

BREAKING CHINA'S CHOKE HOLD ON CRITICAL MINERAL SUPPLY CHAINS

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BREAKING CHINA'S CHOKE HOLD ON CRITICAL MINERAL SUPPLY CHAINS

Tuesday, July 15, 2025

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EAST ASIA AND PACIFIC,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2172, Rayburn House Office Building, Hon. Young Kim (chair of the subcommittee) presiding.

Mrs. KIM. Representative Troy Downing be allowed to sit on this dais and participate in today's hearing.

Without objection, so ordered.

The Committee on East Asia and the Pacific will come to order. This hearing aims to explore strategies for the United States to reduce global dependence on the People's Republic of China for critical minerals by partnering with the private sector and allied nations.

Let me now recognize myself for an opening statement. I think we're still in morning so good morning and welcome to East Asia and the Pacific Subcommittee's hearing titled "Breaking China's Choke Hold on Critical Mineral Supply Chains."

OPENING STATEMENT OF CHAIRWOMAN YOUNG KIM

I want to thank our witnesses for joining us this morning.

Critical minerals—lithium, cobalt, rare earth elements, and others are the building blocks of modern technology powering electric vehicles, microchips and advanced defense systems.

Global demand for these minerals is surging with lithium demand alone growing nearly 30 percent annually from 2021 to 2024, driven by rising electric vehicle battery production.

Yet, the People's Republic of China, or PRC, controls 92 percent of global rare earth element processing and dominates the manufacturing of battery and magnet components.

This choke hold, reinforced by China's tens of billions in global mining investments and tactics like price manipulation and export restrictions, poses a direct threat to the United States and our allies.

While the U.S. possesses significant mineral resources, domestic production alone cannot meet the speed or scale of this demand. The U.S. manufacturing operation costs increased significant in the region, increasing the regional bureau. It will take decades to permit natural mining in America.

Moreover, the Federal Government lacks the financial capacity to fully subsidize the level of investment needed to drive large-scale private sector investment—expansion of domestic production.

Relying solely on domestic solutions is insufficient, therefore, so we need a bold global strategy to secure resilient, diversified supply chains free from Chinese control.

The current geopolitical landscape offers an opportune window to act. The recent developments such as President Trump’s critical minerals agreement with Ukraine and the U.S.-facilitated peace deal in the Democratic Republic of Congo open new opportunities to access vital resources.

We have also seen coordination like the recently announced Quad critical minerals initiative underscore the importance of critical minerals through broader regional engagement.

As the administration renegotiates trade relationships, we can strengthen partnerships with our allies to build non-Chinese supply chains enhancing both economic and national security.

So today’s hearing we will explore these challenges and opportunities. We will examine how to build a proactive global strategy to establish supply chains free from Chinese dominance.

So our goal today is very clear, to ensure the United States and its allies have secure, reliable access to the critical minerals that will define the future of technology and security.

I look forward to a productive discussion, and now let me now recognize the ranking member from California, Representative Bera, for his opening statement.

OPENING STATEMENT OF RANKING MEMBER AMI BERA

Mr. BERA. Thank you, Madam Chairwoman and, obviously, this is an incredibly important hearing. Your testimony could be my testimony and that demonstrates the bipartisan nature of creating redundant supplies of critical minerals and rare earth elements, weaning ourselves off of the choke hold that China currently has where we watch them use their current export restrictions on rare earths in retaliation to some of the trade negotiations that President Trump is leading.

We can’t be dependent on that and, again, so with that I certainly thank you for this important hearing.

Creating and building a diversified, resilient, secure, critical mineral supply chain is crucial to our national security.

That’s why landmark legislation like the Inflation Reduction Act in which Senator Manchin played a key role led to historic investments to support a domestic critical mineral supply chains and started to diversify us away from foreign entities of concern.

Unfortunately, in the Big Beautiful Bill some of these demand incentives with regards to electric vehicles, battery manufacturing, et cetera, potentially are going to be undermined and that’s something that, you know, certainly as we look at implementation of this bill I think we ought to continue to build those demand signals.

Also, while domestic production of critical minerals is crucial for the United States’ security we can’t do it alone if we want to shift away from reliance with China.

That's why our subcommittee is going to play an important role to make sure the State Department, the Development Finance Corporation, and other national security agencies have the tools they need to build resilient global supply chains.

I have, in the prior administration, worked closely with the State Department, worked closely with Under Secretary Fernandez to build those strong international partnerships on supply chain resilience both bilaterally and through multilaterally initiatives including the Mineral Security Partnership.

The MSP brings together 14 partner countries including Australia, India, Japan, South Korea, and the United Kingdom as well as the European Union to strengthen critical mineral supply chains.

The MSP finance network convenes development finance institutions like the DFC and its equivalents in the MSP partner nations to leverage private sector investment for critical mineral projects, focusing on minerals that are most relevant for advanced technologies, defense, energy and industrial processes.

It is a positive sign that our ally South Korea has now succeeded the United States as chair of the MSP. That said, we have got to continue to work with the State Department and continue its robust leadership in the MSP to ensure that MSP projects are meeting our national security goals.

That's why today I have introduced the bipartisan Mineral Security Partnership Authorization Act with my colleague Chairwoman Kim and Representative Moynihan to authorize the State Department to lead the U.S. participation in the MSP.

As our committee works to pass bills including reauthorizations of the Development Finance Corporation and State Department, it is critical that we work in a bipartisan nature to ensure that we have a clear international strategy for securing a critical mineral supply chains.

The MSP is central to the State Department's role in this strategy and I look forward to hearing our witnesses' suggestions on how we can strengthen the MSP to be more expansive.

With that, I look forward to hearing the testimony from the witnesses and I will yield back.

Mrs. KIM. Thank you. Other members of the committee are reminded that opening statements may be submitted for the record.

We are pleased to now have a distinguished panel of witnesses before us today on this very important topic and I would love to introduce them.

The Honorable Frank Fannon, the managing director of Fannon Global Advisories. Thank you for joining us.

The Honorable Joseph Manchin, former U.S. senator of West Virginia. Thank you for joining us.

The Honorable Jose Fernandez, former under secretary for economic growth, energy, and the environment—the E family at the Department of State. Thank you for joining us.

This committee recognizes the importance of the issues before us and is grateful to have all of you here to speak with us today.

Your full statements will be made part of the record and I'll ask each of you to keep your spoken remarks to 5 minutes in order to allow time for member questions.

I now recognize Mr. Fannon for your opening statement.

STATEMENT OF FRANK FANNON

Mr. FANNON. Thank you, Subcommittee Chair Kim and Ranking Member Bera, for the opportunity to speak on one of the most pressing national security challenges of our time.

China has been waging what I have termed a quiet war against the United States for years. This is not a war fought with missiles and bullets but one waged with minerals and refineries.

The Chinese Communist Party has systematically weaponized its control over critical mineral supply chains as part of a broader strategy to displace the United States as the world's indispensable power.

U.S. intelligence agencies have confirmed that communist China is an existential threat for many years, yet Washington has been reluctant to take the necessary and sometimes difficult actions.

Unlike the West, Beijing does not subscribe to definition of war as simply acts of force but instead follows Sun Tzu's guidance that supreme excellence consists in breaking the enemy's resistance without fighting and recommends first attacking this strategy.

Wars are fought with industrial capacity in the supply chains to fuel it. The CCP seeks to win its war by depriving the United States the means to ever wage a kinetic one.

China controls most of the critical minerals that underpin defense and weapon systems, energy technologies, and the building blocks for the modern economy.

Although America has a significant resource endowment, the U.S. is 100 percent import reliant on nearly a quarter of the 50 critical minerals and over 50 percent reliant on 29 of them.

The United States must take bold actions rather than spend time increasing awareness of the problem. President Trump's executive orders signal a meaningful shift toward action.

With that in mind, I'd like to touch on a few of the recommendations from my written testimony.

First, the United States should be clear that it is focused on critical minerals for national and economic security. By adopting security as America's organizing principle the U.S. can take the appropriate countermeasures.

Further, this clear goal will signal to partners, governments, resource-rich nations, and investors that America is serious and committed to mineral security.

Next, the U.S. must right size, modernize, and use its international finance tools. China has deployed more than a trillion dollars in Belt and Road Initiatives including in critical minerals and in 2023 increased mining and metals focused investments 158 percent over 22 levels.

The United States should not try to emulate the Chinese state-led model. Instead, should leverage its comparative advantage, the American private sector. This requires an appropriate Federal financing partner on the other side and the DFC and EXIM Bank are those partners.

For the U.S. Government the DFC and EXIM can advance America's foreign policy. From the business lens they are sources of cata-

lytic capital and, importantly, a means to derisk investment opportunities in emerging markets.

Congress should significantly increase the DFC's funding and fix the scoring problem that treats equity investments as grants.

The EXIM should be more nimble, lower domestic content requirements, and have greater risk tolerance. The DFC and EXIM should prioritize partnerships with American investors and companies and disqualify partners—parties with substantial Chinese ownership interests.

This approach is consistent with the important strengthening of the foreign entity of concern provisions included in the One Big Beautiful Bill.

To meet our challenges will require working with partners and allies, but America's minerals diplomacy should focus on performance-based partnerships that include objective measures such as dollars invested and tons of material mined.

China is the lowest cost producer through State investments and shirking labor and environmental protections. Congress should highlight China's unethical inhumane practices.

By increasing transparency the U.S. and free nations can impose penalties or establish barriers against unethically sourced critical minerals and thereby catalyze differential pricing.

Breaking China's choke hold requires moving beyond semantic debates about decoupling versus derisking and adopting a bold strategy necessary for victory.

I stand ready to work with this committee and the administration to assure America wins this quiet war and secures our critical mineral independence for generations to come.

Thank you.

[The prepared statement of Mr. Fannon follows:]

Testimony Before the House Foreign Affairs Committee
 "Breaking China's Chokehold on Critical Minerals"
 The Honorable Frank Fannon
 Chief Executive Officer, Fannon Global Advisors
 Former U.S. Assistant Secretary of State for Energy Resources

Subcommittee Chair Kim and Ranking Member Bera, thank you for the opportunity to testify before this distinguished committee on one of the most pressing national security challenges of our time: China's strategic dominance over critical mineral supply chains and what America must do to break this chokehold.

The Nature of China's Quiet War

China has been waging what I have termed a "quiet war" against the United States for years.¹ This is not a war fought with missiles and bullets, but one waged with minerals and refineries. The Chinese Communist Party has systematically weaponized its control over critical mineral supply chains as part of a broader strategy to displace the United States as the world's indispensable power.

The Chinese Communist Party (CCP) is hostile to democracy globally and seeks to displace the United States as the world's indispensable power. U.S. intelligence have confirmed that Communist China is an existential threat.² Yet, for years, Washington has been reluctant to recognize Beijing's actions as such and take the requisite actions.

Beijing does not subscribe to the West's Clausewitzian definition of war as "an act of force to compel our enemy to do our will." Instead, the PRC follows Sun Tzu's guidance that "supreme excellence consists in breaking the enemy's resistance without fighting" and recommends "first attacking his strategy." The CCP seeks to win its war by depriving the United States the means to wage a kinetic one.

China controls most of the critical minerals that underpin defense and weapons systems, energy technologies, and the building blocks for the modern economy. Beijing maintains dominant positions across the critical minerals supply chain, and refines 60 to 90% of the world's cobalt, graphite, lithium, and rare earths. China's control of the supply chain was decades in the making and was the direct result of the CCP's state-driven strategy. In 1987, then-Chinese leader Deng Xiaoping presciently declared, "The Middle East has oil, China has rare earths."³ The state invested and built the world's dominant industry player.

¹ <https://nationalinterest.org/feature/chinas-quiet-war-against-america-214118>.

² <https://www.fbi.gov/news/stories/chinese-government-poses-broad-and-unrelenting-threat-to-u-s-critical-infrastructure-fbi-director-says>

³ <https://ig.ft.com/rare-earths/#:~:text=>

Although America has a significant geologic resource endowment, the United States is 100% import reliant on nearly a quarter of the U.S. Geologic Survey's 50 critical minerals and over 50% reliant on 29 of them.⁴

Lessons from the Last Three Administrations

For several years, the United States, like Europe, was content to offshore mining and processing – oftentimes lower margin and heavy industries - to China and import refined goods on a just-in-time basis. This system seemed to work well for a time. Yet, warning signs began flashing as China sought to leverage its growing dominant position. The last three U.S. administrations were forced to face this reality and respond to Beijing albeit in different ways that can inform America's policies today.⁵

President Obama assumed office as China dramatically increased its military spending, replaced Japan as the United States's largest foreign creditor, and in 2010 became the world's second largest economy.⁶ Beijing publicly launched the Belt and Road Initiative, a strategy of coercive investments designed, in part, to lock-up natural resources for China.

In 2010, China banned rare earth element exports to Japan over a maritime territorial dispute, skyrocketing prices more than 400 percent drawing condemnation from Washington and Brussels. In response, and with Japan and Europe, President Obama initiated a World Trade Organization case against China.⁷ After two years of deliberations, the WTO concluded that China violated trade rules.⁸ China went from restricting exports to flooding the market, crashing prices. In less than a year after the U.S. "won" in the WTO, America's only rare earth mine filed for bankruptcy protection.⁹

The Obama administration relied on conventional remedies, diplomatic convenings, and looked to Brenton Woods-era institutions to help settle its dispute with China. Yet, the effectiveness of conventional mechanisms correlates to the extent to which countries agree to the conventions themselves. China rejects them. Rather than rely on the traditional rules-based order, the U.S. must consider an alternative approach.

The Trump administration viewed critical minerals as a proxy for America's economic and national security. In December 2017, the President issued the first Executive Order directing the

⁴ <https://ca.rbcwealthmanagement.com/xiangzhou-kong/blog/4512911-The-New-Great-Game-How-the-race-for-critical-minerals-is-shaping-tech-supremacy>

⁵ See, Fannon on pps. 117-119, https://csis-website-prod.s3.amazonaws.com/s3fs-public/2025-02/250210_Baskaran_Critical_Minerals.pdf?VersionId=Tfu2TnRQGIn7ol8HSCakMUT8HTwYukd.

⁶ See <https://www.cfr.org/timeline/us-china-relations>.

⁷ <https://obamawhitehouse.archives.gov/the-press-office/2012/03/13/remarks-president-fair-trade>.

⁸ "By upholding rules on fair access to raw materials, this decision is a win not only for the United States, but also for every nation that respects the principles of openness and fairness. Those principles are the pillars of the rules-based global trading system, and we must protect them vigilantly." <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/August/USTR-Froman-US-Victory-in-Challenge-to-China-Rare-Earth-Export-Restrainments#:~:text=The%20panel%20found%20that%20the,any%20party%20to%20the%20dispute..>

⁹ <https://www.mining.com/web/molycorp-inc-signs-restructuring-support-agreement-with-key-creditors/>.

U.S. Department of the Interior to develop a critical minerals list.¹⁰ The May 2018 report identified 35 minerals considered critical to the economic and national security interests of the United States, which informed the inter-agency's focus areas.¹¹ The report helped to increase awareness of the PRC's control of critical mineral supply chains beginning in emerging market and Belt and Road-targeted countries.

The State Department created bilateral and multilateral initiatives to lay the foundation for alternative investment channels to the PRC. The administration sought to elevate transparency, expose the PRC's predatory debt diplomacy, and provide minerals producing countries an economic alternative to China.¹²

The Trump administration sought to leverage the newly established International Development Finance Corporation (DFC) to provide seed capital to de-risk projects and attract investors. The administration recognized that China's dumping and related actions distorted markets creating an unlevel playing field. In response, the U.S. imposed tariffs and other tools to promote fairer trade. On the domestic front, the administration rolled out a series of permitting reform initiatives to mobilize America's resources and address the critical minerals supply gap.¹³

The Trump administration recognized that China was a non-traditional market participant and adversarial nation. As such, it came to recognize that conventional tools and practices were insufficient to the task. The administration eventually sought to chart a new course, develop new practices, and establish nonconventional tools.

The Biden-Harris administration reoriented government to prioritize "the climate crisis both at home and as a core element of our national security and foreign policy."¹⁴ The Biden administration also recognized the importance of critical minerals, especially in meeting their ambitious climate and energy transition goals. Coming out of the COVID pandemic, President Biden mandated a comprehensive reviews of supply chains¹⁵ and issued a new critical minerals list bringing the total to 50,¹⁶ and the Department of Energy released a new critical materials list for energy.¹⁷

¹⁰ <https://www.federalregister.gov/documents/2017/12/26/2017-27899/a-federal-strategy-to-ensure-secure-and-reliable-supplies-of-critical-minerals>.

¹¹ <https://www.usgs.gov/news/national-news-release/interior-releases-2018s-final-list-35-minerals-deemed-critical-us>.

¹² For example, State Department engagement with Greenland. <https://2017-2021.state.gov/joint-statement-on-u-s-greenland-mou-and-hyperspectral-survey/>.

¹³ <https://www.doi.gov/pressreleases/trump-administration-announces-strategy-strengthen-americas-economy-defense>.

¹⁴ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/21/fact-sheet-prioritizing-climate-in-foreign-policy-and-national-security/>.

¹⁵ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/>.

¹⁶ <https://www.usgs.gov/news/national-news-release/us-geological-survey-releases-2022-list-critical-minerals>.

¹⁷ <https://www.energy.gov/cmm/what-are-critical-materials-and-critical-minerals>.

The Inflation Reduction Act established new federal programs, incentives, and billions of dollars in taxpayer funding to support clean energy supply chains.¹⁸ The State Department's Minerals Security Partnership convened countries to discuss greater collaboration and investment in critical minerals to advance clean energy goals.¹⁹ The State Department also led the Partnership for Global Infrastructure and Investment, and the Lobito Corridor project.²⁰ The DFC increased its sole investment in a mining investment firm from \$25 million to \$105 million,²¹ but did not make any equity-level investments into any other mining investors or operating companies.

The Biden administration's prioritization of climate action above others led to a muddled, in practice. The Inflation Reduction Act prohibited U.S. taxpayer funds from going to a "foreign entity of concern." Yet, FEOC China is the largest and least expensive critical minerals producer and clean tech manufacturer in the world. To disqualify Chinese content from receiving taxpayer subsidies, as per the law, would increase prices making EVs and other preferred energy technologies less attractive to most American buyers. The Treasury Department's rules allowed up to 25 percent of otherwise disqualified Chinese content to receive U.S. taxpayer subsidies.²²

The IRA's billions of dollars in taxpayer funding proved to be a meaningful demand-side catalyst for clean energy adoption. However, there was little support for supply-side mining or refining.²³ The Biden administration's goal to deploy clean energy fast, at scale, and at a low cost perversely required greater reliance on China, at least in the short to medium term, as the PRC controlled the critical minerals supply chain.

Meanwhile, The CCP went back to the 2010 playbook, flooding the market with cobalt, crashing prices and putting America's only cobalt development project into care and maintenance.²⁴ The CCP also announced curbs on the export of gallium, germanium, graphite, antimony, and rare earth minerals technology.²⁵

¹⁸ <https://www.bluegreenalliance.org/site/inflation-reduction-act-and-bipartisan-infrastructure-law-resource-center/>.

¹⁹ <https://www.state.gov/minerals-security-partnership/>.

²⁰ <https://www.state.gov/bureaus-offices/secretary-of-state/office-of-the-u-s-special-coordinator-for-the-partnership-for-global-infrastructure-and-investment/>, <https://www.ft.com/content/cb2823c7-f451-4bc9-959e-ec7e07384a31>.

²¹ <https://www.businesswire.com/news/home/20231201346504/en/TechMet-Receives-further-50-Million-Commitment-From-U.S.-International-Development-Finance-Corporation-at-COP28>.

²² <https://www.csis.org/analysis/united-states-should-fix-feoc-guidance>.

²³ *Supra* at 3.

²⁴ <https://www.mining.com/web/china-cobalt-buyers-use-global-glut-to-challenge-pricing/>.

²⁵ <https://www.reuters.com/markets/commodities/chinas-curbs-exports-strategic-minerals-2024-08-15/#:~:text=of%20a%20battery,>
<https://www.cnn.com/2024/08/15/tech/china-antimony-export-ban-intl-hnk/index.html#:~:text=China%20will%20impose%20export%20limits,it%20is%20the%20dominant%20supplier..>

A Comprehensive U.S. Critical Minerals Strategy

The last three administrations responded to China's minerals dominance in different ways based on their respective goals, the government tools available, and the geopolitics of the time. Yet, a few factors remain constant.

First, the scale of America's challenge has continued to grow. The transformation and modernization of the U.S. economy ensures an ever-increasing demand for critical minerals. Second, while America's approach may have changed over the last fifteen years, China has maintained a consistent strategy to acquire mines and control refining and processing. Third, the United States faces a pacing challenge: it can take more than two decades to build a mine, but only five years to construct a refinery or manufacturing plant. Government officials must consider these time horizons when developing and implementing policies. Lastly, most other nations prefer American investors and mining companies.

America needs a comprehensive critical minerals strategy that incorporates lessons learned from the last three administrations and is action oriented. The United States must focus on action rather than increasing awareness of the problem. President Trump has already signaled a meaningful shift toward action by issuing Executive Orders that integrate critical minerals as core to America's energy and national security and two explicitly on critical minerals. I recommend the United States take five actions to build a secure and America-led critical minerals supply chain.

1. Mission Clarity: Security

The United States should clearly state that developing an American-led critical minerals supply chain is a matter of national and economic security. Furthermore, America cannot realize security while dependent on an adversarial China. By articulating this clear goal, the United States can better mobilize the government, private sector, and the American people to participate in this shared mission.

China will not stand idly by and watch America develop secure critical minerals supply chains. The CCP will restrict supplies on the one hand and once America begins to develop alternative sources, will manipulate market prices and kill off growing competition. However, by adopting security as America's organizing principle, the United States can take the countermeasures appropriate to such economic warfare. For example, a security-focused approach would recognize that there is no real "market price" under CCP controls. As such, this could allow the United States to consider a host of remedies, including the imposition of targeted tariffs, require greater supply chain transparency, and establish new security-minded trading arrangements.

The U.S. should declare its intention to develop a secure supply chain and phase down reliance on China. Clear goal setting will signal to partner governments, resource-rich countries, and investors that America is serious and committed to minerals security.

2. Presidential-level Coordination and Accountability

The U.S. government's interest in critical minerals has grown significantly since President Trump issued the first list in 2018. Today, fifteen federal agencies claim authorities over America's critical minerals policy. As well-intentioned as agencies and departments may be, a lack of clear oversight and coordination can lead to inefficiencies and working at cross-purposes.

Recognizing this challenge, President Trump established the White House Energy Dominance Council to coordinate whole-of-government action, including on critical minerals. This represents exactly the kind of high-level coordination mechanism needed to manage this complex portfolio and align policies to ensure real world wins over bureaucratic ones.

3. Right-Size and Deploy U.S. Finance Tools

China has deployed more than \$1 trillion in Belt and Road Initiative investments,²⁶ including in critical minerals. In 2023, Beijing increased mining and metals-focused spending by 158 percent over 2022 levels, locking up key supplies over the long term.²⁷

The United States will not and should not try to emulate the Chinese debt diplomacy model or industrial policy. Instead, the U.S. should leverage its comparative advantage, the American private sector. This requires an appropriate federal financing partner on the other side. America has two international financing entities—the International Development Finance Corporation and Export-Import Bank. The United States must modernize and mobilize both entities to meet the significant challenge and develop an America-led and secure critical minerals supply chain.

From the U.S. government point of view, the DFC and EXIM are instruments to advance America's foreign policy. From the business lens, they are sources of catalytic capital, and importantly a means to meaningfully de-risk investment opportunities in some emerging markets. America faces a near to mid-term critical minerals supply crunch. To meet this challenge, investors and companies must have the confidence to look beyond the traditional OECD and enter emerging markets. U.S. financing is key to doing so.

The DFC's dual mandate to advance America's security and development can lead to an inherent tension between the two and create investor uncertainty. Congress should clarify the mission and prioritize America's foreign policy and national security interests, while recognizing the importance of development. Congress should significantly increase the DFC's \$60 billion funding authorization and fix the scoring problem that treats equity investments as grants.

The EXIM Bank should build on the China Transformational Exports Program, lower domestic content requirements, and have greater risk tolerance. EXIM financing should be more flexible in design and operation.

Furthermore, U.S. investments should include critical minerals off-take rights not just passive investments. The DFC and EXIM should prioritize partnerships with American investors and

²⁶ <https://www.mining.com/chart-chinas-belt-and-road-mining-investment-hits-record/>

²⁷ <https://blogs.griffith.edu.au/asiainsights/china-belt-and-road-initiative-bri-investment-report-2023/>

companies and disqualify parties with substantial China ownership interests. This approach would send the clear market signal and is consistent with the important strengthening of the Foreign Entity of Concern provisions included in the “One Big Beautiful Bill.”

4. Permitting Reform

Congress and administrations have been toiling with permitting reform for several years taking modest, incremental steps. However, the time horizon to develop mines in America has worsened over the years. According to S&P analysis, it takes on average 29 years to turn a discovered resource into a mine in the United States—only Zambia has a worse record.

Substantive and meaningful permitting reform can be legally complex and politically risky, yet it necessary. The Trump administration has implemented the most comprehensive federal permitting reform for mining and energy projects in decades. The Department of the Interior announced a reduction in permitting review timelines from 1-2 years to as little as 28 days through emergency procedures. The administration has systematically added dozens of critical mineral projects to fast-track programs. The White House is calling for the restructuring of environmental review requirements to focus only on legislatively mandated considerations while eliminating bureaucratic delays.²⁸ Further, the administration launched a “Permitting Technology Action Plan” to modernize permitting technology infrastructure.²⁹

Congress should build on this momentum and pass strong and meaningful permitting reform for mining, energy, and infrastructure projects.

5. Economic Realpolitik: Performance-based Partnerships

The United States knows that China’s dominance of critical minerals supplies chains and the need for near-term action requires coordination with partners and allies. However, America must apply a more nuanced test in considering those partnerships than free trade agreements, historic relationships, or geography in this new era of economic realpolitik. Most democratic nations share America’s view that China is averse to democratic values and seeks to weaken the United States. Yet not all have sought to reduce their reliance on Beijing, and indeed some solicit increased dependency, particularly concerning EV and clean energy technologies.

Critical minerals diplomacy and partnerships should prioritize objective performance measures over diplomatic convenings. America’s national security requires more investment dollars invested, tons of critical minerals moved, and the build-out of non-PRC mid and downstream supply chains.

While still early, the Trump administration has taken some important early steps. The administration has signed critical minerals agreements with Ukraine, and the Democratic Republic of Congo, and is considering more bilateral agreements. Last month the G7 adopted a

²⁸ <https://www.whitehouse.gov/fact-sheets/2025/06/fact-sheet-president-trump-is-delivering-historic-permitting-wins-across-the-federal-government/>.

²⁹ <https://www.whitehouse.gov/articles/2025/05/trump-administration-launches-permitting-technology-action-plan/>.

Critical Minerals Action Plan, committing parties to diversify supply chains, mobilize capital, and promote standards-based markets.

Further, the Quad—United States, Australia, India, and Japan—launched the Quad Critical Minerals Initiative intended to secure and diversify critical mineral supply chains. The Quad nations are naturally positioned to strengthen global supply chains: Australia leads in lithium mining with 37% of global supply, Japan excels in mineral processing and refining, while the U.S. leads in private capital formation and together with India want to expand domestic mining and refining operations.

China is the lowest cost producer of many critical minerals. Beijing achieved that status, in part, through strategic state investments at scale and shirking labor and environmental protections. According to a U.S. Department of Labor report, Chinese mining has increased child and forced labor, which “risks undermining the promise of a sustainable and equitable green future.”³⁰

Congress should examine and highlight China’s unethical and inhumane practices. Doing so can have two benefits. First, Congress’ work could be integrated into the G7’s Action Plan to promote and differentiate mining standards and practices. By increasing transparency in the China-dominated critical supply chain, the United States and other free nations can impose penalties or establish barriers against unethically sourced critical minerals and thereby catalyze differentiated pricing. For years, mining companies have called for manufacturers to pay a “green premium” for higher cost, low carbon production. Few if any companies were willing to do so. Instead of expecting American companies to increase costs and lower margins, the United States could compel the Chinese producers that fail to meet certain standards to pay more. Second, the American people should be more willing to accept domestic permitting reform and mining if they had greater awareness of China’s practices.

Conclusion

The United States has been forced to engage in a new era of economic realpolitik. Breaking China’s chokehold requires moving beyond semantic debates about “decoupling” versus “de-risking” and adopting a comprehensive strategy necessary for victory.

The United States has the world’s most dynamic private sector, a significant domestic mineral endowment, world-leading technological capabilities, and strong alliances and partnerships. Congress has an historic opportunity to build on these factors and leverage the current momentum to advance meaningful policies that can lead to an American-led and secure critical minerals supply chain. By declaring that America’s unambiguous goal is security, modernizing and harnessing international finance tools, and fostering domestic mining and supply chains, the United States can and will break China’s critical minerals chokehold.

I stand ready to work with this committee and the administration to ensure America wins this quiet war and secures our critical mineral independence for generations to come.

Thank you, and I look forward to your questions.

³⁰ https://www.dol.gov/sites/dolgov/files/ilab/child_labor_reports/tda2023/2024-tvpra-list-of-goods.pdf

Mrs. KIM. Thank you, Mr. Fannon.
I now recognize Mr. Manchin for your opening statement.

STATEMENT OF JOSEPH MANCHIN

Mr. MANCHIN. Chairwoman Kim and Ranking Member Bera, I want to thank you all and the members of this committee for the opportunity to share my perspective on this vital and bipartisan economic and national security issue.

It's something I put years of work into during my time as chair and ranking member of the Senate Committee on Energy and Natural Resources as well as the Senate Armed Services Committee.

When I joined the Senate in 2010 China put rare earth export controls on Japan following a territorial dispute over islands they claimed ownership of, which should really sound familiar to all of us.

From that moment through the Energy Act of 2020, which created the critical minerals list itself, through my last day in the Senate I focused on this issue, and while there has been good legislation there remains much more to be done.

If I could leave you with one thing today is to impress the urgent need for us and our allies to have strong, reliable critical mineral supply chains across the three phases—extraction, processing and manufacturing—so that no part of the process is in the hands of an adversary.

The solution includes the use of our financing tools like the Development Finance Corporation, the Defense Production Act, and the Export-Import Bank. We need to reauthorize and strengthen these key financial tools so that we have a full toolbox, and given the committee's focus we must keep in mind that none of this works without diplomatic engagement.

The Senate department must focus on energy security with experts who understand the complexity of resource economics and energy geopolitics with emphasis to prioritize the issue in country.

Finally, we need to make sure that this effort is coordinated so that efforts across so many agencies are effective and don't work across purposes or waste investments.

Here's why this matters now more than ever. Just like Putin weaponized Russia's oil and gas resources to try to scare off Europe from supporting Ukraine, Xi Jinping and the Chinese Communist Party are more than willing to use critical minerals as leverage to put Americans and the free world at risk.

They have ramped that up in earnest recently by flooding the market with oversupply, driving prices down and leaving producers worldwide unable to compete, and then using export controls once they dominate the market.

In fact, at the end of 2023 I held a hearing in the wake of the first round of China's export restrictions on gallium and germanium, two critical minerals that are needed for semiconductor fabrication.

As I feared that export restrictions became a ban in the late 2024 that, with recent trade disputes, they have gone even further by cutting off our supplies of rare earths, antimony, tungsten, and more.

That is why tariffs are so important. Tariffs are needed to protect the building blocks of our economy and national security as well those of our allies from China's market distortions and economic malfeasance.

That is what tariffs are for, to protect strategic industries by penalizing bad actors and keeping the U.S. prices competitive.

Even worse than Europe's addiction to Russian gas, which is about 45 percent of supply in 2021, we are over 90 percent reliant on China for graphite, gallium, rare earths, over 60 percent reliant germanium, over 70 percent reliant for high-grade cobalt and nickel, and I could go on and on.

And China's critical mineral grip extends around the entire globe. They control mines throughout the world, all of which feed a processing and manufacturing powerhouse that they control.

So just as we cannot solve this problem alone, we are not in this mess by ourselves either. We must acknowledge that while we can provide much of the minerals we need domestically, we don't have the capacity to produce or process every mineral in the quantities that we need here in the United States in North America or even in a newly formed AUKUS security partnership between Australia, the United Kingdom and the U.S.

Even if capacity weren't an issue we can't afford to spend a billion dollars per mineral to support domestic suppliers. Our debt is a national security threat, too, and we must come to grips with that.

Permitting reform is essential to fast track domestic production but we also need to ensure that we are working with trusted and reliable partners when it comes to overseas mineral resourcing.

That means looking first to friends like Canada, Australia, Japan, and Norway but also building new trusted partners throughout efforts like the Mineral Security Partnership and countering China through the energy and mineral diplomacy efforts under the committee's jurisdiction.

We must also be extremely cautious of our policies where the Chinese have a majority of control like the Democratic Republic of Congo and Indonesia and don't get sucked in when they have total control either.

So in closing, the time to solve this issue is now and Congress has a grave responsibility to step up to the plate. I look forward to your questions and thank you for asking me to be here today.

[The prepared statement of Mr. Manchin follows:]

Testimony of Joe Manchin III*Former United States Senator***House Foreign Affairs Committee — EAP Subcommittee Hearing on Critical-Mineral Supply Chains***July 15, 2025*

Chairwoman Kim, Ranking Member Bera, and Members of the Subcommittee:

Thank you for the opportunity to share what I have learned during my time as a legislator, particularly as the Chair and Ranking Member of the Senate Committee on Energy and Natural Resources and as a member of the Armed Services Committee, where I had a laser-focus on our nation's energy and mineral security.

America's economic future, and our national security, hinge on our ability to compete with China in securing access to critical minerals, resources that are every bit as essential to the 21st century as coal and steel were to the last. Just as our miners once fueled the industrial and military might of the United States, the fight for minerals today will determine our capacity to build, innovate, and defend the American way of life.

China, meanwhile, has gained a near-total grip on all three phases of the critical-mineral supply chain: extraction, processing, and manufacturing. Today, China controls over 65 percent of global lithium refining, 70 percent of battery-grade nickel and cobalt, 90 percent of graphite and rare earths, over 60 percent of germanium, and 95 percent of gallium. It dominates mid-stream refining capacity for 19 of the 20 most strategic materials, and that dominance is only expected to grow. Downstream, Chinese companies lead global production of the components, like rare earth magnets, that power our most advanced defense systems, electronics, and clean-energy technology. It is essential that the U.S. gain control of each of these three phases of extraction, processing, and manufacturing so that no part of our critical mineral supply chains are in the hands of an adversary.

Critical Minerals Control, Like Energy Dominance, is Key to Economic Strength and National Security

Just as Putin was given massive leverage due to his control over natural gas supplies to Europe, China possesses a similar weapon that it can wield against the United States, and the entire world – in many ways more of a threat because of how reliant the entire Western world is on China. Already, time and again, Xi Jinping has used China's leverage as a geopolitical weapon—placing export controls or outright bans on these materials, including more than five instances in just the past two years. From ammunition and armor

to chips, magnets, and night-vision systems, our national security relies on resources that are increasingly under the control of an adversary.

Beijing's state-backed financing and willingness to ignore commercial constraints, not to mention labor and environmental standards, allows the PRC to move faster than private competitors—and makes clear that this is a strategic contest, not just a commercial race. That isn't to say we should try and out-do a communist dictatorship with state-owned enterprises and low standards – instead we need to use our American know-how, our financial markets, protective tariffs, targeted investment, the strength of the American people, and the markets and relations of our international partners.

Leadership on Energy and Mineral Security through Domestic Production

As Chair and Ranking Member of the U.S. Senate Energy and Natural Resources Committee I made sure that mineral security was a focus of every major piece of energy legislation during my time. I led enactment of the legislation that created the critical mineral lists that the U.S. Geological Survey publishes, enacted the critical mineral production tax credits, created the concept of a “foreign entities of concern” that shouldn't be getting our taxpayer dollars, pushed for permitting reform, invested in applied and fundamental research at the Department of Energy (DOE) and our National Labs, authored the bipartisan *Mining Schools Act* (which unfortunately stalled in the House after Senate passage) to make sure we have the mining workforce we need, and pushed back against short-sighted decisions that put our energy and mineral security at risk.

Current State of the US Critical Mineral Supply Chain

So let me be clear: Expanding domestic mining and processing is critical—and overdue—but America cannot meet soaring demand on its own. Permitting a new mine in the United States can take a decade or more and this is unacceptable, but the truth is that permitting reform is not enough. Even if every possible geologic deposit in the United States were permitted tomorrow, many factors would prevent the U.S. from becoming “independent” – including Chinese market manipulation, a mismatch between friendly processing capacity and viable mines, the timelines to physically build these mines, and the realities of geology.

Encouragingly, we are beginning to see some domestic progress and I'm heartened to see the Trump administration's strong focus on this front. When it comes to rare earth elements (which are just a small subset of critical minerals we should be worrying about), for example, we were excited to welcome Secretary of Energy Chris Wright and the Wyoming delegation out to a project I'm involved with, Ramaco's Brook Mine in Wyoming last week. This combination coal and rare earths mine will be the first new rare-earth mine in the U.S. in 70 years. Also, just last week, MP Materials received a strategic investment from the Department of Defense and is set to bring a rare-earth-magnet facility online by 2028.

These are important milestones - but we are still years away from a fully integrated domestic supply chain for rare earths, and in the meantime, global demand is only increasing. Further, this leaves out other “code red” elements like antimony, gallium, germanium, and tungsten that have been hit with Chinese export controls.

Nickel case-study: Large market dominated by Chinese international investment

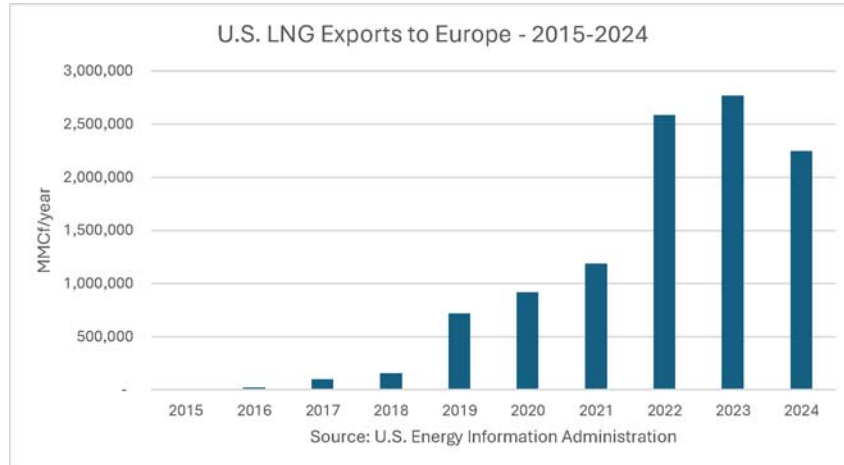
Nickel provides a key example worth considering because it is a much larger market than rare earths, gallium, or germanium - and cannot be solved by one or two projects alone. The PRC has used extensive foreign investment to dominate mining and refining overseas, particularly in Indonesia, where the concentration of Chinese-controlled nickel refining continues to grow at an alarming rate. Meanwhile, the Eagle Mine in Michigan - our lone primary nickel source - is approaching end-of-life within the decade, and its ore is shipped to Canadian smelters that have long fed the U.S. market and are now facing trade and cost uncertainty.

These pressures aren't unique to North America either. Australian smelters have shuttered, and the Philippines has struggled to build out a viable downstream industry. In Indonesia, U.S. champions have been sidelined by shifting ownership rules and unpredictable export regimes, while Chinese companies have expanded aggressively. This doesn't mean we should leave Indonesia to China - especially with their domestic pushback of the environmental damage caused by some Chinese-led projects, including illegal tailings dumping - but it illustrates a broader truth: we face similar challenges across multiple jurisdictions, and neither the U.S. nor its partners have the resource scale or financial firepower to solve them alone. Without a sustained effort, the International Energy Agency warns that nickel supply chain concentration will only increase by 2040, deepening the risks - and bear in mind that nickel is not “just” for EV batteries, but vital to the steel industry as well as for superalloys that allow our defense industrial base to produce hypersonic missiles, high-performance turbines, and more.

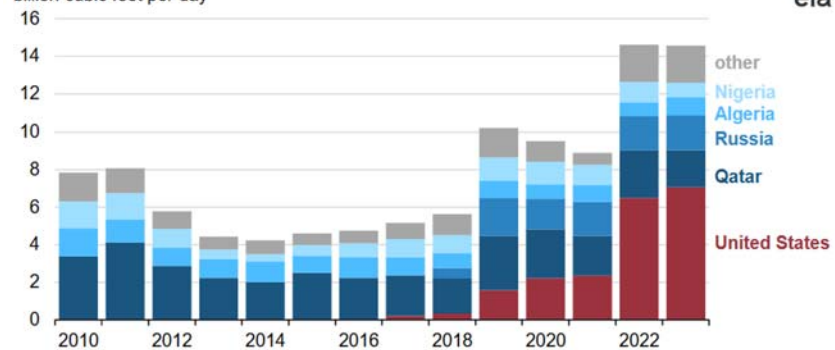
The Role of International Partners in Building Reliable Critical Mineral Supply Chains

America must work hand-in-hand with allies and partners to create reliable supply chains, just as we did when American liquefied natural gas (LNG) helped Europe weather Russia's gas squeeze. Prior to Russia's invasion of Ukraine, Russian imports made up 45% of the EU's total gas supply. Thanks to our immense natural gas reserves, we were able to take Russia out of the picture and quickly get LNG flowing to Europe in 2022, ramping up to over 2 trillion cubic feet for the last three years. In 2024, the EU relied on Russia for only 19% of its natural gas and oil - and the EU plans to bring that to zero by 2027 through relying on its partners and American energy dominance.

Our LNG diplomacy is part of the blueprint: unleash domestic production, build trusted economic and security partnerships, and knit together a coalition that shares both the benefits and the burdens. And we need the same thing to counter China on critical minerals.



Europe (EU-27 and UK) annual LNG imports by exporting country (2010–2023)
billion cubic feet per day



Data source: [CEDIGAZ](#) and the International Group of Liquefied Natural Gas Importers ([GIGNL](#))

Note: Other includes Angola, Argentina, Australia, Cameroon, Egypt, Equatorial Guinea, Indonesia, Libya, Mozambique, Norway, Oman, Papua New Guinea, Peru, Trinidad and Tobago, United Arab Emirates, and Yemen. LNG=liquefied natural gas

A key difference, however, between then and now is that instead of just being a European problem, all the western world is getting squeezed by China and we are import dependent, rather than exporting, so we need to be unleashing production and building partnerships that bring these resources here. And we have all read the recent headlines where PRC export controls have already led to shortages of rare earth magnets, and incredibly volatile price swings – giving them leverage in trade talks and endangering the U.S. economy. That is why tariffs are so important. Tariffs are needed to protect the building blocks of our economy and national security, as well as those of our allies, from China's market distortions and economic malfeasance. This is what tariff are made to do, protect our most critical industries to ensure they are there in times of need.

How Strategic U.S. Leadership Can Help to Build Reliable Critical Minerals Supply Chains

Strategic engagement with our partners and allies is essential to fortify our supply chains. while we wait for domestic infrastructure to catch up. We need a coordinated, global approach to ensure we have access to secure, diverse, and transparent supply chains that reflect our democratic values. No one country—not even the United States—can finance, permit, and scale the entire critical-minerals supply chain alone. Countries like Canada, Australia, Japan, Norway, and members of the EU bring capital, technical expertise, and aligned interests to the table. And developing nations offer geological potential and regional influence.

To move forward, we need to enhance mechanisms that incentivize private-sector involvement, clarify timelines, and reduce friction between member countries. Governments can identify deposits, but it's coordinated investment—grounded in shared values and accountability—that will turn potential into production.

Energy Diplomacy, International Coordination and U.S. Leadership

The State Department, in alignment with broader policy goals and coordination with other agencies, can and should play a central role in this effort at the embassy level and here in Washington, D.C. The coordinated investment won't be able to get off the ground if we don't have the diplomats on the ground to help us build these supply chains by identifying projects that create opportunities, helping to smooth over commercial disputes, and providing relationships with partner governments. Additionally, these markets are complex and globally interconnected: It requires experts who understand broader energy geopolitics, the complications of resource economics, and complex commodity financing, as well as the heft of Presidential appointees focused on this singular issue are a necessary part of the solution.

This is where broad initiatives like the Minerals Security Partnership (MSP) have an important role to play. Led by leaders like Under Secretary Jose Fernandez under the Biden Administration, the MSP seeks to catalyze investment in critical-mineral projects across Africa, South America, and other strategically important regions. While the MSP is still

relatively new, having grown out of the Trump-era Energy Resources Governance Initiative (ERGI), it remains a vital model of coordinated engagement.

Strategic Investment and Improving the Toolkit – Protecting U.S. Investment Overseas

Meanwhile, the State Department, along with agencies like the Development Finance Corporation (DFC), Export-Import Bank (Ex-Im Bank), and the DOE Loan Program Office, must be empowered to act more decisively. Congress should reauthorize and strengthen these tools so that American-backed projects abroad aren't held up by bureaucracy while Chinese firms continue to move with state-backed speed.

We need to be smart in these investments and make sure we're laying the groundwork for long-term western backed investment from the private sector and mobilizing our dominant U.S. financial markets. For example, when we look at trade deals and energy diplomacy, especially in developing countries, we must realize that unless the State Department and the U.S. government are there to make sure U.S. companies and investments are protected (including with access to U.S. legal standards), there won't be any serious western investment because the risks are too great. If the host government goes sideways, you can't take your 50-year mining project and move it like a factory – and production is likely to enter the Chinese supply chain instead.

Lastly, we must remember that our alliances are not just economic—they are strategic. China hitting Japan with rare earth export controls in 2010 woke up the whole world and Japan's response to China's export ban are instructive. While it didn't solve the problem, diversification, investment in allies, and coordinated enforcement of trade rules helped Japan reduce its exposure. We should take the same approach and ensure that our values—not China's coercive tactics—shape the global rules of the road for mineral access.

How Leadership and Coordination within the U.S. Government Can Streamline the Process of Building the Supply Chain

Finally, we need to establish control of all three phases of the critical mineral supply chain - extraction, processing and manufacturing, and I support the President's use of the National Emergencies Act to streamline the process. Today, many federal entities touch critical-mineral policy - as they should give their different authorities - for example, the U.S. Department of Commerce and the U.S. Trade Representative set trade rules and provide vital commercial intelligence; DOE runs R&D grants, the labs, and the Loan Program Office; U.S. Department of Defense wields the Defense Production Act (DPA), industrial base procurements, and the Office of Strategic Capital; Interior controls the U.S. Geological Survey for data, mapping and science, and numerous agencies who either manage the land where mining occurs or cover permitting; and State implements our diplomatic efforts and leads the Minerals Security Partnership. Each has a valid mandate, but no one office knits strategy across the whole value chain from mine permitting to

finished product, whether it be a lithium ion battery or armor plating production. I urge Congress to consider a bipartisan framework that would establish a more permanent central hub reporting directly to the President and tasked with aligning domestic permitting, foreign investment tools, and trade incentives under a single, bipartisan roadmap.

The example of Graphite: Contradictory policy under the Biden administration

Graphite illustrates what happens without coherence. The U.S. financed overseas mining projects through the Development Finance Corporation and approved Department of Energy loans for domestic processing, yet the Biden administration simultaneously weakened EV-credit sourcing rules that would have driven demand for that very graphite, initially tried to prevent companies from claiming mining costs for the critical mineral production tax credit, and slow-walked approvals for the Graphite One mine in Alaska. Then, the Biden administration announced protective Section 301 tariffs on a range of Chinese energy manufacturing products, including graphite and battery products, in 2024, but while many of the other tariffs went into effect immediately, implementation of the graphite tariff was delayed until 2026, leaving producers hanging. Permitting is moving much faster now with domestic mining as an administration priority, but uncertainty around domestic graphite demand, manufacturing cost escalations, and changing policies have investors sitting on the sidelines. The result, as the *Wall Street Journal* recently reported (March 2025), is that China still processes over 90 percent of the world's graphite while American producers, investors, and manufacturers watch projects stall.

The Will to Win

In short, we need urgency, realism, and resolve—at home and with our friends. We need to expand our domestic capacity and streamline our permitting. But we must also invest in partnerships with allies who share our vision for a secure, free, and prosperous world.

America has the resources, the partners, and the know-how. If we can build a stealth plane that's able to fly across half across the world and strategically deliver bunker buster bombs to destroy Iran's nuclear weapons facilities with pinpoint accuracy, surely, we can produce the minerals we need to continue to be the world's dominant superpower. This is a bipartisan issue and should not be about politics, but what is best for the American people. What we need—just as we did with LNG—is the collective will to move faster than those who would hold us hostage.

By pairing smart domestic policy with a clear international strategy, we can build a resilient critical minerals future that safeguards our economy, our allies, and our way of life.

Thank you for the opportunity to share this testimony.

Mrs. KIM. Thank you, Mr. Manchin.
And now I recognize Mr. Fernandez for your opening statement.

STATEMENT OF JOSE W. FERNANDEZ

Mr. FERNANDEZ. Thank you. Thank you and good morning.

Chairwoman Kim, Ranking Member Bera, members of this committee, thank you for having me here. I'm going to try and be brief because I very much share what's been said before me.

Briefly stated, we have a need and we have a problem. The need is that the world needs exponentially more critical minerals and rare earths. We need them for just about anything and everything that we use—data centers, semiconductors, energy, battery storage, EVs—and these numbers are staggering.

In the last couple of years the demand for energy battery storage has doubled. The IEA tells us that by 2050 we'll need 42 times the amount of lithium that we use today. That's the need.

The problem is that the PRC controls or owns just about all, if not—or at least most of these minerals, two-thirds of the world's lithium and cobalt, 100 percent of the graphite, 19 out of 20 strategic minerals.

This is a strategy that the PRC has followed now for over decades. It also involves subsidies. The IEA has estimated that 20 to 40 percent of the cost of a mine in China is subsidized by the government.

That is the problem, and as the senator just outlined the PRC has been willing to exercise its dominance. We saw it even this year with the seven heavy rare earths.

When I was in office we helped to deal with the germanium export controls. We were able to secure 25 percent of the world's global supply through our allies and partners.

We have also seen the PRC use predatory pricing. That's what a monopolist does. It uses its power in order to drive down the competition.

So what have they done? They have flooded the market. The price of cobalt, the price of lithium, has gone down 75, 80 percent. The price of cobalt today is lower than the price in 2017. That is part of the strategy.

But there's a bright side. There's a bright side, and that is that we are pushing on an open door. When we started working on the Mineral Security Partnership and I went to our allies and partners they shared the same concerns. They actually were looking to do something about their diversification of critical minerals.

They saw the same need, and when we proposed the MSP concept they bought it immediately. They wanted U.S. leadership. That's our partners and allies.

Producing countries want our investments. We don't bribe. We follow the law. We don't bring in our workers.

So we created the Mineral Security Partnership based on the premise that no country can solve this problem alone. We had four lines of effort. We shared information with our partners because if we couldn't put together the deal for a mine perhaps other countries could.

We did what private equity and banks do which is we finance together in order to derisk and minimize the risk. We included recy-

cling projects because we are told that 30 percent of the world's need could be met in the next 10, 20 years by recycling.

And last, we had to make a better offer and our offer was we would adhere to high ESG principles because we could not win a race to the bottom and so we had to change the terms of the debate.

We were successful. We were a deal shop; we were not a talk shop. We had over 30 projects that we supported in our 2 years. Thirteen of those are public.

We actually had countries come to me and say, Jose, if our companies invest in a mining deal in country X we're going to get screwed. But if the U.S. comes they won't mess with us.

So some of what we did was diplomatic support. We also were able to work with our colleagues at the DFC, at EXIM Bank, at USTDA in order to finance together, and we were just getting started.

I am very happy to see the—your proposed MSP authorization bill. I welcome it. It incorporates the lessons of the MSP. It gives it the tools for success.

It's a partnership with partner countries that tries to galvanize the private sector and that is our best weapon. That is our secret weapon, our private sector as well as our allies.

I've made three suggestions in my testimony that I hope we can discuss today. I think we're going to need more funding. If you look at what France, Germany, Australia, Japan, Korea, and others have done, all of those have billion-dollar investment funds in order to derisk and do early stage investing.

They also—I've also proposed that we not ignore recycling and, last, that we create an emergency response team in order to address the continued weaponization by the PRC.

But, again, I very much welcome your proposed bill and I hope we can discuss it later this morning.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Fernandez follows:]

“BREAKING CHINA’S CHOKEHOLD ON CRITICAL MINERALS”

House Foreign Affairs Committee
Subcommittee on East Asia and the Pacific

Statement for the Record

JOSE W. FERNANDEZ

Former Under Secretary of State for Economic Growth, Energy and the Environment

Chairwoman Kim, Ranking Member Bera, and distinguished Members of this subcommittee, thank you for the invitation to appear before you today. I am honored to have this opportunity to share my views on China’s strategic dominance over critical mineral supply chains and what we can do to break this chokehold.

Background

Critical minerals have become the building blocks of the global economy, and are vital to our national defense and our ability to lead in the industries of the future. Ensuring their supply is both a strategic imperative and a vulnerability for the United States. With the right government policies, however, we can turn the current challenge into a strength while creating promising business opportunities for our companies and workers.

Critical minerals are essential to semiconductors, data centers, fiber optic communications, electronics, artificial intelligence and many other civil and defense applications. According to the IEA, an EV requires six times more mineral inputs than a conventional automobile, and an onshore wind plant uses nine times more minerals than a gas-fired one. Battery storage demand in the U.S. has nearly doubled since 2023. As a result, demand for many critical minerals is expected to grow exponentially in the next two decades. By 2040, for example, we will need five times the lithium we use today, and twice the amount of graphite and nickel.

But our need is also our vulnerability. Today, the critical mineral supply chains for many of the industries that will shape our future are dominated by the PRC. China, for example, owns, refines or otherwise controls over 70% of the world's cobalt, a similar percentage of lithium resources, and nearly all the graphite and many rare earth elements. The PRC's dominance of critical mineral supply chains is the result of a disciplined strategy that goes back several decades and encompasses many geographies: from 2000 to 2021, Beijing channeled almost \$57 billion in financial support for key minerals across nearly 20 emerging markets in Africa, Latin America and Asia. It regularly subsidizes between 20%-40% of total mining and processing infrastructure, and cuts costs through low labor, environmental and human rights standards both at home and abroad.

As many countries have learned, the PRC is not shy about using its market dominance for political ends. In 2010 China cut off rare earth element exports to Japan over the disputed Senkaku Islands. Most recently it announced export controls on seven heavy rare earth elements, which followed a ban on exports to the United States of gallium, germanium and antimony as well as new restrictions on graphite. While other countries have also pursued restrictions on the export of raw materials largely to force companies to invest locally in minerals processing and other value-added activities, Beijing's dominance of the critical minerals sector adds urgency to our efforts to diversify our supply chains.

The Minerals Security Partnership

To address this challenge my team at the State Department relied on two competitive advantages that our rivals could not match: our private sector and our allies and partners. In 2022 we launched the Minerals Security Partnership (MSP), which by the end of last year included 14 countries and the European Union, comprising over half of the world's GDP. India, Germany, France, the U.K., Canada, Japan and Korea were among its members.

The goal of the MSP was to promote public and private sector investments in strategic critical minerals projects around the world through financial, diplomatic and strategic support. We pursued these goals through four main lines of effort: (i) sharing information about potential projects among the partners, (ii) facilitating investment and financing by teaming up with our DFC, USTDA, ExIm Bank and their foreign counterparts, (iii) elevating environmental, social and governance standards as part of our better offer to

producing countries, and (iv) expanding recycling opportunities in critical minerals projects (the IEA estimates that by 2050 we could reduce the time and costs of building new mining infrastructure by 30% through recycling). We established direct lines of communication with the major players in the industry by creating: (a) *MINVEST*, a group of investors, major mining companies and offtakers to identify and bring forward potential opportunities, (b) the *MSP Finance Network*, a platform for private and public financing institutions to finance and de-risk projects collectively, and (c) the *MSP Forum*, composed of 15 producing countries, to discuss investment issues and bring new opportunities to the attention of companies and investors.

In the MSP, we believed that our success would be measured not by our ideas or the frequency of our meetings, but by the number of projects we could propel across significant milestones. Above all else, the MSP was a “deals shop” and by that yardstick we were successful. In an industry where mining investments take decades to materialize, by the end of 2024 the MSP working groups had reviewed more than 200 projects and provided significant support to over 30 of them, according to the SAFE Center for Critical Minerals Strategy. Thirteen of those projects are public on the MSP website. We operated across the supply chain—upstream, midstream and recycling—in jurisdictions in Africa, the Americas (including the U.S.), Asia Pacific and Europe. We also brought together private sector investors and financing institutions to hear directly from government officials from Argentina, Chile, Greenland and Ukraine. Over 100 investors attended each of the Argentine and Chilean presentations, and the Greenland meeting in Nuuk last October led to an agreement for a promising local project. And when the PRC imposed export restrictions on germanium last year, we canvassed our members and partners over several months and midwived a deal that increased by nearly 25% the global supply of a mineral that is key to semiconductors, integrated circuits and infrared vision equipment.

Next Steps

The success of the MSP, and its promise, is one of the reasons I welcome Ranking Member Bera’s proposal to authorize the MSP under the draft “Minerals Security Partnership Authorization Act”. It incorporates the two competitive advantages we turned to in the MSP. It encourages cooperation among partners, because none of us can solve our common vulnerability alone. And it recognizes that the DFC, ExIm and the USTDA can play a pivotal role in supporting inherently risky investments at an early stage.

The draft legislation also understands that promoting high ESG standards is not an ideological slogan but a calling card. Minerals-rich countries want our investments and those of our partners. We follow the law. We will not bribe. We do not bring in scores of foreign workers. We will not force countries to choose between short-term economic gain and environmental degradation. We will work with local communities, not because we are necessarily angels but because the history of mining is littered with feasible projects that did not see the light of day because communities doubted that they would benefit. Simply put, we will not win a race to the bottom with China, but if we can change the terms of the debate and elevate standards I will take my chances with our private sector and our partners.

I do have three suggestions for this draft bill. First, the proposed \$75 million appropriation for the State Department to implement the bill is welcome, but we should be mindful that it is just a start. Funding is the nut we often need to crack in a business where only one in a thousand-plus projects survives a feasibility study, start-up costs are high, and the prospects for profit uncertain. That is why France has set up a public-private critical minerals investment fund with 500 million euros of government money, Germany and Italy each recently announced billion-euro investment funds, and India has earmarked almost \$2 billion to secure its critical minerals supply chains. In short, to be successful more U.S. funding will be needed to put a dent in China's head start.

My second suggestion is that the proposed legislation should also focus on recycling, which is one of the four prongs of the MSP. The IEA has estimated that critical minerals recycling can reduce the need for new mine developments by 35% for copper and cobalt and 20% for lithium, to cite two examples. A successful recycling program will require mandates and regulations as well as enforcement, but it will reduce the time and cost of building new mines and processing infrastructure and create additional opportunities for our private sector. One of the projects publicly announced by the MSP is a recycling business in the U.K.

Finally, if recent history is any guide, we should expect the PRC to continue to weaponize its dominance of critical minerals and rare earths. Our efforts to find alternative sources of germanium last year were successful, but we should not have to reinvent the wheel each time Beijing imposes export controls. As we did in 2021 following Beijing's economic coercion of Lithuania in retaliation for the opening of a Taiwanese trade office in Vilnius, we should develop a playbook to counter these efforts together with our allies and partners,

prepare for the next PRC export ban, and enlist our private sector in seeking alternative supplies. The draft legislative proposal should encourage the creation of a critical minerals and rare earths emergency response team.

Thank you for the opportunity to share my views on China's strategic dominance over critical mineral supply chains and some of the steps we can take to break this chokehold. I look forward to our discussion.

Mrs. KIM. Thank you to all of our witnesses for your wonderful opening statements, and we'll go into member questioning and I recognize myself to first ask questions.

And I want to pick up on what Mr. Fernandez said about the Chinese predatory tactics. So let me talk about how the significant challenge we face today is China's ability to flood global markets with low cost criminal—I mean, yes, criminal—critical minerals leveraging state-backed subsidies, for example, nickel prices that have fallen 75 percent in the last several years because of the Chinese oversupply.

So let me ask this question to Senator Manchin. Why does China's choke hold on critical minerals threaten the U.S. economic competitiveness and national security, and if you can talk about to what extent can domestic production reduce this dependence and why is international engagement still essential?

Mr. MANCHIN. When you look at what we're dealing with and look in history, the 20th century—beginning in the 20th century the United States became a powerhouse because of our energy.

Back then, it was relied upon on coal. Made the steel. We did an awful lot of things and we basically pulled ourselves out of poverty, became an industrial leader. That was necessary for us to have reliable, dependable, affordable energy.

Today, critical minerals is the same as that energy was needed back in the 20th century. So in the 21st century the new boom is going to be basically critical minerals.

Well, everything that we do depends on the superconductors and the magnets and all the different things and special alloys and steels that we use.

Those are building blocks. Where I think that we made a mistake that we should have trade agreements and we should have basically penalties with tariffs in order to protect our building blocks. That's it.

Everything else should be used as an incentive to do trade, but protecting, basically, protecting our allies and countries across the world that we can rely on and we have a chain of allies that we can depend on.

We have Canada, tremendous cache of rare earth minerals; Australia, tremendous cache; the United States, possibility of a tremendous cache. We weren't allowed to mine and process. And then you have Japan and South Korea able to do refining.

We have a building block right there that we could start and get in the game very quickly. You got to let the private sector in. We can't take this debt on—continue to take all these debts on and the risk.

Those are the things, and what happens if you let China control that it will be no different than what Putin tried to do with oil and gas and our allies. Same thing. So you've got to have independence.

Mrs. KIM. From that and then ask Mr. Fannon similar questions, too.

Given China's capacity to undercut the competitors, what policies can we consider to shield domestic and allied mineral producers from predatory pricing tactics?

Mr. FANNON. Thank you for the question. I think this is key. What I don't think we can do is rely on traditional, conventional norms and practices because China rejects them.

We talked—the senator spoke about the rare earth dispute in 2010 and the response from the United States at the time, along with Europe and Japan, was to initiate a WTO action against China.

It took 2 years for that to be concluded and it found what we knew, China was cheating, but in that interim China dumped material onto the market and killed the economic basis for that company so they went out of business.

So what we have to do is a new way of thinking about these things. In terms of what the steps we should pursue one of those would be—and the senator mentioned tariffs—I think targeted tariffs is exactly the right approach.

China, according to the International Energy Agency, recently concluded that China's cost of capital is 50 percent less than anywhere else in the world to do a mining project. That's very hard to compete with.

Second, the issues on how they do their business it's very opaque. We don't know how they do their business. It's hard to see. What we know is that they violate environmental and human rights all the time and actually last year the Department of Labor issued a report underscoring that.

I think a higher degree of scrutiny is important. It could create differential pricing. We always talk about having a green premium because there will be a commodity produced in a way with lower carbon, but industry is reluctant to pay more for it if they're competing against a commodity at a lower cost.

Rather than ask U.S. industry and U.S. companies to pay more we should try to level the playing field. I think the administration is keen to do that by making the cost of the—increasing the cost on the Chinese side.

At the same time, we have a pacing challenge. The senator noted the amazing resource abundance in America. It takes a long time to develop a mine.

We have to go where the rocks are and where there's political will to develop them. So it'll be a combination of domestic side, market interventions on pricing, but also to create a favorable environment to develop mines in some of these resource rich jurisdictions and the mobilization of entities like the DFC.

Mrs. KIM. Thank you. I have a lot of questions to ask you so, hopefully, we'll have a second chance to come around questioning. But for now, I'm going to turn it over to my ranking member to ask questions.

Mr. BERA. Thank you, Madam Chairwoman. And, again, listening to each of the witnesses you couldn't tell who were the Republican witnesses or who were the Democratic witnesses, which, again, just emphasizes why this is a nonpartisan issue and it's in our national security interest. So we should certainly approach it from that perspective.

Under Secretary Fernandez, we worked pretty closely on the Mineral Security Partnership and, again, I think it is the right strategy, working with countries that share our values, take a free

market approach, and obviously are—have directly felt the impact of economic coercion from the Chinese which, again, I think we're very afraid of.

I'm going to ask you about—you made three recommendations that we should be thinking about and one that I've thought a lot about but I don't think we talk as much about is the recycling component of it.

And if you want to expand on that and how you would think about it as we think about authorizations, investments, and recycling. I think you mentioned up to 30 percent of our supply could come from recycling.

Mr. FERNANDEZ. Thank you for your question.

This is not my number. This is the IEA saying that in a few years 30 percent of our minerals could come from recycled batteries.

Right now we don't have enough batteries to recycle but in a few years we will, and that's huge. I mean, we heard before that it takes 10, 15, sometimes 20 years for a mine to come on stream. It's much quicker to do a recycling project.

The issue has been that there is not enough feed stock in order to feed recycling right now but so we need to put together incentives. We need to put together mandates in order to make sure that that feedstock exists.

But right now there are companies. The MSP funded and supported a project in the U.K. a recycling project that the EU has also supported. There are opportunities right now and it's yet another opportunity for our private sector to get involved because there's money to be made here.

Mr. BERA. Right.

Senator Manchin, you talked about the various tools that we have available, whether that's the DFC, EXIM Bank, the Defense Production Act. Do you want to elaborate a little bit more on that?

And, you know, I think one thing as we—this committee goes through the reauthorization process for DFC what are some fundamental changes other than we do think we need to increase the limits?

Mr. MANCHIN. Representative Bera, the question you've asked is a good question because basically what we have is a critical situation in our country right today.

National defense authorization would be the way to go right now because you can accelerate whether it be permitting that you needed for these projects. Permitting is something we have worked on very, very diligently.

We made some inroads but not enough. In order to do that, to get into the rare earth minerals that we have in our country, I have always said this. You can't ask other countries to do what you won't do for yourself.

If we have a cache of rare earth minerals we should be able to mine them, we should be able to process, and we should manufacture, and working with our allies around the world we should do the same.

You have got to form a bloc, really, and basically national defense authorization for defense of our country, and this is what's

at stake right now, can we defend ourselves? Can we have the defense we need?

Do we have the critical minerals for that, computers and chips? Do we have it for our economic growth, compete in AI? All the things we're competing with right now it's a race, basically, who's going to lead the 21st century and beyond?

And the United States has been the leader. It's, basically, leaderships looked upon from the free world and whether we survive or not.

So with that, I think it's critical. Use what you have now but the big elephant in the room right now is national defense authorization. Allows you to bypass an awful lot of this and the determination that we have got to have this done as quickly as possible, and it could be.

Mr. BERA. Great.

And, Under Secretary Fernandez, if my colleague from California Dr. Ruiz was here, he's bent my ear a lot on, you know, Lithium Valley, the Salton Sea and the possibilities there, thinking about just the vast supplies of lithium potentially there, and doing it in an economically responsible way.

I know he's talked to you in the past about this. Would you want to just expand on the potential? That is one of the poorest counties in California if not the country and, you know, doing something like that in a responsible way seems possible.

Mr. FERNANDEZ. I'm familiar with that project and that's a project that, like several other projects in the U.S., is quite promising and I think we need to find ways of supporting it.

The senator spoke about permitting. Both sides recognize that this is a problem. We have got to speed that up. We don't have the luxury of time.

The other thing on lithium goes to the question that Chairwoman Kim asked about oversupply. We have—oversupply is a temporary problem. Our lithium—our demand for lithium keeps going up year after year, 10, 20 percent over the last 5 years.

But the prices go down. Why is that? Because of oversupply. But if you look at the numbers, if you look at the history, in 10 years the world will need more lithium even with the overabundance that we have today.

So what we have to do is find ways to help our industries, to help our companies, survive the next five to 10 years. It's almost like a boxer hanging on for that round to end so that they can take a break.

And so I think we ought to be looking at lithium and we ought to be looking at the overabundance problem of something that we're going to need to deal now but that won't be there, hopefully, if we do our job right in the next 10 years.

Mr. BERA. Thank you. I yield back.

Mrs. KIM. All right. I now recognize the gentlelady from South Carolina Ms. Biggs.

Ms. BIGGS. Thank you, Madam Chairwoman.

And my first question is for Senator Manchin. Given President Trump's March the 20th executive order titled "Immediate Measures to Increase American Mineral Production," to what extent can Congress direct the Development Finance Corporation to use the

authorities available under the Defense Production Act to finance domestic mining projects?

Mr. MANCHIN. Anything we do today from the government we have to consider the debt of the Nation, I think. It is very important to all of us.

But with that being said, how do we partner up with private is what you're asking and we can do that. I think the MP project that the President just announced is a very good start.

Basically, it's a company that was kind of toyed with with the Chinese forever. They really broke the company, put them in bankruptcy, took over basically their production, and basically now we're coming back to where the Federal Government stepped in to have ownership.

A company I'm involved with is called Ramaco, just now that we have announced it mining coal—first coal mine in 70 years in Wyoming. It has critical minerals in the binding which is a tremendous opportunity for us to get two for one and that's going to be something we think is going to be very promising.

There's others in the United States that we can do but the Federal Government really has to make—who's going to be the off take? Is it the Department of Defense? Is it going to be the private sector and the economy?

Well, you've got to protect it from the standpoint that private sector capitalization is going to go where the cheapest prices are—it's just the way the system works—unless it's protected by tariffs that does not allow China to dump on us when you have rare earth, whether it be lithium, granite, germanium, whatever it may be.

They can't come in and undercut it to where someone says, well, in the private sector I'll buy there versus here, and that's where you offset with your tariffs. That's what we think the Federal Government can do is they can be the referee.

They can put the guardrails on that protects us to grow not just here, with Canada, Australia, some of our leading partners—Japan—things that they've been able to do.

So there's an awful lot that we have that people work with us and be part of—be a partnership versus us trying to do it by ourselves.

Ms. BIGGS. Thank you.

And the second part what do you feel like are the primary reasons for DFC's limited success in financing mining and quarrying projects as evidenced by only a 1.2 percent of its active projects being in this sector?

Mr. MANCHIN. Time. Just time. Permitting. You know, I'll give you an example. You can start. I'll give you a perfect example, the Mountain Valley Pipeline, MVP.

We tried for a long time. It started out as a \$3.2 billion project. Because of litigation and time ended up \$8 billion. Companies won't do that. They just won't unless there's some certainty, and that's why I encourage all of you, permitting—we have worked hard over the years, and Congressman Westerman is a good friend of mine.

We worked together very closely and we're very—we have a bill we think is very close to being done. We think you all can take it across the finish line. It really needs to be done.

You need to codify that. Even executive orders by the President with all his good will kind of gets back and forth—seesaw back and forth in the process of legislation, if you will.

But when you codify something it's much more permanent. That's what I would encourage. And timing is what's killing everything. They won't go into that unless they know there's going to be an off take.

You can't get an off take to finance it unless you know they're time sensitive. People are not going to invest billions and billions of dollars knowing they may be strung out seven, 10, 15 years to get something permitted. It has to come to market quicker than that.

Ms. BIGGS. Thank you so much for your insight.

And my next question is for Mr. Fannon. A recent report highlights a critical vulnerability. The U.S. is completely dependent on imports for 10 essential minerals and over 50 percent reliant on imports for 30 others.

So these include vital materials like gallium. I think we have already mentioned a couple—germanium and graphite, which are crucial for everything from our weapon systems to batteries and electronics.

So how important is it that we use supply chain tools capable of tracking these materials down to the specific bolt and chip in a system rather than just broad categories, and how does this level of detail help us pinpoint our vulnerabilities and precisely what needs fixing to keep our systems operational?

Mr. FANNON. Yes, thank you for the question.

The critical mineral supply chain is remarkably complex and it is opaque. It is not like—like, oil and gas are—they're huge commodities. They're liquid. They're widely known. Pricing is clear.

When it comes to some of these critical minerals how you do you even realize price discovery? What is the price and how—who's exerting that pricing power? It's very difficult even to understand that, much less the provenance of some of these things.

Some of the minerals—these minor but critically important minerals are actually produced alongside other commodities. The issue, germanium—the lack of that, there are defense primes who are in really dire straits because they can't source it.

Where do they get it? This is an enormous problem. The challenge we have is also where within the U.S. Government should that kind of tracking sit. We have—because the administration—successful administration, the bipartisan issue of this has elevated the awareness of critical minerals.

One of the issues now is we have about 15 Federal agencies asserting some kind of involvement. Well, how are we going to lead that?

How are we going to coordinate that? I think the President's designation of the National Energy Dominance Council is a good start to help coordinate that and, perhaps, could start that tracking process for those minerals to understand where are they, where are they coming from, and how do we get more of them.

Ms. BIGGS. Thank you. And I'm sorry, my time has expired. I yield back.

Mrs. KIM. Well, thank you.

Let me now recognize the gentleman from Maryland Mr. Olszewski.

Mr. OLSZEWSKI. Thank you, Madam Chair. Thank you, Ranking Member Bera, and thank you to all of our witnesses today. I appreciate the focus of this hearing and there's, clearly, no question that the PRC's control of much of the critical mineral supply chain makes us more vulnerable.

And I want to echo Ranking Member Bera's comments about how I really appreciate the ways in which this has become and remains a bipartisan concern because it is a serious concern that our largest global competitor supplies more than 50 percent of demand for 24 critical minerals including more than 90 percent of those rare earth elements as discussed.

So I think we all agree that the U.S. needs to do more to do this and I want to thank our witnesses for providing some suggestions in this space.

But I also don't want this Congress or this administration to focus so heavily just on competition that we also lose sight and disregard the very real labor and human rights abuses that we know are happening that are so prevalent across the mineral supply chain, primarily in artisanal and small-scale mines that operate informally and that are least regulated by governments.

For example, reports suggest that major Chinese critical mineral producers use forced labor programs in the Uighur region. Across the DRC there are as many as 40,000 child laborers in its cobalt mines.

And so, sadly, while I applaud some of the actions taken by the administration in this space, some of the tools that are really important in addressing these concerns have actually been taken away by this administration.

Just two quick examples. Many of the grant programs within the Department of Labor's Bureau of International Labor Affairs has been cut.

We know these are programs that have played a critical role in addressing forced labor and human trafficking across the world. This administration has also paused enforcement of the Foreign Corrupt Practices Act, which has helped expose corruption in business practices.

So I'm a member that believes we need all of the tools at our disposal to strengthen access to critical minerals but I also believe that goes hand in glove with our responsibility to ensure this is a sector that drives equitable growth, supports local communities, and is not built on the back of exploiting laborers and especially not exploiting children.

So as our President ushers in a more transactional foreign policy I want to make sure that our investments are also staying aligned with our values.

I'll start with you, Mr. Fernandez, in terms of questions. How do we strike that balance? How do we ensure that U.S. efforts to diversify our critical mineral supply chains don't come at the expense of human rights and transparency?

Mr. FERNANDEZ. Thank you for your question.

Look, there is no—there's no conflict here. Good business practices, responsible business practices, are our calling card. If you talk to African leaders they want alternatives. They want alternatives to the PRC.

We're not forcing them to do that. We're basically—they are basically saying to us, we want what they call beneficiation. They want value added investments, not just mining. They're looking for good labor practices. They complain that the PRC brings their own workers and takes the minerals back home.

So they want those kinds of—those kinds of practices. It is our calling card. I've had African leaders get up and give me a hug when I talk to them about what we'd like to do for communities.

There are lots of projects around the world that simply don't see the light of day because communities oppose them. They oppose them because of what you mentioned.

So I don't see a conflict here. In fact, I see it as a business opportunity. I see it as part of what—our offer. Why is our offer better?

Because we will not engage in the race to the bottom. We will not win a race to the bottom. We will engage in the race to the top. And if we do that I'll take my chances.

Mr. OLSZEWSKI. Yes, good opportunity to both advance American interests but also do the right thing for humanity.

I think I'll have time for one more question so I'll turn to workforce. We know that over half of the U.S. mining workforce, about 220,000 people, is projected to retire in the next 5 years.

As we think about domestic production we should be concerned about that. We also know the number of mining and mineral engineering programs in the U.S. has dropped from 25 in 1982 to 15 in 2023, a very stark contrast to China which actually has seen an increase in terms of their engineering programs.

Senator Manchin, I know this is an issue you led on in the Senate quite a bit. How do you think we should address the critical talent gap so that Congress is doing all that we can to ensure that we're building a workforce to address the need?

Mr. MANCHIN. Well, we would encourage you all to pass the Mining Schools Act that we sent over and I think you all took it under consideration and maybe ran out of time.

That's an easy one to pick up and run with right now, which puts us back into the game as far as educating the workforce we're going to need for the future.

If I can just say something about what you said before. The bottom line is supply and demand. There's a tremendous demand for the products that China is supplying. People really, when push comes to shove, they don't worry a whole lot.

They just want that product and they're paying prices for it, and humans are paying a price—a horrific price. Until we get into the game with our allies in the free world you're not going to offset that.

We have to give an alternative and then protect it with, basically, tariffs so they can't come in and destroy our markets. Then you can put that.

But also we have so many restrictions and obligations that we put on businesses doing business within our sphere of the free

world that it makes it more difficult, time consuming, and costly. That's what we have to protect to be more efficient.

But the bottom line is supply and demand is what drives it all. But the act that we have—I think you all have that—that we're happy to reintroduce it if I can't get some of our friends to hand it right back to you all.

Mr. OLSZEWSKI. Appreciate that. Sounds like we have to get to work. I know I'm over time. So with that, Madam Chair, I yield back. Thank you all.

Mrs. KIM. I now recognize the gentleman from Pennsylvania Mr. Mackenzie.

Mr. MACKENZIE. Thank you, Madam Chair, and thank you to all of our panelists for being here today. Very important topic about critical minerals, their importance for Americans' safety, security, economic prosperity, and also the challenge that we face with China and their control over key parts of the supply chain. So thank you all for being here.

My first question is how is China currently leveraging its control over the supply chain against us and our allies? Is it mostly focused on economic control or is there also a national security element that they are laying a trap for us?

And I'll go to any of the panelists who want to start.

Mr. MANCHIN. Well, I mean, they started a long time ago. This is back in the 1990's when they saw something that they thought they could control and get involved with and they're doing the jobs that nobody else wanted to do.

The refining they do is basically extremely harmful to the environment to a certain extent that we wouldn't accept that at all. With that being said, they don't have anybody to answer to.

You know, their form of government basically allows them to do as they wish and they've been able to basically capture a market.

Says, listen, you send all your product to us. They go over and do the mining—send their people over to do the mining. Send it back to China to do the processing and refining. No one else is willing to do it.

And there is ways to do that. You know, there's technology that can do it much cleaner, much more safer for the environment and for the workers. But they dominated that market and had a 20-year start on all of us.

So how do you get that? You can't say, well, we can't sit back and just accept what it is. We can get into the game very quickly. I think President Trump is in Pennsylvania today in your beautiful State right next door to my State and, hopefully, energy is going to be the topic of what they talk about today.

And I think you're going to find some private sector willing to jump into the market now to accelerate that with the help of the government.

Mr. MACKENZIE. Mr. Fernandez?

Mr. FERNANDEZ. Congressman, they're using it right now with seven heavy rare earth materials. It's being used as we speak. But it's more than that. It's not just the exercise of that dominance. It's the threat of that dominance.

There are many countries out there that will tell you, we do not want to do certain things because the PRC will take—will retaliate.

And so just that threat sometimes is enough to change behavior among our allies and partners. So it's got to go beyond the actual public bans—export bans and export restrictions.

Mr. MACKENZIE. Mr. Fannon?

Mr. FANNON. Yes, I just would just add to that the IEA did a did a N1 analysis to look at what are—what's the availability of global supplies if you take out China, and it's only about 35 percent for a lot of these minerals—35 to 50 percent of available global supplies as of right now.

That changes the entire psychology of when countries interact with one another. They don't want to offend the supplier. So, like, Germany for years claimed that Russia was a reliable gas supplier until they weren't.

It's the same. It changes—why were they unable to do it? Just because so much of their economy was linked to having cheap gas to fuel their manufacturing base. The same now that, like, in German—Russia gas now we're America critical minerals with China.

We need to reverse that. I think we have the ability to do it as has been discussed. We just have to move forward and execute quickly.

Mr. MACKENZIE. Well, I appreciate all of your comments, clearly, a recognition of the problem that we're facing with China's control of the supply chain so—and the way that they're using it and leveraging it against us.

We have heard some great suggestions about improving permitting, increasing partnerships with our allies. My question is there has been some discussion around one component of a solution being that the U.S. establish a strategic minerals reserve or a critical minerals reserve.

I would love to hear any of your thoughts on that as something that we could do to address this challenge.

Mr. MANCHIN. Up to about 20, 30 years ago we used to have critical mineral reserves. You can go around the country and find different deposits of it and that was eliminated after the cold war.

Thought it wasn't needed anymore, which is a bad mistake. You know, I guess everyone's at fault of that but never thought it was needed. But that was changed—changed everything.

So that would be something that we should do but we have got to get to production first. Look at what we did with LNG. We were able to do something with LNGs quicker than anything that's ever been done, ever thought we could do, and now we replaced most of Russia's oil and gas that was going into our allies and U.K. and all that, you know, with what we were able to do because we were able to put that into the market. We could do the same here if we work collaboration.

Mr. FANNON. Yes, I think it's a crucial issue. We have a national defense stockpile that exists but it's remarkably underfunded. There's very little in it.

The other thing I think it's important to distinguish is, you know, we talk about the defense industrial base. I think that's a bit of a misnomer. It's just the industrial base. If things get hot all of our companies will throw in and be involved in an effort.

What I think we have to think about is broader. The defense uses on an annualized basis about 500 tons of rare earth a year.

The U.S. economy as a whole is 10,000 tons. We do have a stockpile that's for the U.S. economy when it comes to oil, the Strategic Petroleum Reserve.

The question is do we consider that for the broad industrial base for the U.S. economy and then how do you do it. It's very, very challenging and I think that as Congress considers this and the administration, it's critical to talk to the private sector who are experts in this.

Also, we're in a how do you fund it, how do you fill it, when we're so deficient currently. We're going to have to meet our needs and then start, not dissimilar to the question of recycling.

We need to first have a foundation from which to recycle. We first need to have a foundation of resiliency from which to build a reserve.

Thanks.

Mr. MACKENZIE. Thank you all. I think it is an important conversation that we have, going forward, and appreciate your input today.

Thank you.

Mrs. KIM. Thank you.

Let me now recognize the representative from Florida Moskowitz since he was here first, with all due respect.

Mr. MOSKOWITZ. Thank you, Madam Chairwoman.

Senator, good to see you again.

Mr. MANCHIN. Good to see you.

Mr. MOSKOWITZ. So some really good questions on this. I want to spend my 5 minutes with trying to break this down for the American people because being the emergency management director during COVID in Florida I saw how the lack of manufacturing in this country, the reliance on China, was a major detriment in a pandemic.

I can't imagine, God forbid, we got into a war in the near future, the surprise that the American people would have of the things that we, A, don't make here anymore, or B, rely on other folks to supply us supplies that could be cutoff.

How do we educate the American people? Like, I got to be honest, when I started learning about antimony I was, like, is that adamantium in "Wolverine?" Like, I had no idea. I had no idea what it was and then I realized, oh, this is a real problem.

China has us and they know it and, you know, so what I want to spend some time with you guys is how do we tell the American people, like, this is kind of wrapped up in the tariff issue with China.

China is controlling exports—threatening to control exports and our U.S. military literally relies on this stuff for some of the most critical weapons that we make.

And so China has such a huge advantage and I want to talk about the stockpile because that was another lesson we learned during COVID, right?

We went to the cupboard and the cupboards were bare, right? That was what we heard. But it was true. It was true. The National Strategic Stockpile was empty.

Now, they put \$2 billion to build a stockpile but that's not going to be enough. So I kind of want to open it up. How do we educate

the American people on the national security risk and why this is so important?

Senator, I'll give you the first bite at that.

Mr. MANCHIN. Well, thank you so much, and, you know, I would just take off of that. If history—knowing our history if you want to read one book that tells you how we became the superpower of the world, how we won World War II, how we were able to be the armament of the world, we supplied the arms that were needed around the world—we outproduced everybody—read “Freedom’s Forge” if you want to read one book that tells you exactly who we became and how we became who we are today.

That would put everything in perspective what we need to do now because we’re way behind the curve and you went—and eloquently went into that. If we don’t get back to producing, you know—well, you can go back to NAFTA and blame NAFTA. You can blame USMC.

You can blame anything you want. You can blame 1990’s, allowing China in the WTO, everything that we allowed to happen thinking that we could open up after the wall fell, you know.

Mr. MOSKOWITZ. No, and that’s exactly right. Like, we could go back and—

Mr. MANCHIN. We have been lulled to sleep. That’s all.

Mr. MOSKOWITZ. We could figure out how we got here.

Mr. MANCHIN. Yes.

Mr. MOSKOWITZ. But how do we—the American people have a lot going on. There’s a lot of incoming, a lot of—

Mr. MANCHIN. We have got to produce.

Mr. MOSKOWITZ. A lot of distractions. In the rare earth space, especially in antimony, which I want to focus on, how do we cut through to the American people to make them understand how—what a dangerous situation, quite frankly, we find ourselves in in this rare earth space.

I supported when the President wanted to sign a deal with Ukraine on rare earth minerals. Most Americans were probably thinking to themselves why are we even talking—why is that part of the equation, right?

And so we’re going to have to—we’re never going to manufacture this stuff here, you know, with all the environmental rules, or even if we try it’s going to be such a small amount.

We’re going to have to depend on allies to do that. And even if we can find the rare earth we don’t have the experience to manufacture it. I mean, the Chinese it’s literally a closely guarded secret.

They got specific people with the specific techniques that’s been passed down through generations of people and they are not letting those people leave to go other places to show you how you refine this stuff.

How do we explain this to the American people?

Mr. FANNON. Yes, I think it’s—I guess it’s really a political question because how do you—what I think you’re asking, Congressman, is how do you get the American people to buy in so that they are able to—because it’s going to cost more eventually to do things in a way that—

Mr. MOSKOWITZ. Yes, that’s right.

Mr. FANNON [continuing]. as we discussed does not offend human rights and the environment.

Mr. MOSKOWITZ. But that's exactly right. I mean, like, look, the White House I've seen them working on this but they got to work on the communications piece of this to look the American people in the face and say, you want to know why the cost of military weapons are going up?

Here is why we have to spend more money. You want to know why we're doing these tariffs with China? Here is why.

Mr. Fernandez, I want to give you a chance before I run out of time.

Mr. FERNANDEZ. Look, I think we need a little bit of humility. It took us a long time to get—to dig this hole and we are in a hole. I think you go—you take some examples. Two years ago the PRC imposed restrictions on germanium.

I had never heard of germanium but turns out germanium is needed for semiconductors. At that point we had a problem. We literally spoke to a hundred countries and said, do you have any extra germanium you can sell to the world?

We actually found some through the MSP, 25 percent of the world's supply we were able to have. It was just hanging around in a country that we'd never heard of.

And so I think you've got to go example by example and do the same thing we did with—during COVID which is, you know, we have a problem that we didn't have active ingredients in that supply chain, as you know.

But you've got to go—you've got to take a couple of examples and say, we have got a problem. And it took us a while to get here. It'll take us a while to dig out of this hole.

Mrs. KIM. The gentleman's time is up. Great question. Great answers. I wish we just had more time.

Now let me recognize the gentleman from Guam Mr. Moylan.

Mr. MOYLAN. Thank you, Madam Chair, for setting this timely topic especially. Two weeks ago, the Quad 4 Ministers met in Washington, DC, and announced the launch of a major new initiative, and as they clearly stated reliance on any one country for processing and refining critical minerals further harms our economic and national security.

Given this understanding, we need to strengthen both our domestic efforts and international cooperation to build more resilient and diversified critical mineral supply chains.

As part of the domestic efforts our vast offshore sea bed areas has significant potential to boost the supply of critical minerals. The Bureau of Ocean Energy Management says the Pacific Outer Continental Shelf, including the surrounding area of Guam, contains four different mineral deposit types, and if we can successfully utilize these resources on a commercial scale it will greatly enhance our supply chain resilience and national security.

I hope this effort will be carried out in a matter of respect both local—to local stakeholders and the environment. Another important aspect of the international cooperation to counter China's dominance in critical minerals, China's abrupt restriction of critical material exports caused major disruption in global automotive industry and posed serious threats to defense equipment suppliers.

However, we cannot leave these challenges solely to the private entities because, as we know, China employs nonmarket practices such as large-scale subsidies and it's extremely difficult for private actors to compete on their own.

Securing stable and reliable supply chains is an urgent issue not only for the U.S. but also international communities. So we need to develop a shared strategy and framework among like minded countries to build alternative and resilient supply chains.

So, Mr. Fannon, you have great experience being the first Assistant Secretary of State Energy Resources and do you believe that the State Department needs additional authorities to develop international cooperation and support of private sector investment in foreign countries?

Mr. FANNON. Thank you, Congressman, for the question.

I would say that I think—believe the State Department has considerable authorities. What I think what would be useful is to increase the authorities of sister agencies, the International Development Finance Corporation, over which the Secretary of State serves as the chairman.

The DFC also is an entity that by its mandate is supposed to integrate America's foreign policy as part of their investment thesis. So I think that working with the State Department and that—the body of the chair could—to empower the DFC to do more and that has a significant role for Congress in the reauthorization to empower them to do more, increasing the investment limits and also to allow for greater equity to be invested.

I think that will—this capital from the DFC is catalytic in the sense that it unlocks other investors. As Jose was speaking, other countries want a U.S. investor there but how do we get them there?

How do we crowd source additional co-investors? And this is a critically important tool.

Thank you.

Mr. MOYLAN. Thank you.

Senator, of course, we know China controls over, roughly, 90 percent and you were talking about this question earlier as well of all our critical minerals, but yet we have all these minerals spread across the U.S., Australia, and parts of East Asia and beyond.

So in your view what's the most significant factor that enabled China to dominate the market and what's the most urgent action that we and our partners should take to counter it?

Mr. MANCHIN. I think, first of all, I want to thank you and your wonderful people, your beautiful island of Guam. I've slept there many times and just have the most respect for the strategic position that you have for our great country in the Pacific Rim.

Next of all, I think I really, truly believe the Defense Production Act—if we announced the Defense Production Act is what we're going to use in order to have the defense of our country and our economy and all of our allies it would give us the catalyst that's going to be needed for the Development Finance Corporation to show how determined we are to make sure that we're up and running as quickly as humanly possible, be able to extract and assist all of our friends around the world in the free world, if you will, to contribute toward this.

It's going to be a total all in effort. It's not just one of us can do it. We cannot get up to speed quickly by ourselves without you and all of our friends around the world.

That's what we have to rely on and that's really how we can protect your markets also with the trade, if you will, tariffs protecting so China doesn't come in and distort your markets that they've tried to do.

We have watched how they've been very aggressive in that part of the world, and we're determined basically to defend and help you.

I would say one more thing, too. Is there some way that—when you think about if it wasn't for the ore that China gets from Australia right now what kind of a crimp would that put?

What kind of a buy would they be on if we were able to—all the free world—consume Australia's ore so they wouldn't have to go to China for that market? That might be things we could do to really put a pinch on them, too.

Mr. MOYLAN. Thank you. Thank you, you all.

Thank you, Madam Chair. I yield back.

Mrs. KIM. Thank you. I now recognize the representative from Rhode Island Mr. Amo.

Mr. AMO. Thank you, Chairwoman Kim, and thank you to our witnesses for being here including the distinguished former senator. It's an honor to be with you.

For those watching at home, critical minerals and their supply chains are, like the name suggests, critical to our national security and American domestic manufacturing industries. From cell phones to solar panels to our most sensitive defense technologies, we rely on critical minerals every day.

But as you know, China is the dominant processor of 19 of the 20 minerals the International Energy Agency considers key minerals and China has 70 percent of the global processing capabilities for these minerals.

Through export controls the CCP wields access to these minerals to advance their global policy goals like a guillotine over everyone's head.

In December 2024, China banned the export of gallium, germanium, and antimony to the U.S. In February 2025 China further restricted exports of tungsten, tellurium, bismuth, indium, and other minerals, and in April 2025 China cracked down on the exports of seven heavy rare earth and magnets derived from them: dysprosium, gadolinium, lutetium, samarium, scandium, terbium, and so on.

And now, you know, the fact of the matter is most Americans, the folks that we're talking to at home, have not heard these names since studying the periodic table and even then I'm not sure they stored them to memory in their high school science classes.

But it's important to break this down for the American people. It's critical because of the semiconductor, telecommunication, defense, and renewable energy industries. People around the country need to know this critical impact.

Thankfully, President Biden understood the importance of securing our critical mineral supply chains. Under his leadership the State Department worked with the Development Finance Corpora-

tion and our allies to ensure that American businesses were shielded from the CCP's market pressures.

In 2022 we established the Mineral Security Partnership, the State Department program that was dedicated to accelerating the development of diverse critical mineral supply chains free from China's control.

But we have a challenge at hand because the Trump administration has gone forward with reductions in force that can have an impact that undermines all of these efforts, this awareness that we do have in a bipartisan way to have access to critical minerals.

And we saw just last Friday the State Department lose through their reduction in force and firing of 1,300 employees as a part of a plan to shrink that workforce in a way that is not thoughtful, and instead of working to secure our critical mineral supply chains Trump is firing experts and causing those remaining to be distracted by fear for their jobs instead of focusing on American interests, and it is a real distraction.

So, Under Secretary Fernandez, you know, I'd love to hear from you how these reductions in force harm State's work with other Federal agencies like the DFC to help American businesses secure our supply chains and what should we be doing to work with DFC to continue to play a supporting role in securing critical mineral supply chains?

Mr. FERNANDEZ. Thank you for your question.

We could talk for a long time about this and I'll be brief.

This has got to be a bipartisan issue because it's a bipartisan problem. It's also an international problem. Our allies and partners understand that this is a problem, which is why we need a strategy.

Part of that strategy has to be—has to include the DFC. The DFC was a very good partner in the Mineral Security Partnership. Why? Because funding is often the problem that we all need to crack.

There are a number of changes in the DFC authorization that, in my eyes, would help the equity scoring, for example. They have—there's a penalty for investing in equity.

The number of countries, the types of countries they can finance projects in upper middle income countries are a problem. Argentina and Chile have the world's largest deposits of lithium and, yet, the DFC can't work in those two countries.

And so we have got to find a strategy that turns the DFC loose, that allows us to use all of the tools at our disposal, EXIM Bank and TBA as well, and I think that's what the MSP did and, frankly, we had very good cooperation from the DFC.

Mr. AMO. Thank you. My time has expired so I'll yield back.

Mrs. KIM. I now recognize the gentleman from Kentucky Mr. Barr for 5 minutes.

Mr. BARR. Thank you all. Thanks to our witnesses. Senator, good to see you again—

Mr. MANCHIN. You, too.

Mr. BARR [continuing]. my neighbor from West Virginia and I want to talk about West Virginia and Kentucky coal in a minute. But let's just frame the problem.

Today, China accounts for 70 percent of global rare earth element mining, 92 percent of rare earth refining, and 90 percent of rare earth magnet production.

It controls 99 percent of global gallium refining, which is a key material for advanced microelectronics used in U.S. defense systems, and this is a real concern because, as you know, in April China imposed export restrictions on seven of 17 rare earths, many of which—many of which are essential for U.S. defense platforms such as the F-35 fighter which contains 920-plus pounds of rare earths per unit, Tomahawk cruise missiles, and joint direct attack munition smart bombs.

U.S. defense firms such as Raytheon, Honeywell, Lockheed Martin face supply delays, rising costs, and potential production halts. So breaking China's choke hold on these critical mineral supply chains will require more domestic production.

Senator Manchin, you know this well. The Department of Energy estimates that recoverable coal, coal ash, and coal waste in the United States contains between 11 and 17 million metric tons of rare earth elements.

U.S. consumption last year was just 8,800 metric tons. So we're talking about a domestic resource of rare earths that contains over a thousand times our annual demand for rare earths.

Given that scale, Senator Manchin, wouldn't it be a strategic failure not to include coal-based mineral recovery from West Virginia, Kentucky, Wyoming, Pennsylvania, across this great fruited plain as a core pillar of our national critical mineral policy?

Mr. MANCHIN. Well, thank you, and I think both of our respective states, both of our universities, are working very closely on this now as far as extraction from our waste—from our coal finds—things of that sort, and also water coming from coal mines.

All that stuff can be turned into a tremendous value for our country and we're looking at that too and the cost of that versus with some new mining. I just said earlier that I'm involved with a company called Ramaco, basically, who's coal mining.

They're going to open a new coal mine in Wyoming, first one in 70 years, and with that in the bindings, as people know layers between the coal, there's an awful lot of critical minerals in that, too, which is a great opportunity for us.

So I think in all of this we have to do everything that we can. The bottom line is is that we can't make it more difficult for companies in the U.S. through the permitting constraints that happen for us to do what we need to do.

If we can get that accelerated that's going to help us tremendously on that and I think there's a lot of inroads being made.

Mr. BARR. Yes, and I've introduced a bill that would help my constituent company you referred to, Ramaco, expedite the permitting there. I know you were a real leader in reforming Federal permitting laws but there—in the Senate but we—there's more work to be done there.

I do have a bill called the RESCUE Act which I would share—I would urge my colleagues to support which would use that Fast-41 streamlining process for—streamline permitting for rare earth extraction from coal. I think that's important.

But also, Senator Manchin, speak to the potential of using the Defense Production Act. I don't know if you've thought about that—the Defense Production Act—to cut through all this red tape to allow for coal mining or extraction of rare earths from coal.

Mr. MANCHIN. I definitely have been speaking about defense production. I think it's the one tool that shows the urgency that we have in our country to defend ourselves and be able to help our allies.

The other thing is the permitting process. Congressman Westerman and I worked very, very hard and very close and got very close last year, right down to the final bell when the bell rang.

There's a piece of legislation I think that you all could take and run with very quickly. We passed it in the Senate. It came out of our committee basically 15 to four the first time, a bipartisan overhaul working with Senator John Barrasso, our Republican and Democrat colleagues seeing the need for this.

Hopefully, you all can take it and make some changes if you need, whatever would be helpful.

Judicial reform was the big thing in permitting. The courts will hold you up no matter what you try to do. The courts can hold you up for infinity and just wear you out price wise.

Mr. BARR. That's why we might need to cut through that with the Defense Production Act.

Mr. MANCHIN. Well, I hope you can.

Mr. BARR. Thank you for your leadership on that.

Mr. Fannon, let me just ask you real quick. You answered Mr. Moylan's question well on the potency of DFC in alternative critical mineral supply chains.

What about the Office of Strategic Capital at the Department of Defense also supplementing the catalytic opportunities for supply chain resiliency outside of the United States?

Mr. FANNON. I think it's an incredible tool that hasn't really been utilized yet. I think it's time to get that tool out of the toolbox and start using it.

I would also say one of the—the construct of the OSC is only—it's only debt. It only provides debt. I think that we talked about fixing the equity fix in the DFC.

I would propose, respectfully, that you consider OSC have some equity authority as well. It makes all the sense in the world.

There is a huge level of dry powder there and also they need help getting that organization up and running and really moving forward. But it's an amazing tool that needs to be used.

Thank you.

Mr. BARR. Thank you for your time. I yield back.

Mrs. KIM. Thank you.

I now recognize the gentleman from Montana Mr. Downing for 5 minutes of questioning.

Mr. DOWNING. Thank you, Madam Chair, and thank you for allowing me to waive into this hearing on such an important topic, and thank you for the—to the witnesses for being here.

In my home district I've got central and eastern Montana. You know, we have seen firsthand the ability of American adversaries to dominate and manipulate critical minerals markets.

You know, the Stillwater Mine in Stillwater County, Montana, is the United States' only platinum and palladium mine and has been the victim of deliberate market manipulation by Russia.

Russia's dumping of cheap minerals into the international market forced the Sibanye-Stillwater—the owners of the mine to scale back its operations and lay off 700 well-paid workers at the end of last year. Obviously, it's had an incredible impact on my district in those counties.

So China employs similar manipulative tactics to an even greater degree in order to promote dependence and freeze out competition.

So I'm going to start with Mr. Fannon. In your testimony you discuss how China will eagerly manipulate the global critical minerals market by restricting supplies on one hand and dumping them later to kill off growing competition.

Can you elaborate on the degree to which global market manipulation is part of China's overall critical mineral strategy?

Mr. FANNON. Yes, thank you for the question. This is a play book that they have used and deployed multiple times, really, since 2010 when they first banned the export of rare earths.

At the time, President Obama initiated a WTO challenge against China. It took years for that case to go through the WTO process. In the interim period China dumped material onto the market, crashed prices, and sent the one company—rare earth company into bankruptcy.

A few years ago, China—Xi Jinping said he didn't like the way cobalt was being priced and announced he was going to look into that.

The one cobalt mine in the development project in the State of Idaho that was starting to ramp up the U.S. Government was an investor in announced that they were going into care and maintenance because the prices crashed.

Just the signal that China has, because it's not just that they're the biggest producer. It's also important to recognize they're also the largest purchaser.

Mr. DOWNING. Right.

Mr. FANNON. So they're working it on both sides of the ledger, which gives them massive, massive pricing power and it goes back to this price discovery challenge we have with China.

Mr. DOWNING. Thank you.

With regard to combating Russian dumping, I introduced the Stop Russian Market Manipulation Act. It's a bill to ban the importation of platinum and palladium from Russia.

And I'll go to the whole panel on this one. What steps can Congress take in order to combat similar efforts by Chinese producers to dominate the international market and crush American competition?

Mr. MANCHIN. So trade and tariffs are the thing I think which—it's your tool and the tool we have in our great country, basically.

Tariffs should be used as an incentive and a protection, protection, basically, of your building blocks and we talked about this earlier. The building blocks—we have to have what you're producing in Montana. We have to have that. The free world has to have that.

But unless you're protected against the unfair practices of China and countries of concern, whether it be Russia, China, North Korea, Iran, they're never going to have our interests. They're never going to have our view.

And with that you have to protect against them coming in and distorting our markets. That's where the tariffs can be used to protect building blocks.

Mr. DOWNING. Thank you. Any further comments?

Mr. Fannon?

Mr. FANNON. Yes, I would just—I would just say I would look to—we could shift the presumption. I think Congress already made a pretty important passed legislation in the Uyghur Forced Labor Prevention Act, which created a presumption that if material—something's being produced in Xinjiang region it was presumed to be tainted and it requires Chinese suppliers to disclose where they're—their methods.

I think we could apply that thinking into the critical minerals debate. You don't have to do anything, just ask them to start to disclose.

U.S. mining companies are remarkably transparent and they disclose all this stuff all the time in response to government, in response to the NGO community, and other interested stakeholders. Why aren't we asking the Chinese to do the same thing?

Thank you.

Mr. DOWNING. Thank you. Mr. Fernandez?

Mr. FERNANDEZ. Thank you.

As I mentioned earlier, this is what a monopolist does. It floods the market. It cuts out the competitors. It's not just only in Montana but Australian mines have closed. Mines throughout the world have closed because of Chinese oversupply.

I think tariffs are a tool. I would caution the overuse of tariffs. If we don't have the minerals in our country to replace those then it doesn't do us any good. But in the case of minerals that we do have I think tariffs are one of the tools that we have in our toolbox.

Mr. DOWNING. Well, thank you. I've got a lot more but, unfortunately, I've run out of time.

So Madam Chair, I yield.

Mrs. KIM. Thank you. We have some time for a second round of questioning if the witnesses are OK to stay with us a little longer.

Great. So let me first start with followup questions from what we were discussing earlier regarding the use of the Defense Production Act.

I know, Senator, you just mentioned that you had legislation in the Senate. I would love to take a look at it because I also serve on the House Financial Services Committee Subcommittee on National Security and Illicit Finance and we are trying to work for a modernized DPA.

So your input today as well as giving us some suggestions and recommendations on that regard is greatly appreciated.

So if you want to just talk about that, just quickly.

Mr. MANCHIN. Well, Madam Chair, first of all, I have two other articles I'd like to present for the consideration of the committee which gives a breakdown on the background of critical minerals and mineral sectors, and also the partners' critical minerals supply

chain by country, the largest producers outside of China so we know we can get these two things. I think they'd be helpful.

We'll share also with you, as we talked about, the workforce, what we have done in that, and also the comparison we have done with some other bills.

Happy to share all that with you. I'll make sure that Peter back here gets it to you, OK, to—

Mrs. KIM. Thank you very much. Thank you.

And then as we are talking about breaking the chokehold on China's dominance on critical minerals, rare earth elements, mining, producing, manufacturing, we just recently saw the announcement coming from the administration that the Defense Department will be the largest shareholder of our—probably the biggest rare earth producer, MP Materials.

So I just wanted you to comment on that a little bit because we also saw this morning Amazon—no, Apple, its big investment in the field as well.

So can you, Mr. Fannon, talk about what we can learn from this deal?

Mr. FANNON. Yes, thank you. I would say that this deal is absolutely transformative in terms of the boldness and the scope, given that it's not just an investment but also over time off take and also price security, I would say.

The Apple point is—I saw that announcement too where Apple is going to invest as well because they want these magnets, which is critical to their business. And so what I think that the lesson here is there's a role for the U.S. Government as an investor in these projects, first, whether in the United States or internationally.

But also the lesson is that if there's an alternative supply chain then U.S. companies will source from it. The move by the Defense Department is answering the chicken or egg problem, I would say, and so now we see a major investor coming in.

I think that this is a model, whether it's the Defense Department, the DFC, any other variety of other investors from the U.S. side. But it's that derisking where you'll see those off takes and other co-investments. And so I think it's absolutely transformative.

Thank you.

Mr. MANCHIN. Madam Chair, if I could say one thing.

Mrs. KIM. Yes, go ahead.

Mr. MANCHIN. I think basically with the Federal Government, as you saw, made the announcement last week into MP which is what it's about, when you see an off take coming to the Federal Government guaranteed by we're going to be needing this product and we're only going to buy it from an American producer changed the whole dynamic and that allowed Apple and other people with large sums of money that can invest, knowing it's going to be protected and basically used within our own system.

Mrs. KIM. Got it.

Well, we also, I mean, we—go ahead. Sorry about that, Mr. Fernandez.

Mr. FERNANDEZ. Just quickly.

There are a couple of successful examples of the DPA being used in Canada for critical minerals and that was done during the Biden

administration. I would suggest you look at that. Those were successful.

Also, the—one of the beauties of the—of a deal with MP is that it actually—in the past what we have done is we privatized the gains and socialized the losses.

What this does is it actually makes the U.S. Government a partner in the success and I would—and I would look at that as an example, going forward. It's not going to replace the private sector but it certainly can be an early stage investor.

Mrs. KIM. Sure. Well, thank you so much, all of you, for that.

Again, during our discussion we also talked about the role of DFC playing a bigger role in this space. So our subcommittee is also charged with reauthorizing DFC this—before this fall and we hope to do this soon.

So we are looking at equity fix. We are also looking at expanding the countries that we can utilize our DFC in.

So if you can talk about how that can be important tool, going forward. Obviously, domestic production is critically needed. We all established that. But we also need to work with our allies and partners in the region.

So how can this be a critical tool in our also diplomatic toolkit? Go ahead, Mr. Fernandez.

Mr. FERNANDEZ. If I may.

I've already talked about the need to fix the equity issue and also the need to expand the number of countries. Another—something we did as part of the Mineral Security Partnership is we created a finance network and it is—so I would urge the DFC as well as EXIM and others to spend more time with their—with their counterparts in other countries.

Why? Sometimes they can band together to derisk some of these projects but also just by sharing projects. There may be a project that the DFC is not interested in and you'd be surprised how often they wouldn't talk to their counterparts because they might be competitors.

And so I would urge more involvement in terms of just exchanging projects, which is what the private sector does often.

Mrs. KIM. I know my time is up and I want to turn it over to my ranking member to ask more questions but, hopefully, we can continue that conversation about some of the projects that our private sector can be encouraged and enticed to invest in utilizing our tools like DFC and so forth.

Go ahead.

Mr. MANCHIN. Madam Chair, one final thing.

Access to capital is the mother's milk of production. Without capital they can't produce or they won't come to fruition.

So that's what—access to capital in every way, shape and form is going to make the difference whether we produce in time or we don't.

Mrs. KIM. Thank you.

Ranking Member?

Mr. BERA. And just for those watching at home, antimony is atomic number 51 on the periodic table with a symbol of SB. Just in case I ever make it on "Jeopardy" that's important information.

I'm old enough to remember the energy crisis of the 1970's, just the long lines of folks waiting to fill up their cars with gasoline, and we responded as a Nation, right?

We created the Strategic Petroleum Reserve, which has been used now over the last few decades to smooth out markets to address this.

You know, we're doing the same in APIs. You know, Representative Moskowitz talked about COVID and, you know, we realized very quickly our pharmaceutical industry was overly dependent in this case, again, on the PRC for those APIs.

We do have a national defense stockpile for rare earths and critical minerals that, again, has been alluded to. It's woefully inadequate at this juncture. Again, I'm not a complicated person but if prices are at historic lows it would seem to me that now would be the time for us to actually be gobbling up that market and creating that national stockpile.

Maybe, Under Secretary Fernandez, you were in an administration and, again, it doesn't seem like rocket science. And then maybe Senator Manchin, since you're a fellow legislator, why is it that we seem to be lethargic in terms of recognize—we know the risk.

It's not a partisan issue. What's holding us back from actually very intentionally going in and creating the stockpile?

Mr. FERNANDEZ. Well, I remember talking about it. Frankly, there was a lot of talk but not a lot of action. The funding is an issue and also I think we have been slow to realize the vulnerability.

But I do think your suggestion that we consider it is one that the time is now because, you know, when you're as far behind as we are you need all hands on deck.

You need everyone on board, and unless we move quickly, unless we do what, for example, the senator just mentioned in terms of permitting, takes us 10 to 20 years to build a mine.

We can't continue operating that way. So it's all of the above and all hands on deck.

Mr. MANCHIN. I think timing—I think, Congressman Bera, timing is the thing and uncertainty is the cost that no one can factor in.

Those are the two things that really—permitting, like you said, from that standpoint the people jumping in, a lot of people litigation—they know they're going through litigation. You know, we're a litigious type of mentality, good in certain areas for protection but also overdone in so many areas that stymies it.

Mr. BERA. Yes. So there's nothing that prevents us from doing both of these things, right? Because we can build the stockpile immediately if we were to appropriate the right resources and funds, which it sounds like we really ought to do, and then opening the mines.

Doing the permitting reform will take a little bit longer but, you know, earlier in this Congress in a bipartisan way we passed the Fix Our Forests Act.

Now, not necessarily the same thing but it was bipartisan. You know, a lot of us as Democrats got tired of watching our forests

burn, certainly in California. It has NEPA reforms in there, et cetera.

So we can do permitting reforms. You know, again, might be easier under a Republican administration.

Mr. MANCHIN. We have the urgency now that we had with that, right now.

Mr. BERA. Absolutely. Again, what I would urge my Republican colleagues to do is now is the time. I'm not asking to meet at the 50-yard line.

We're not—we don't have the White House. We don't have the majorities in the Senate or the House. But don't take us to the end zone. Like, we can meet at the 35-yard line. We can do this if we're willing to negotiate.

And, Senator Manchin, you did lead some of these efforts in the Senate. So maybe that is the starting point.

Mr. MANCHIN. We have got some—yes, we have some good—we're going to share that with you all what we had done and what we have come close to doing.

Mr. BERA. Yes, and we ought to do it.

Mr. Fannon, do you want to add anything on the petroleum reserves or the defense stockpile or permitting reform?

Mr. FANNON. Yes, I think the—I think it's important to acknowledge the administration has started to talk about permitting reform. It has some executive orders to try to shorten some of these time horizons.

I think the point about—you made about the forests is a good one. You decided to pass this legislation and move this bill—bipartisan bill because you saw a crisis, and the crisis was real. It was material. It was—you know, the smoke was around your house. People acted.

I think we need to—this goes back to an earlier comment. This is a political problem. How do we create that sense of urgency with the American people that the smoke is around the house to create that move and I think once you do that then we'll see some action. I think we're starting that now.

Mr. BERA. Right. Thank you. I yield back.

Mr. MOYLAN.

[Presiding.] Thank you.

The chair now recognizes Representative Sherman from California for 5 minutes.

Mr. SHERMAN. China controls most of this market. Is that because China is uniquely blessed by ores of all these rare earth minerals or is that just because China decades ago decided to do the mining, which is difficult, and the processing, which I believe is even more difficult?

I'll ask any of the witnesses.

Mr. MANCHIN. Let me just say, if I can, very quickly everything you just said was correct. They did something nobody else wanted to do, and if you won't do it in your own backyard don't expect someone else to do it.

China took—filled the void and they saw it back when we got into the WTO in the 1990's and they went afterward and they captured some markets and basically hold it hostage and they've done it extremely, extremely efficient.

Mr. SHERMAN. But it's—but other countries in the world have the ore deposits and could have done it. China did it.

Mr. MANCHIN. China put the resources to it.

Mr. SHERMAN. Got you.

Mr. MANCHIN. They put the money to it.

Mr. SHERMAN. There are those who advocate us—that America should have a strategic crypto currency.

What? I guess one of our witnesses needed to leave.

A crypto currency reserve, which seems bizarre. I've never heard of a short of crypto currency. As a matter of fact, if you want to get some Mongoose Coin or some Skibidi Toilet Coin that's available to you right away as are all the currencies.

Do we have a rare earth minerals strategic reserve of any significance?

Mr. FANNON. We have a defense reserve which is woefully underfunded and not terribly well stocked wherein there's some critical minerals I don't have insight into what the volume is.

Mr. SHERMAN. And that's not designed to support our economy. That's just designed to allow us to make weapons that we might not otherwise—

Mr. FANNON. It's still for defense.

Mr. SHERMAN. And I'd point out we have a Strategic Petroleum Reserve that we should be refilling now because oil is under \$70 in both administrations. Particularly the prior ones said that they would refill the reserve when oil went below \$70 and that hasn't been done. But we continue to hold over \$10 billion worth of crypto currency for reasons I have yet to figure out.

China wants us to give them—sell them the most advanced chips. Nvidia is apparently going to be allowed to do that. To what extent did they get that incredible concession from us because otherwise they wouldn't sell us the rare earth minerals?

Was that their big—their big stick?

Mr. FERNANDEZ. I'm not going to—I have no inside information on that one but I will say that its dominance—China's dominance of critical minerals is a weapon and they weaponize it and they're good at it.

Mr. SHERMAN. What other countries are moving toward developing rare earth minerals in a major way?

Mr. FANNON. Other—Australia is a big—is very much in the game. The Japanese are one of the leaders in some of the refining and magnet production as well.

There's actually joint development programs with those three countries already in a company or two. But those would be—

Mr. SHERMAN. Now, China has lower labor costs than us and most of those other countries. Is a low labor cost critically important to being able to be competitive in this business?

Mr. FANNON. I think when we talked about the rare earths it's more than just the labor. It's also the cost of the capital to run the plants, and I think someone has already alluded to the way in which they do it is a manner that would be objectionable in the United States or in most other Western countries.

Mr. SHERMAN. What would be objectionable in the—

Mr. FANNON. The way in the way in which they refine the rare earths. It's toxic.

Mr. SHERMAN. Oh, you're talking about the local environmental impact?

Mr. FANNON. Correct. Correct.

Mr. SHERMAN. If you spend a bit more money can you refine these minerals and still meet the community standards we expect in America?

Mr. FANNON. For sure, yes. That's—I think the announcement that was talked about earlier MP—the MP announcement—that's what they're seeking to do. There are other companies that are doing it as well.

Mr. SHERMAN. Thank you.

Mr. FERNANDEZ. Of course we can. I mean, it's—it goes back to capital and the fact that the PRC has not—doesn't have the same standards that we do—environmental standards, labor standards.

But that's an opportunity. That's why countries follow our record.

Mr. SHERMAN. We certainly have capital. Much of it we bring in from China.

And I'm going to yield back 10 seconds.

Mr. MANCHIN. If I can just say one thing to you.

Mr. SHERMAN. Yes, go ahead.

Mr. MANCHIN. As far as you have the United States, you have Canada, and you have Australia, three main caches of where we know we have critical minerals we all need, then you have the ability of Japan to do the refining and South Korea is coming on strong, too.

So these are all allies of ours in the free world. It's something we should be building an alliance with.

Mr. SHERMAN. Thank you.

Mr. MOYLAN. Thank you.

The chair now recognizes Rep. Bera.

Mr. BERA. I just want to ask a quick followup question.

Absolutely, we can do this. You know, we have talked to the Australians a lot about it. We recognize that our price point, you know, given the environmental standards and everything else, is going to be a little bit higher than where China is.

We also recognize that China—you know, Under Secretary Fernandez, you've talked about the monopolistic power. I think what I worry a little bit about is, you know, this is tangential but shareholder activism, right?

There's tremendous pressure on boardrooms and companies for earnings—quarterly earnings—and it's proven extremely difficult for us to move some of our companies that even know the vulnerabilities because there is going to be a short-term cost here that will impact their quarterly earnings.

And we don't have to get into it but I'd just put that one out there. That is something that we actually have to also think about is the long-term investments that, you know, give them long-term profitability as opposed to really the short-term investments that drive some of these decisions to continue staying invested in China or making further investments in China even when they know the long-term vulnerabilities are there.

So I don't—do you want to talk about that?

Mr. MANCHIN. It's become the American way, which is not beneficial for us right now. Basically, everything is return on investment.

Shareholders demand. It makes very, very bad decisions and the bottom line is pay me now or pay me later, and right now we're paying the price.

And if we don't get in the game pretty quick and we don't look past the bottom line right now, if we'd have done that during World War II we'd have never won it and we're in that same situation right now.

It's a life or death matter for the 21st century, our children and grandchildren. So we're either going to get involved, commit ourselves to making us independent and making our supply chain intertwined. If not, God help us.

Mr. FERNANDEZ. But it's also, I think, a role that government should play, and you're right that there is a short-term view. But that's where government support can become involved to encourage a longer-term view.

If you start from the premise that by 2035, according to most experts lithium prices will recover then you're looking at a short-term problem and then you need to find a way for—to help our companies and our partner countries' companies survive.

And so that's an opportunity and—but you're right, we do have a—if we just let the market run the show the PRC will dominate. We have got to find a way of changing that debate.

Mr. FANNON. Yes, I would just say that the shareholder issue is—of course, plays both ways. It's also one of the reasons why it's—some of the—why the mining industry in the United States in particular has—and a lot of other places has died down and why the best in class miners are reluctant to go to many emerging markets because of—there's a fear of shareholder activism.

There's a fear of going into certain countries because there's a perceived—there's a perceived view that political risk. There may have been a history.

Maybe it's there. But they don't go there and so what—that simply leaves those emerging markets susceptible to Chinese opaque practices, which is one of the reasons why we're where we are.

So I think—I think it goes back to the earlier discussion about getting the American people to understand where things come from and how and differentiate those.

Mr. MOYLAN. OK. With that, I thank the witnesses for their valuable testimony and the members for their questions.

The members of this subcommittee may have some additional questions for the witnesses and we ask you to respond to these in writing.

Pursuant to committee rules, all members may have 5 days to submit statements, questions, and extraneous materials for the record, subject to the length and limitations.

So without objection, the committee stands adjourned.

[Whereupon, at 11:47 a.m., the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD



Chairman Brian Mast

**COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE HEARING NOTICE**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on East Asia and the Pacific
Young Kim (R-CA), Chairwoman

July 8, 2025

Rescheduled

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs to be held by the Subcommittee on East Asia and the Pacific at 10:00 a.m. in Room 2172 of the Rayburn House Office Building. The hearing is available by live webcast on the Committee website at <https://foreignaffairs.house.gov/>.

DATE: ~~Tuesday, July 8, 2025~~
Tuesday, July 15, 2025

TIME: ~~2:00 p.m.~~
10:00 a.m.

LOCATION: 2172 RHOB

SUBJECT: Breaking China's Chokehold on Critical Mineral Supply Chains

WITNESSES: The Honorable Frank Fannon
Managing Director
Fannon Global Advisors

* **The Honorable Joseph Manchin**
Former U.S. Senator for West Virginia

* ~~Mr. Rob Strayer~~
~~President~~
~~Critical Minerals Forum~~

The Honorable Jose W. Fernandez
Former Under Secretary for Economic Growth, Energy
and the Environment
U.S. Department of State

*NOTE: Witnesses added/changed.

**NOTE: Witnesses may be added.

By Direction of the Chair

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-226-8467 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS
MINUTES OF EAP SUBCOMMITTEE HEARING

Day Tuesday Date July 15, 2025 Room 2172 RHOB

Starting Time 10:00 Ending Time 11:47

Recesses ☐ (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___)

Presiding Member(s)

Chairwoman Kim, Rep. Moylan

Check all of the following that apply:

Open Session ☒

Executive (closed) Session ☐

Televised ☒

Electronically Recorded (taped) ☒

Stenographic Record ☒

TITLE OF HEARING:

Breaking China's Chokehold on Critical Mineral Supply Chains

COMMITTEE MEMBERS PRESENT:

Attached

NON-COMMITTEE MEMBERS PRESENT:

N/A

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Attached

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 11:47

Meg Wagner
Full Committee Hearing Coordinator

Meeting on: Breaking China's Chokehold on Critical Mineral Supply Chains
Date: July 15, 2025

[illegible]

**Questions for the Record Submitted to
The Honorable Jose W. Fernandez
Submitted by Rep. Gabe Amo
House Foreign Affairs Committee
Subcommittee on East Asia and the Pacific
July 15, 2025**

Question #1:

How could China weaponize our dependence on their critical minerals in a future crisis or trade conflict?

No Response