, who are hugely important partners, uniquely important energy partners in some ways, because they are both know very energy insecure – much more energy insecure than the United States, but they also have the entrepreneurial culture and the investment capacity that can move global markets – and so it was fascinating to me when the Japanese and my counterparts at METI and MOFA started to talk about how their GX law was essentially a Japanese IRA. Same in India with something called the production linked incentives. And Europe as well through its Green New Deal and now with the Draghi package as well.

**Chad Bown:** I remember the initial backlash to IRA too. Allies like Korea and Europe really weren't happy about all the incentives to buy US-made stuff. But some of the incentives were more sophisticated.

Take the consumer tax credits for electric vehicles. This is Section 30D for the IRA nerds out there.

For a car model to be eligible for this consumer tax credit, IRA said that the bulk of the critical minerals for the battery was eventually going to have to come from outside of China. So, the law was specifically designed to diversify supply chains.





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Some of the work of the State Department is just explaining what things like IRA are supposed to do. But there was also more going on...

**Geoff Pyatt:** What the State Department does is international partnerships. You know, ultimately the mandate of the Department of State is not to invest in mines or mineral processing projects – we’re not very good at that kind of thing – but what the State Department does is we build partnerships. So, this was before my arrival as Assistant Secretary that Undersecretary Fernandez began the work to put together the Mineral Security Partnership which was formalized soon after my confirmation in, in September of 22 at the UN General Assembly.

So the MSP initially began as a coalition of mainly buyers of critical minerals – the usual suspects, European Union, Australia, Canada, Japan, Korea. You can imagine the list.

But from the beginning, there was a determination among the MSP partners to reach out to the supplier countries. I'll always remember at that first ministerial we had at the UN in 2022, one of the African ministers came up to me and she said something along the lines of, “Ambassador I'm just so glad you Americans are talking to us about these issues because, you know, too long. We only heard from China. It was only China that was showing up.” And boy, I, if I had kept track of how many times I had some version of that conversation in the developing world over the past two and a half years, it was remarkable to me.

They always would say, “we're so glad America is back in the business of focusing on these commodity sectors. We want to work with you to bring in American companies, but please know that I've got a Chinese official waiting in the ante room. And if you don't show up and deliver investment I'm going to have that Chinese interlocutor pursuing me for sure.”

**Chad Bown:** “MSP” is a true trade acronym. Hard to remember, hard to shorten - up there with CPTPP and USMCA. But beneath the terrible acronym, there was some substance.

**Geoff Pyatt:** The real genius of MSP, aside from creating this coalition of countries who are going to work together to diversify the market and grow supply – and it's really important – but the first document agreed by the MSP partners was a set of principles. So, the MSP principles address things like environmental practices and worker rights, because we were clear from the beginning that we did not want to have a race to the bottom with the Chinese. We wanted to appeal to the producer countries that wanted a higher standard.



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The first sign for me that we were really onto something with MSP came maybe in January of 2023. I was in New Delhi and I was meeting with a senior official at the foreign ministry and she said to me, “Hey, Geoff, how come we weren't invited to participate in this MSP thing?”

So, we brought India in a couple of months later. Bringing India in changed the complexion of the MSP partnership and made clear that the Global South, the developing countries, non-aligned countries, if that word means anything still, were part of the discussion.

Over time, we've continued to refine the concept and worked very closely with the Europeans. In order to stand up a thing called the MSP Forum, which creates a formal platform for the producer countries, especially the developing world producer countries, to be part of the MSP and basically gives them a platform to make their pitch.

**Chad Bown:** The MSP isn't just a talking shop. It's supposed to connect public financing with private sector companies to do mining or processing that are often in developing countries. How does it work?

**Geoff Pyatt:** The State Department put together with our partners at SAFE – which is an NGO ‘Securing America's Future Energy (SAFE) – created a thing called MINVEST, which is essentially a private sector counterpart to the MSP, so a platform that brings together companies that are active and interested in this space.

And I want to emphasize, at the end of the day, this whole sector is about private capital allocation and, you know, the, the numbers involved, the billions of dollars of investment that are required, there's no part of the US government that can deliver that. We can affect things at the margins and part of the logic of the MSP has been to create opportunities to crowd in finance.

So, when we find a project that we want to make sure stays not with China figuring out where can we mobilize resources – from DFC, from EXIM, from TDA in the U.S., from JOGMEC in Japan, from the Canadian government, from the European Union, from the Australian government – so it's a matter of cobbling together these international partnerships because everybody agrees on the core goal, which is we need to grow supply. And we need to diversify.

**Chad Bown:** Ok... maybe bad acronyms aren't only a thing in trade. DFC, EXIM and TDA are US government agencies available to provide specific kinds of public sector financing for projects. And I just want to note that in some cases they haven't been allowed to make these kinds of investments on their own. They need Congress to get involved to change who and what these



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agencies are allowed to authorize funds for. There are just a lot of moving parts here domestically in the United States as well.

And JOGMEC is the Japan Organization for Metals and Energy Security – a Japanese government agency supporting similar projects.

Okay - so you've matched people. I do think it's important that, comparing today with four years ago, one big difference is that there is now a large coalition of countries – i.e., the US, Japan, Korea, and Europe – all wanting an alternative source of supply from China. There is also a growing coalition of developing countries in MSP with mines for these minerals that would like a diversified set of buyers for processing – and not just buyers from China who can exert market power over them.

But that doesn't solve the whole problem. The MSP is at most only a small player because these projects are so big financially. Because like we were saying earlier, you need incentives. Take the example of lithium, which is used for energy storage.

**Geoff Pyatt:** Right now you've got a very soft oversupply global lithium market, but we've just seen the finalization of a \$6.7 billion investment by Rio Tinto, one of the world's largest mining companies, to acquire a company called Arcadian Lithium. And that for me is an indicator that the markets see where this sector is going over the long term.

The challenge is we need a lot more of those kind of projects. So, you see how the market is responding, but we have to have the incentives in place. We talked earlier about the IRA requirements, but the incentives in place to design out the dependency on China.

Markets alone will not deliver that outcome. And so we have to figure out what are the policy instruments that we have to achieve that objective.

**Chad Bown:** Even if the MSP isn't going to fix the problem on its own, it really should help. Except it's unclear whether the Trump administration agrees.

**Geoff Pyatt:** I don't know where the Trump administration is going to come down on sustaining the MSP. I don't care if they change the name of it. But I think the concept itself has proven incredibly compelling. It's important that Korea has now taken over the MSP chairmanship. And that reflects the focus that our Korean allies have in this area.



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But this is the kind of thing that ultimately it only works if the United States is at the table because of our unique ability to move fast and build international coalitions. And create international partnerships that endure beyond one administration or another.

This is a sector where we have to be patient, we have to be persistent, we have to be consistent, because the scope, the decision cycle is so long.

#### **PART 4. UKRAINE**

**Chad Bown:** Now let's turn back to where we started. Geoff, you were US ambassador to Ukraine back in 2014 when Russia invaded Crimea. What's Ukraine's history with critical minerals?

**Geoff Pyatt:** Thanks, Chad, for asking about Ukraine. Obviously, a huge focus of personal and professional interest for me.

I always emphasize the history to begin with, and remembering that during the Soviet Union, Ukraine was the center of the Soviet metallurgy industry.

It was a center of mining. It was the center of Soviet aerospace in the city of Dnipropetrovsk. So, huge offtakes of, of military application metal metals like, like titanium. Just like other aspects of the extractive industries, and the same is true for oil and gas after the Soviet Union collapsed these extractive sectors were incredibly attractive targets for big, well connected oligarchs, who sought to leverage the rents that were available without investing much in modernization and without delivering a lot of value to the Ukrainian budget.

One of the big stories since the full scale invasion has been tremendous progress in terms of Ukraine's defense manufacturing capacity. So there's a very close interface between that defense manufacturing capacity and Ukraine's mineral resources.

Ukraine, as I said, has a long history in this area. But all of its geological maps, all of the data that we have is antiquated. It all goes back to Soviet surveys and has not been updated to reflect modern methods.

Nor has anybody done the homework to figure out how easily these resources could be extracted, whether it can be done at a cost competitive price, and then how to handle the processing.



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**Chad Bown:** So, if the fighting were to stop, there is some potential there for critical minerals. But it'll take some work to find out how much.

**Geoff Pyatt:** Before the change in administrations, we had a very modest program to provide technical support to the Ukrainian government, as we at ENR (Energy and Natural Resources) have done very successfully elsewhere in the world to help to update some of that geological data. And, and that's the first stage of this process. And we're a long way away from actually delivering resources.

**Chad Bown:** Now, obviously, there was a very difficult diplomatic moment between President Trump and President Zelenskyy in the Oval Office on February 28.

But on March 4th during his joint address to congress, President Trump took a more positive tone...

**President Donald Trump (State of the Union, March 4):** *Earlier today, I received an important letter from President Zelenskyy of Ukraine. The letter reads, "Ukraine is ready to come to the negotiating table as soon as possible to bring lasting peace closer." "Nobody wants peace more than the Ukrainians," he said. "My team and I stand ready to work under President Trump's strong leadership to get a peace that lasts. We do really value how much America has done to help Ukraine maintain its sovereignty and independence. Regarding the agreement on minerals and security, Ukraine is ready to sign it at any time that is convenient for you."*

*I appreciate that he sent this letter. I just got it a little while ago.*

**Chad Bown:** Geoff, from what you have observed from the Trump administration, as well as that part of the President's address, how should we think about this draft agreement with Ukraine on critical minerals?

**Geoff Pyatt:** I was encouraged by President Trump's characterization of the letter from President Zelenskyy in his State of the Union address. And President Trump's determination to make this deal come together. So, in terms of stabilizing a very important US-Ukraine relationship, this is an unambiguously good thing.

But nobody should have any illusions that we're going to solve the Chinese market dominance problem with just Ukraine. No one should have any illusions that there are hundreds of billions of dollars of resources to be captured.



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The draft agreement, which hopefully will now be signed in the not too distant future between our two governments is sort of a misnomer because everybody calls it a critical minerals agreement.

As I've read it, It doesn't just cover minerals, it also covers gas, it covers pipelines, it covers port infrastructure. But a really important facet of it as well is the provision for a Ukraine Reconstruction Investment Fund.

So it's really about a long term economic partnership between our two countries, which is something that the Ukrainian people certainly have earned and deserved in terms of our support.

**Chad Bown:** Geoff, thank you very much.

**Geoff Pyatt:** Thanks, Chad. It was a terrific conversation.

## **GOODBYE FOR NOW**

**Chad Bown:** And that is all for *Trade Talks*.

A huge thanks to Geoff Pyatt, former Assistant Secretary of State for Energy and Resources, and also the former US ambassador to Ukraine and to Greece.

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