Navigating the Trade Tides: Trump's Tariffs and the Emerging Critical Minerals Crisis

written by Tracy Hughes | February 6, 2025

Jack Lifton, Co-Chair of the Critical Minerals Institute (CMI), recently shared his seasoned insights on President Trump's unexpected tariff strategy and its broader implications, particularly concerning critical minerals. While the official narrative focuses on combating fentanyl imports, deeper trade dynamics involving Canada, Mexico, and especially China, play a crucial role in shaping U.S. economic policies.

President Trump has seemingly diverted his tariff focus towards fentanyl imports—a move that has sparked negotiations with both Canada and Mexico. This approach, which Lifton skeptically predicts could extend indefinitely, cleverly masks deeper strategic trade shifts. Notably, China's stark prohibition on exporting essential minerals like germanium and gallium—key components in chip manufacturing—signals a major pivot in trade relations. This prohibition is not merely a tariff but a complete halt, underscoring China's intent to consolidate its technological advancements.

Amidst these developments, rumors swirl about China potentially banning rare earth mineral exports to the U.S. Although economically questionable for China, the mere speculation has incited what Lifton describes as the "silly season" in global trade circles, with far-fetched solutions like sourcing from Greenland or Ukraine—scenarios dismissed as highly impractical due to environmental and geopolitical hurdles.

However, the U.S. isn't without its own resources. MP Materials Corp. (NYSE: MP), legal owner of the Mountain Pass mine in California, stands as the world's largest primary bastnasite deposit, already producing vast quantities of mineral concentrate, albeit mostly exported to China for processing. This leads to a provocative proposal from Lifton: if the U.S. were to prohibit these exports, it could significantly impact China's supply, reducing it by approximately 10-15%.

Further, Lifton criticizes the lack of strategic foresight in Washington. A proposed solution involves setting a government-mandated floor price for rare earths to ensure profitability of domestic mines—a move that could reinvigorate the U.S. mining industry if combined with hefty tariffs on Chinese rare earth imports.

The discussion also touched on the underlying motivations behind these tariffs, suggesting they serve as a smokescreen for broader economic strategies, such as increasing governmental revenue without directly raising taxes. This tactic, which cleverly circumvents the need for unpopular tax hikes, has historical precedence in Trump's administration and is viewed as a negotiation tactic rather than a definitive policy.

Strategic Imperatives and Critical Minerals

To contextualize the strategic importance of critical minerals, the Critical Minerals Institute (CMI) has developed a "Hit List" of 18 essential minerals vital for sustaining Western economic growth. This list, overseen by CMI Executive Director Alastair Neill, is the result of rigorous analysis, tracking 10 international lists that monitor a total of 51 critical minerals. The prioritization process selects minerals appearing

on at least seven of these lists, emphasizing those with strategic importance and high supply risk.

The top five critical minerals on the CMI list—copper, nickel, PGMs, rare earth elements (REEs), and uranium—are fundamental to various modern industries, from energy to electronics, and are especially vulnerable due to geopolitical and market dynamics. This prioritization is crucial as it guides CMI's efforts to secure supply chains, address market volatility, and support industry innovation.

Global Supply Chain Vulnerabilities

The global distribution of critical minerals underscores the profound vulnerability of U.S. supply chains. China's strategic dominance in the production of many essential materials is stark, controlling 69% of rare earth elements (REEs), 98% of gallium, and an overwhelming 94% of germanium—a key component in fiber optics and infrared optics. Additionally, China holds significant sway over global supplies of tungsten (81%), magnesium (88%), and antimony (48%). This concentrated production in countries with strategic or geopolitical tensions with the U.S. not only exposes critical vulnerabilities but also underscores the urgent need for the U.S. to develop domestic sources and diversify its supply chains to mitigate reliance on potentially hostile partners.

In response to these challenges, the U.S. has significant untapped potential to leverage its existing mineral resources more effectively. By implementing strategic policies that encourage domestic production and limit the export of these valuable resources, the U.S. could strengthen its economic security and negotiating position in international trade discussions.

As the U.S. and global economies continue to navigate the intricate web of trade policies, tariffs, and geopolitical tensions, the role of critical minerals will only grow in importance. Ensuring the availability and accessibility of these resources is not merely a matter of economic policy but a strategic imperative that requires thoughtful and proactive management. The ongoing discussions and decisions made today will shape the technological and economic landscape of tomorrow.