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TRANSCRIPT

Press Briefing

"Analyzing the Escalating U.S.-China Trade Conflict and Rare Earth Export Restrictions"

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FEATURING

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Samuel Cestari: Hello, everybody, and welcome to this CSIS press briefing analyzing the escalating trade conflict between the United States and China and assessing China's newly announced rare earth export restrictions. Today we have a lineup of CSIS experts who will share their expectations and analysis on how we got to the current situation, the potential impacts of tariffs and export controls on the energy transition, and the effects this conflict may have on U.S. and Chinese relations with other countries around the world, and much more.

A couple of housekeeping notes before we get started. Each of our speakers will offer several minutes of introductory remarks, after which we'll turn to your questions. We'll also be distributing a transcript of today's call shortly after its conclusion. The transcript will be made available on CSIS.org.

With that, let's go ahead and get started. I'll turn first to Scott Kennedy, senior advisor and the CSIS trustee chair in Chinese business and economics. The floor is yours, Scott.

Scott Kennedy: Thanks so much. And good to be here with everybody this morning. And I wanted to make a few brief remarks about the U.S.-China trade war that we're now in, and what kind of off ramps there might be. First point is, how did we get here? I think the reason we got here is not Chinese obstinance, but that the Trump administration treated – has treated China differently than everyone else. We came into 2025 with there already being about 20 percent penalty tariffs still imposed on China from the first Trump administration that the Biden administration didn't remove. We then had to two rounds of 10 percent tariffs related to fentanyl imposed on China, before we got to the 34 percent of tariffs on April 2nd from liberation day. And that put China in a category all of its own.

And I think that is why the Chinese felt that they had to push back. In addition, I think the Chinese have had a very difficult time figuring out who to speak with in the Trump administration to begin a negotiation. And I think that their difficulty in finding a counterpart to engage with is intentional on the part of the Trump administration. It's not by accident. I don't think the Trump administration wanted to engage before liberation day, and I think as a result of how high the tariffs have been on China the Chinese felt that they had no choice but to retaliate. And that has gotten us where we are now, with extremely high tariffs on both sides.

Second point is, there is still room to escalate. Not only have – are the tariffs extremely high, as you'll hear from Gracelin, there are other ways in which both sides are going after each other. China in particular on restrictions of rare earths, but also putting a couple dozen American companies on their unreliable entities list, other types of investigations into American companies. I think there's two more potential levels of escalation where this

could go. The next real significant increase in escalation would be on the – in the financial realm, if the Chinese or Americans were to attack American companies, American banks and financial institutions, or Chinese banks and financial institutions.

So you could see, for example, the U.S. pulling the licenses of Chinese banks that operate in the United States or kicking Chinese companies off of American securities markets. There's 286 Chinese companies listed on American securities markets with a market cap of 1.1 trillion. And you could see perhaps the U.S. go to the nuclear option, which would be to try to deny Chinese financial institutions access to the U.S. dollar and SWIFT. That would be the financial nuclear option.

The Chinese could do parallel kinds of things with regard to pushing American capital and portfolio investment out of China as well as pulling the licenses of American banks and insurance companies and others. This would then turn the conflict into numbers that begin – that end with B, billions, to those that begin with T, trillions.

The next area they could go to if things really spin out of control would be in the security realm. I don't think that is at all inevitable but I think we need to watch what is going on in the South China Sea, in the Taiwan Strait, in Ukraine, in Iran and the Middle East very carefully for signals that the commercial conflict would have new dimensions.

The third point is economic pain. I think this is hurting both sides' economies. The U.S. has been more obvious because of the fall in the stock market and what's been going on within the bond market but both sides are going to suffer.

I think the Chinese probably are a little bit better protected to weather the storm because they have such small financial markets as a share of GDP – only about 60 percent of GDP – whereas the U.S. stock markets account for about – are equivalent of about 140 percent of American GDP.

China's also got a closed capital account so the chances of capital flight in China are a lot – are relatively low, and China still has a huge fiscal stimulus that it could throw at the problem. The U.S. debt problem is much more severe.

Last question is, is there an off ramp? And I think there is. Not today, not tomorrow, but before too long – my guess is about two months – is that the economic and political pain will start to be severe enough for both sides that reaching a deal will be better than holding out.

Can they reach a grand bargain? I think the chances of that are extremely small. But could they reach a face-saving bargain that allows both sides to claim victory – the U.S. that they finally pressured China to make amazing concessions, China that they held strong and didn't give in to American pressure – I think that kind of deal could be achieved but not until they get to the negotiating table after they've felt enough pain.

Both sides have to – need to be at the negotiating table. They're not quite there yet but I think we'll see that sometime in the summer.

Let me stop there and pass it off to my colleagues.

Mr. Cestari: Thank you, Scott.

Next, we have Gracelin Baskaran, director of the CSIS Critical Minerals Security Program. Gracelin, please go ahead.

Gracelin Baskaran: Sam, thanks so much, and really great to come after Scott.

So these new export restrictions, you know, so first of all, let's start with this – what are rare earths and why are they significant. Rare earths are a group of 17 minerals and they are not actually rare so it's a total misnomer. Rare earths are kind of found in small quantities everywhere.

Now, there's two types of rare earths. You have light rare earths and heavy rares. These export restrictions are targeted at the heavy rare earths and this is really significant because China processes near a hundred percent of heavy rare earth. So we are particularly vulnerable. We currently do not have any capabilities to do this domestically.

Over the last five years the U.S. government, through the Defense Production Act, has spent over $400 million to build these capabilities in the United States. However, they are not finished, which means that we are now at a critical chokehold. It's important to acknowledge a few things about these restrictions.

First of all, they're not actually a ban. There's a runway of export policies and they generally start with something we call nonautomatic licensing. Nonautomatic licensing means you need to apply to get a license to export said good. Then you have quotas, you have tariffs, and then the final, like, level of restriction is a full-out ban.

These restrictions are on the light end. However, there's a few implications. The first is that the licensing system hasn't been rolled out, so there will be a pause – we expect 30 to 60 days – while the permitting system gets rolled out.

The second thing that – is that along with these restrictions came out restrictions that place 16 U.S. firms on an export-control list, which limits them from getting dual-use goods. And 15 of the 16 are defense and aerospace industry. Now, having rare earths are absolutely vital for our defense. So they are used in everything from F-35 fighter jets to Arleigh Burke destroyers to Virginia-class submarines to Tomahawk missiles. They are used in everything. So this has significant impacts on the kind of end use of defense.

And finally, a licensing system can be dynamic. So there's something static and firm about a ban, but a licensing system means that licensing can be changed, which – so I could give, you know, X amount of licenses to firms with American – that, you know, are ultimately end use in America, but I can reduce that number over time. So those are some of the implications for that.

Now, what are – again, I talked about how these are in a variety of national-security uses. Consider, you know, last year Seth Jones, the president of our Defense and Security Department, put out a report where he noted that China is actually outpacing the U.S. with producing and acquiring munitions and advanced weapon systems at a rate of 5(X) to 6X. You know, and he notes that China is preparing in a wartime mentality, and the U.S. at a peacetime.

So even before these most recent restrictions, the U.S. defense-industrial base has struggled with limited capacity and limited surge capacity to respond in the instant of conflict. These bans on rare earths will only widen that gap, because while we have limited stockpiles, they will not tide us over forever. And it enables China to strengthen its military capability faster than the United States. So that has, you know, pretty profound consequences.

Now, is the U.S. ready? You know, I told you that we've spent over $400 million to build these capabilities. The Department of Defense has prioritized, going back to the previous administration, the development of a mine-to-magnet rare-earth supply chain.

Now, the difficulty is a lot of our capabilities are quite nascent. And that was only further compounded in December 2023 when China rolled out a ban on the processing-and-separation technology. You know, sometimes we have a tendency to think about these problems as a capital problem. I need more money. It's not just a capital problem. It's also a know-how problem.

There are parts of the rare-earth supply chain on the processing side that we actually never learned how to do them, like the solvent-extraction technology. Australia doesn't know how to do it. America doesn't know how to do it. Canada doesn't know how to do it. So there's an element of getting

up to speed on the technical side that we're doing in parallel to constructing capabilities, in addition to issuing the capital.

Could the U.S. have known this was coming? We've had a long runway, and our inaction is ultimately giving China very, very powerful currency at the negotiating table. You know, as Scott said, there's pain, right? And the question is, how much pain are we willing to take?

We have to remember that rare earths were first weaponized back in 2010 when China and Japan got into a fishing-troller dispute. Between then and now, there was about a 12-year lag before the United States really started spending resources to build those capabilities on the rare-earth side.

In 2023, the Select Committee on Strategic Competition Between the U.S. and the Chinese Communist Party published a report called Reset, Prevent and Build: A Strategy to Win America's Economic Competition with the Chinese Communist Party. And it recommended that Congress actually incentivize production of rare-earth-element magnets and use production tax credits here. But again, we really only started building these capabilities in the last three years.

Ultimately, there's, I think, a few things we can expect to see. One is obviously that rare earths, but minerals at large – because we are highly reliant on China for a number of minerals, to feature prominently in negotiations. Remember that a lot of these restrictions have been retaliatory. Just a couple of months ago – or, five months ago now, in December, when China rolled out more export restrictions on minerals and semiconductors, it was in retaliation to President Biden's announcement. This new set of restrictions is in retaliation to the tariff. So one is to see that.

The second thing is that the U.S. is going to have to strategically partner with other countries to create a more resilient supply chain. The reality is, at the end of the day, even though we're building our midstream refining capabilities here at home we have less than 1 percent of the world's rare earths. And when we look at MP Materials, you know, one of our flagship kind of U.S. rare earth mine, when they're at full capacity it's going to be a single-digit fraction of what China produces. So we're going to need to source rare earths from elsewhere.

There is a clear understanding that the Trump administration acknowledges that. That's why we've seen rare earths feature prominently in the context of places like Ukraine and Greenland. But also, you know, our Development Finance Corporation is in the process of doing concessional financing to a rare earth project in Brazil. And we also have equity. The U.S. government owns part of a rare earth project in South Africa called Palabora.

So we do see that international partnerships are going to be important. And the extent to which the U.S. succeeds at building this is going to be how we align our foreign policy as it relates to minerals, to source them, with our domestic industrial strategy to build those midstream capabilities here at home. Thanks, Sam.

Mr. Cestari: Thanks, Gracelin. And I'll quickly mention that after our next expert we're going to turn to your questions.

(Gives queuing instructions.)

So without further ado, our final speaker is Ilaria Mazzocco, deputy director and senior fellow with the CSIS trustee chair in Chinese business and economics. Ilaria, please go ahead.

Ilaria Mazzocco: Thanks, Sam.

So let me talk a little bit about what I think will be the impact on innovation and technology. So I think the biggest variable, as I think Scott sort of pointed out, is the impact on the economy. We know that governments can respond. Certainly, I think there's been a lot of expectation that China has held back over the past year with its stimulus in order to face exactly this eventuality and be more forceful in stimulating the economy. So I think that'll be something to watch. But I think overall we can expect, or at least most economists expect, that the current turmoil and disruption due to the tariffs are, at least in the short term to medium term, going to have negative impact on the economy of both the United States, China, and third economies.

And third economies matter, of course, because of global demand. So that's something to keep an eye on because, of course, in times of more – you know, the difficult times economically, governments tend to have tighter budgets, or they have to shift their budgets to stimulate the economy, et cetera. And so that might mean less money for supporting R&D. Certainly companies are going to have less money for R&D. And I think that could have sort of a negative, sort of, longer-term impact on technology and innovation.

The other way in which technology and innovation is going to be affected is, of course, that material – the cost of materials are – is going to be higher and, as Gracelin very clearly explained, the access to certain critical materials may also be curtailed. I think one thing to point out is that the current reporting is that although there is no outright ban on the export of critical minerals, and it is targeting the United States, because of, in practice, how these licenses are issued, we can expect a period in which there's going to be a lot of just disruption to the value chains.

And so a lot of countries are actually – a lot of companies around the world are probably going to have trouble accessing these resources with, you know, the disruption to their value chains and also their profits. So it this is something I think that over the next couple of months is probably going to continue to play out and continue to create challenges in ways that may be reminiscent, actually, of COVID. So I think that's something to keep an eye on. It's something that I think will probably – will have longer term effects.

In terms of more specifically clean tech, I think the area to look at for the United States is batteries. This is by far the technology for which the United States is most reliant on China. Solar panels the U.S. is not – does not actually import directly, solar panels, solar cells, in significant amounts from China. But for batteries, 69 percent of total U.S. imports of lithium-ion batteries come from China.

Now, the United States has been building its own value chain, thanks to the – especially thanks to the credits of the Inflation Reduction Act. But there's been a lot of uncertainty over the market in the United States, over also the future of the Inflation Reduction Act. So it's actually, I think, maybe slowed down expectations for that growth. But also, it's – you know, it's recent enough that a lot of the production is not online yet. And it's also, I think, you know, not enough to actually supply all the demand in the United States, especially for storage, right?

So when we think about batteries, you tend to think of electric vehicles. But actually, most of the batteries that are imported from China are used for stationary storage in the United States. So that would be the one to look – to keep an eye on. And actually, on the Chinese side this could also be painful, because export to the United States are about 25 percent of all Chinese lithium-ion battery exports. So Chinese companies themselves are also reliant on the United States.

And I think that's going to be one area to certainly keep an eye on, especially because there's already been sort of concerns about potential overcapacity in China. So the positive outcome is that this might actually push Chinese companies to consolidate their operations, and maybe become more efficient, and reduce overcapacity. Negative outcome is that this might actually create some really big challenges, in what is a really strategically important industry. So that's for that.

I think the third thing I will point out to you is what is happening to the rest of the world. As the export control chaos that is ensuing on rare earths is pointing out, that a lot of countries are going to be caught in the middle of U.S.-China tensions. So even though they may not be the target, they're going to be affected by changes in the value chains, on restrictions between the two countries. Certainly, I think, you know macroeconomic trends.

And also I think, you know, this is going to likely push a lot of governments to rethink their dependencies on both China and the United States. Although, I will say, that in many countries the United States is currently likely being seen as the more disruptive, or less predictable, actor. Which is, I think, a little different compared to a few years ago, where China, I think, was seen as more concerning, at least in certain quarters of – like, among the U.S. allies. So I think that's all something to take a look at.

And I think, you know, the reason why that is, is also the tariffs that have been – the reciprocal tariffs, which affected, you know, allies and non-allies alike. And, I think, created a lot of consternation among U.S. allies. So I think that's going to create a little more challenging situation for the U.S. to have strong partnerships with other countries vis-à-vis China. And so I think that's going to be something to watch, especially when it comes to implementation of export controls. This is something that's going to be necessary, both on the – you know, to ensure the continued effectiveness of U.S. export controls, as well as Chinese export controls. And so, you know, how other countries decide to position themselves is going to be quite important.

And I think I'll leave it at that.

Mr. Cestari: Thank you, Ilaria. And thank you to all of our speakers for the insights that you shared so far here today. So at this time we'll go ahead and open things up for questions.

(Gives queuing instructions.)

First, we will go to Hannah Northey with E&E News. Hannah, please go ahead.

Q: Hi, there. Thank you so much. Can you hear me OK?

Mr. Cestari: Yes, we can.

Q: OK, wonderful. Thank you for giving us the time.

I wanted to see if you could – if it's possible, or if it's too early to know, what affects this trade war, or even the, like, as Gracelin called it, a runway of export policies, is it possible to know how these policies are already affecting something like EVs? And I guess I'm wondering, like, is it making it more difficult to build an affordable EV in the United States? Or are questions like that just too early right now? Is it too impossible to know? And I guess, maybe to Scott's point, are we going to know, you said perhaps in the next

couple months, as we feel more pain, and then the two countries kind of come together to the bargaining table? Thanks.

Dr. Mazzocco: I'm happy to take that. So I think EVs are actually not just affected by the U.S.-China tariffs, but also the 25 percent tariffs on the automotive sector, right, both automotive parts and cars. And that's actually, I think, in the United States going to be a really important issue especially because of, you know, the movement of parts and the very integrated value chains across the USMCA countries. So I think that's one thing to look at.

Secondly, as I said, right, the batteries – there are some batteries that are imported for electric vehicles coming from China as well and then, of course, you know, there's also – and I'm sure Gracelin could talk more about this – but there's also, you know, critical minerals that are utilized in electric vehicles. So I think all those are going to be important and can affect the industry.

Now, in terms of actual imports of cars I will point out the U.S. has never imported any significant amount of electric vehicles from China and certainly has not – and, you know, that number has gone just down over recent years.

So I think, you know, that's not something that is effective. But I think when it comes to inputs it certainly matters and I think, you know, that – so there's going to be a lot of materials that are going to be more tariffed than components – than cars themselves, not just from China but in general, and then from China, of course, keep the critical minerals.

But I'll let Gracelin jump in on that.

Dr. Baskaran: To add to Ilaria, the one thing I would say is a lot of the mineral restrictions that we have been experiencing have some relationship to the auto – the EV industry.

You know, think about antimony, which was restricted late last year. We think about antimony through a defense lens but General Motors also uses antimony to harden the chassis in the cars they manufacture.

So, inevitably, a lot of these – some of these more directly than others – are having implications for the auto industry. The difficulty now is when you add tariffs to export restrictions we're hitting the auto industry from multiple angles, and it's an industry – remember our electric vehicle industry is very nascent so these certainly have consequences, and we saw the day that tariffs were announced that Stellantis announced 8(00) or 900 layoffs. When I add in these other things that will lead to supply chain disruptions it is consequential.

Dr. Kennedy: Yeah. On the issue of negotiations and what's going to get them to the table it's going to be their changing economic and political fortunes.

In the U.S. we can see those changes most immediately in our securities markets. Where we will see them soon is going to be in inflation, in shortages, whether it's of rare earths or other products that – where our supply chains have been interrupted we'll see those – it'll just be lack of supply – and we'll begin to see job losses, companies cutting workers because of the broader environment. All of that spells recession.

So if the U.S. looks like it's tipping into a recession that's going to push the Trump administration to be ready for dialog.

On the Chinese side, I think we ought to be looking at acceleration of their overcapacity problem where they've produced a lot of product and have built up inventories and have been offloading a lot of that on the global market.

But we will – we're seeing the EU countries and Latin America and elsewhere impose restrictions because of this growth in Chinese exports and I think then we're also going to see China's own – potentially see China's own domestic economic numbers look more challenging.

That'll give more incentive to the Chinese to be ready to talk. So I think we'll see it's going to take a couple months for those effects to be – to occur and to be visible. But I expect that's the path of breadcrumbs that we need to follow to the negotiating table.

Mr. Cestari: Thank you, Scott.

Now we have a question from Dylan Butts with CNBC: Are U.S. companies already facing a shortfall in these restricted Chinese rare earth elements? If not, when do you think we might start to encounter that, given there's no trade deal, and how long would it take to find alternative supply chains for these rare earth elements?

Gracelin, do you want to take a shot at that one?

Dr. Baskaran: Yeah. Thanks, Sam.

So these restrictions are fairly new and so – and we do have stockpiles for the majority of these commodities through our defense stockpiles. Now, the question is how long it takes for China to roll out its licensing system in terms of who it gives exports to. And you know, if it's done in 30 days, the effects will be manageable, right? After that what starts to happen is that

existing supplies of rare earths that are sitting, right, because everything has shelf life, could be undermined and depleted.

So when it comes to how long it takes to find an alternative supply for these rare earths, it's really complicated. And it's really complicated because there are rare earths that are coming out of the ground in a variety of places – the choke point for us is that 100 percent of the heavy rare earths processing is done in China, and we are not going to – it is a multiyear effort to build these capabilities. So even in the U.S., you know, at Mountain Pass and in Texas we're building those through MP Materials and Lynas, but right now their concentrate is sitting in a – typically, it goes to China for separation, by the way. Now, in light of everything, it's essentially sitting in their warehouse, and it's not going to China, but we don't have the capacity to separate those here.

These are very technologically intensive processes, so we are not going to find an alternate source in the next three months in terms of the separation phase. There are plenty of new sources we're looking at for the raw feed stock, but we're going to have to negotiate with China. It's going to be a less painful solution than waiting for our own capabilities to come online.

Mr. Cestari: Thank you, Gracelin.

Next we're going to go to Lili Pike with Foreign Policy. Lili, I'm going to open your line now.

Q: Hi there. Thanks so much for doing this.

I had a question about kind of the trendline we're seeing in terms of decoupling. We saw from Trump I believe yesterday that the idea is now to move the full electronics supply chain to the U.S., and I'm curious if you could just talk about, you know, what we're seeing with kind of the tech sector in particular, the potential for new tariffs on chips based on national security concerns. What do you see as kind of the strategy, if there is one, in terms of full decoupling or trying to, you know, place certain parts of that supply chain in the U.S. that are more vulnerable from a national security perspective? Thanks.

Dr. Kennedy: I can take an initial stab at some of the elements and let others chime in as well.

Lili, I think the – we – the U.S. and Chinese economies are still a long way from being decoupled. We last year traded 650 billion (dollars) with each other. We have several hundred-billions worth of investment in China by American companies that sell around 600 billion (dollars) on the ground in China. We have a financial relationship of 2 (trillion dollars) to $3 trillion;

millions of people traveling back and forth. So just in terms of physically, if you define decoupling by the physical elements of the relationship, there is still a great deal of connectivity that would need to be unwound.

In terms of policy, I think the Trump administration is trying to reduce U.S. dependence on China significantly, as we saw the Biden administration was as well. But wanting to have a comprehensive supply chain in autos, in information technology, electronics, that is not dependent on some way on China, is far easier said than done.

There is – and this is a multiyear if not decade or two-decade long process. China didn't become the world's manufacturing floor overnight, and it won't lose that position overnight. A lot has to go right – and consistent, clear policies – and some of the policies that the Trump administration is currently advocating is going to make that harder. The reduction of funding to support the building of fabs for basic R&D, applied research across industries – that is going to make it more challenging. Restrictions on immigrants and students coming to the United States is going to reduce the amount of talent we have capable, working those facilities, whether it's on the design side or manufacturing side.

So I understand the goal. There's still a long way between where we are today and that goal. And some of the policies that are being adopted are going to make that goal harder to achieve. So I think there's still – this is – why don't I stop there.

Dr. Mazzocco: I can add just a couple of words to Scott's points, which I agree with. I think if it were easy to change these supply chains, companies would have already done it, right? And I think Apple is an interesting example where they've been trying pretty consistently to diversify their production outside of China by moving to India. This has been a, you know, process that's taken them years. And they're still at pretty low percentages of production in India. And, you know, this is clearly driven by geopolitical preferences, not efficiency in manufacturing. Now, that's good that Apple is diversifying their value chains, right, because we probably are moving into an era in which companies need to have more diversification of production. But I think it just underlines how long this kind of process is.

And I think that gets to also, you know, Gracelin's point that even when it comes to processing, et cetera, this is not something that can happen overnight. It requires several years. It requires sort of coordination between government and the private sector. It requires investment. You know, it requires predictable policies, et cetera. And so I think that's – those are all different things that we're going to have to see in order to get to a sort of end point where you have maybe more diversified value chains. But it's just very hard to envision that in one year you're actually going to get sort of

decoupling in all the strategic electronics industries, or, you know, even nonstrategic ones, right? I think that's going to be challenging.

And I think it goes beyond, you know, electronics. I think the administration has also mentioned pharmaceuticals. These are all, I think – you know, any nurse in the United States that is in charge of buying supplies for, you know, emergency rooms, surgery rooms, doctors' offices, know that most materials they're buying aren't made in the United States. And I think we learned with COVID that it's really hard to set up that production in, like, two months, or even, like, six months. And so I think that's just going to be a very long-term kind of objective that's going to require, I think, more than just tariffs in the short term.

Mr. Cestari: Thanks, Ilaria and Scott.

And it seems, Lili, you have a quick follow up question.

Q: Yeah. Just a quick follow up. Thanks so much. I guess my question is just following up, Ilaria, on what you just said about strategic and non-strategic. You know, does the administration appear to have a strategy in terms of what, kind of, the top priorities are in terms of the supply chain relocation back to the U.S.? Because, again, looking at the language around the supply chain, you know, Trump said a whole electronic supply chain, which is quite different from the Biden administration approach of, you know, this small yard high fence.

Dr. Mazzocco: Yeah, it's – you know, I don't think the messaging has been entirely consistent. And certainly, I think when you look at the tariffs they're affecting blenders as well as, you know, the other more strategic, I think, products. So I think there's – you know, and the same – in the same way, in terms of strategy, right, allies were initially targeted in these reciprocal tariffs at pretty high levels. Now where everybody's at 10 percent, but, again, you know, there's not necessarily an indication that we're quite at the point where the United States is collaborating with maybe allied countries or countries that are more strategic on specific value chains, for example. I think we're still not quite there. So we'll have to see if the messaging changes or the strategy becomes a little clearer.

Mr. Cestari: Thank you, Ilaria.

And now we're going to turn to a question from James Bikales with Politico: Gracelin, you mentioned the need to work with allies on increasing supply. Do you think critical minerals could help unlock some of these trade deals? The U.S. is now negotiating with allies like Japan, South Korea, and India.

And also fusing in one additional question, just in the interest of time, this one from Myra Picache with MarketWatch: Which of the rare earth materials under China's export restrictions will impact the U.S. the most, and why?

Dr. Baskaran: That's a – those are great questions. Thanks.

James, let's start with your question. I absolutely expect to see minerals feature quite strongly in trade deals. There are some early discussions already being – there are early discussions ongoing currently about rare earths in these bilateral deals. So, yes, I think we're going to see a lot coming in the next month or so. Because, again, the U.S. is looking to be strategic about what it gets back out of these. Ultimately, as our processing facilities come online in California, in Texas, we're going to be looking for more raw materials. So, yes.

Second – and, Myra, in terms of your question, which of the rare earth materials? Look, they're very consequential in different ways is what I would say. Some of these are more important for medical uses. I mean, keep in mind that some of these are really important for cancer treatment, MRI scanners, PET scanners. Others are more permanent magnets that I would use in my defense technology or my automotive. It's not really easy to say, oh, well, this rare earth or that, because they're generally also found together, right? Rare earths are not generally found as one is here and two is there. They're found together.

And then there's four rare earths that are generally particularly valuable when we think of a good deposit, which is neodymium, dysprosium, terbium – neodymium, terbium, praseodymium, and dysprosium. So these are the four that we think of most often. But that doesn't take away from, you know, a gadolinium, or one of these others. So they're all important and often found together. Thanks.

Mr. Cestari: Thank you, Gracelin.

And what seems to be our final question as we approach time here. This one is from Adiran Joseph with the South African Institute of International Affairs: What opportunities do ongoing U.S.-China trade tensions present to mineral-rich countries in regions such as Africa?

Dr. Baskaran: Thanks, Adrian.

So we have seen that U.S.-Africa minerals diplomacy has already gotten off to a strong start when I look at the Democratic Republic of Congo. Ultimately, what – in my experience, having worked a lot in the region, is that countries are looking for a new economic partner, including on mining, because there is a certain fatigue that comes from, A, having only one source of investment

and one source of offtake, notably that it's – you know, there's economic consequences if anything happens to that relationship. So what we're seeing is that countries are looking for new partners, whether it's the U.S., Japan is playing quite actively, Australia, Canada. And so countries are looking at various partners now, saying, who is going to give me the best deal? And rare earths are a part of that. At the end of the day, you know, we are looking at rare earths projects in Angola, South Africa. Tanzania, Mozambique, Namibia all have interesting projects to the U.S.

So I think that what this does is it creates a new avenue of engagement. Africa has historically operated primarily from a national security lens and an aid lens, and minerals are really giving it that commercial platform – and a very good commercial platform.

Mr. Cestari: Thank you, Gracelin. And apologies to any of those whose questions we weren't able to get to. Of course, feel free to reach out via email or phone and we'll be happy to connect you with our experts.

So now that we have reached time, I want to thank our speakers and all of our participants for joining us for this timely call. Please reach out for anything we can do to be a resource on this issue. We're here to help. As mentioned at the top of the call, we'll have a transcript distributed to you all and it'll be made available at CSIS.org.

So, with that, I hope everybody has a good rest of your day, and thanks for joining us.

Dr. Kennedy: Thank you.

Dr. Baskaran: Thank you.

(END.)