America First: The Real Risks for Critical Minerals, Musk and U.S. Tech Under Trump's Tariffs

written by Tracy Hughes | November 8, 2024

"'America First' could unfortunately lead to 'America Last' if we impose tariffs on critical tech components like semiconductors, which depend heavily on materials like gallium—a market China dominates with 97% control. To maintain our leadership in technology, and thus on the global stage, we must secure access to the critical minerals that enable innovation. Without these resources, our tech-driven industries, and ultimately our economic and political influence, are at risk." — Tracy Hughes, Executive Director, **Critical Minerals Institute (CMI)**

Donald Trump's recent re-election victory has set the stage for significant changes across various sectors of the American economy. With a fresh mandate from the American electorate, Trump's administration will influence trade, energy, and critical resources. Among the high-stakes issues at the forefront are the roles of Elon Musk, tariffs on imports, and policies around critical minerals essential for technology and defense. Here's a look at some potential shifts in policy and their anticipated impact on American business.

Elon Musk's Role in the Trump

Administration

Elon Musk’s prospective role in a Trump-led government is already a subject of widespread speculation. Trump has suggested appointing Musk to lead a commission on government efficiency, a move Musk has advocated for, arguing that at least $2 trillion could be trimmed from the federal budget. With Musk’s outspoken criticism of regulations that affect his ventures—particularly in electric vehicles (EVs) and SpaceX—this role could signal a rollback of regulatory oversight in key sectors like self-driving technology and space exploration.

Yet, while Musk’s ambitions often align with less government intervention, Trump’s policies might clash with Musk’s environmental and EV goals. For instance, Trump has expressed skepticism over California’s plans to mandate all-electric vehicles, a policy Musk’s Tesla could significantly benefit from. This tension could create a complex dynamic as Musk navigates his influence in the administration while balancing his business interests in sustainable technology.

Tariffs: The Potential Economic Impact

One of Trump’s defining economic strategies, tariffs, is likely to return with vigor. He has proposed a sweeping 10% tariff on all U.S. imports, along with a targeted 60% tariff on Chinese goods. If enacted, these tariffs could ripple through the entire economy, driving up consumer prices and affecting key sectors reliant on imports, including retail, manufacturing, and technology. According to the Tax Foundation, these tariffs could increase U.S. taxes by an estimated $524 billion annually, shrink GDP by 0.8%, and potentially eliminate around 684,000 full-time jobs.

For the tech sector, which relies heavily on imported components, tariffs could be especially disruptive. Critical minerals such as gallium—needed for semiconductors—pose a particular challenge. China controls about 97% of the global gallium supply, and semiconductor production depends on it. Trump's preference for tariffs over the subsidies provided by the CHIPS and Science Act would raise semiconductor costs, making it challenging for U.S. companies to compete. Such tariffs could shift the semiconductor industry's dynamics, pushing costs higher and potentially stalling U.S. technology advancements, all while global demand for gallium remains under China's control.

Critical Minerals: The Keystone of National Security and Technology

Perhaps the most significant policy shift will be around critical minerals—elements like lithium, cobalt, and rare earths vital for everything from smartphones to defense systems. The Trump administration has long championed a policy of self-reliance in critical minerals, often citing national security as a primary concern. With China dominating global production of these materials, Trump's "America First" stance could accelerate efforts to localize the critical minerals supply chain.

The military's demand for rare earths and other critical minerals will likely remain a priority, with the Department of Defense actively seeking domestic sources to minimize reliance on foreign supply. Trump's second term may see an expansion of subsidies for domestic mining and processing to bolster national security, though this approach raises questions about economic sustainability. While subsidies can ensure supply, they may also lead to inflated prices, straining consumer markets reliant on these materials.

The domestic EV market, which has driven much of the demand for critical minerals, could face challenges if Trump rolls back subsidies and EV mandates. Without incentives, the cost of batteries—dependent on lithium, nickel, and cobalt—could increase, potentially dampening EV adoption. This policy shift would also impact junior mining companies, many of which depend on favorable policies to develop economically viable projects.

Energy Policy: Oil and Gas Versus Renewables

Energy policy under Trump is expected to favor oil and gas, aligning with his prior support for expanding federal drilling and loosening environmental restrictions. The administration may expedite liquefied natural gas exports, ease federal drilling permits, and roll back emissions regulations. However, Trump's hard stance on renewable subsidies could disadvantage sectors like solar and wind, which are heavily reliant on Chinese-manufactured components that might soon face tariffs.

This approach will place the renewable energy sector in a tough position. While Musk has invested heavily in solar energy through Tesla's battery and solar panel businesses, his goals could be at odds with Trump's support for traditional energy industries. Trump's promised repeal of the Inflation Reduction Act could further reduce support for renewables, potentially widening the gap between oil, gas, and alternative energy sources.

Looking Ahead: A Shifting Landscape

As Trump's administration takes shape, businesses will need to prepare for a changing regulatory environment, potential trade disruptions, and a shifting focus on domestic resource

production. Tariffs, critical minerals policy, and Musk's role in the government are poised to impact the economy in far-reaching ways. Sectors that have benefited from subsidies and a globalized supply chain may face challenges as the administration pivots towards economic nationalism. In critical minerals, Trump's policies will test the viability of a domestic supply chain under an "America First" agenda. While defense-related sectors may see support, consumer-facing industries could feel the strain of higher costs and disrupted supply chains. As the administration outlines its strategies, it will be essential to watch how these policies impact both the global position of U.S. industries and the everyday American consumer.

The upcoming **CMI Summit IV**, themed *The War for Critical Minerals and Capital Resources*, is scheduled to take place in Toronto, Ontario, on May 13-14, 2025. The CMI Summit aims to foster strategic partnerships and develop actionable solutions that support the growing demand for critical minerals, crucial for the advancement of clean energy, technology, and national security.

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