

Breaking China's Chokehold: Securing America's Advanced Battery Supply Chains

July 22, 2025

Featuring Gil Michel-Garcia, Tom Haslett, Margaret Myers, and Rob Strayer

Moderated by Elaine K. Dezenski

Introductory remarks by Ambassador John A. Simon

Keynote remarks by Representative August Pflieger (R-TX)

SIMON: Welcome and thank you for joining us for today's event hosted by the Foundation for Defense of Democracies, both those of you who are here in the beautiful Capitol Visitors Center and those of you who are joining us online. I'm Ambassador John Simon, founder and managing partner of Total Impact Capital, and a board member of FDD'S Center on Financial and Economic Power. It's Tuesday, July 22nd. We're pleased to have you here for this conversation, some in person and some, as I said, tuning in online.

Today's event rolls out a new monograph from CFP (sic): *Unplugging Beijing: A Playbook to Reform America's Advanced Battery Supply Chain*, which illustrates how China's nonmarket practices deliberately harm industries and supply chains throughout the global economy. Critically, *Unplugging Beijing* offers a template for addressing America's economic security vulnerabilities, including developing new, more resilient global supply chains. I'm looking forward to this discussion.

For those here in person, copies of the monograph are available to take home. The report is also available on the events webpage, found at fdd.org.

But be— before we start our panel discussion, I'm pleased to introduce our keynote speaker, Representative August Pflugate (sic) who is serving his third term as the U.S. representative from Texas' 11th Congressional District. He serves on the House Committee on Energy and Commerce and is chairman of the House Homeland Security Subcommittee on Counterterrorism— on Counterterrorism and Intelligence. He served on the United Nations Security Council – United States National Security Council staff during President Trump's first presidency. A graduate of the U.S. Air Force Academy, he served in the military for 20 years as a decorated fighter pilot and squadron commander.

Representative Pflugate (sic), thank you for joining us, and over to you.

(APPLAUSE)

PFLUGER: Thank – thank you, Ambassador, and Elaine, thank you so much for what you do: for not just this forum here, but to educate people on the real and the growing threat that we see from the Chinese Communist Party. And I love what FDD does. I love the education and the advocacy, the partnership. So many FDD professionals will testify in front of Congress on a variety of topics, and we have been specifically privileged on the Homeland Security Committee to – to have many of the FDD professionals do that, which I think has made our country undoubtedly more secure, has educated members on both sides of the aisle and has gotten us to a point where we can talk about some of these nefarious and very concerning issues.

And this issue specifically, of the Chinese Communist Party's desire to dominate the battery – the – the advanced battery and the critical mineral supply chains, is really important. So again, thank you.

We know that China controls over 75 percent of the global battery cell production and refines more than half of the world's lithium, cobalt and graphite, and not to mention the other critical minerals that are part of this process. And I think the question, and – and how we approach this in stopping their continued monopolization of this industry is really important, and I think it comes down to a couple things.

Number one, the United States has to compete. I'm proud of the "One Big, Beautiful Bill" that we just passed. I think this is a very important step forward in identifying our ability and our own domestic capability of doing some of that production right here. President Trump is right to say that we need to move some of those things, and it includes the harvesting of minerals in the far West, in places like Minnesota, in some of the states that we have not been able to get permits for that. Previous administrations, specifically the Biden administration, took a very hardline approach towards not utilizing the resources that we had right here at our own fingertips that were below the surface that we could compete.

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So that's been a policy mistake that our country will no longer accept. And this administration – and I'm proud to be a part of the group, the legislative group that passed this bill to say, "No more." If we're going to compete with China, with the Chinese Communist Party, with any of their nefarious practices, we have the resources, and let's take advantage of those.

Number two, I think it's an acknowledgment that this is a national security-level concern, that when you have a country that controls that much – 75 percent, and in some cases, it's 90 to 95 percent, depending on the minerals – and I'm sure this panel, which is much smarter than me on these issues, will talk about it.

But when one country that is controlled – and the Communist Party in this example, that is controlled by very few people, that is dominating these resources that are used in a variety of electronics, things that we use every single day – has no checks and balances on it, then obviously, that dependency and those relationships with our partners and allies, our own country, not – I mean, also our own country, is very concerning, and you have to diversify that.

You cannot be dependent on adversarial countries for your food, for your energy, and in this case, for the components that make up many of the devices, and also energy sources, that we use on a daily basis. So, this is a national security-level concern. It's something that we know we have to compete with. I mean, there's – there's some examples recently of these rogue, undocumented communication devices that were found in Chinese solar power inverters.

So, if I haven't gotten your attention with this yet, not only are they controlling the sourcing of the materials, but they're also putting it into devices like solar panels. We know that there have been examples in many ports where there are devices that have the capability of being – acting like sensors and reporting data and information. Think of the Chinese spy balloon. I was extremely concerned about that. But that's just the tip of the iceberg. I mean, it's also in many of the – the other things that we see on a daily basis, like drones, like the ports – Tampa, Houston, Los Angeles.

So, when we think about what this leads to, the supply chain and this domino effect of controlling the supply of minerals that leads to the building of parts that can be attached and used as sensors on communication devices, whether it's through Huawei, the Chinese Communist Party must be checked. We have to compete with them. We have to do the business of setting good policy, and I – that's why I'm proud to have been a part of this Congress already, that I believe we are setting good policy.

And let me – let me make an ask of all of you, that groups like FDD, in each of your own professions, in each of the industries that you work in, have a voice in identifying the things that you believe are nefarious. The things we know have been documented as adversarial to our own interests, to American interests, to Western interests, have to be brought up to my colleagues.

And – and these conversations, although it seems like you may not be making any headway, you have to have them dozens of times. Come walk the halls of Congress, come testify in front of a committee, make sure that the subject that you're passionate about is known to us, because I believe that we're at the tipping point right now – and I can give you a couple of examples – but we are at the tipping point of enacting good legislation to counter some of these actions that we've seen over the past 10 to 15 years.

One example is in the form of permitting and permitting reform. This country has made it very difficult to do things on the energy front, on the critical mineral front. We want to move at the speed of commerce, we want to move at the speed of competition, to not let other adversarial countries run away because – with the competition, because they don't have the same type of standards or burdens or regulatory, in the case of the previous administration, overreach.

So, our job – and this, I believe, will be a bipartisan piece of legislation – is to make it easier to actually permit projects that will result in us being able to produce lithium and copper, and the minerals that we're talking about that compose these devices, that make up batteries that we all use. I mean, batteries are going to be a part of everything we do forever. We have to find a good, creative solution.



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So, your voice in reaffirming that and providing additional data points and giving us the backing, especially in a bipartisan way, is truly helpful.

So again, I want to thank you. I, myself, was an FDD fellow before I was elected to Congress. It's a great organization. I want to thank you for being a part of it. But having these types of conversations is truly important right now. I couldn't think of something that's more important for us to be able to truly compete and to put a little common sense. I think of – when I think of FDD, I think of common sense. And you provide common sense solutions to really critical and complex problems.

So, Elaine, thank you for having me today, thank you for the ability to speak to you. God bless.

(APPLAUSE)

(CROSS-TALK)

SIMON: Thank you very much, Representative Pfluger. Now I'm pleased to introduce our expert lineup today.

Gil Michel-Garcia is co-founder and general counsel of EValution Energy. His 25-year career spans roles at top law firms in Montreal, New York, and London, as well as general counsel positions in multiple private enterprises. Gil has experience in cross-border finance and venture capital, with a focus on mining, commodities trading, and infrastructure development. He previously – previously served as Senior Vice President and general counsel at Coban Capital, where he had – led transactions involving copper and cobalt sourced from emerging markets. He also had advised on major energy transition projects for Grupo Mexico, one of the largest copper mining companies in the world.

MICHEL-GARCIA: Thank you very much.

SIMON: Tom...

(APPLAUSE)

Tom Haslett is director for energy and critical minerals policy at the U.S. International Development Finance Corporation, where he supports policy development, facilitates interagency and stakeholder engagement, and advises agency leadership to advance DFC's investment objectives. He serves in roles across the U.S. government, supporting assessments and designs for energy sector reform, programs to increase private investment, and strengthen energy access and security. As a result – as – as part of the Millennium Challenge Corporation's Energy Practice Group, Tom led design and oversight of power sector infrastructure and reform projects in Africa and Asia.

(APPLAUSE)

And Margaret Myers is managing director for the Johns Hopkins SAIS Institute for America, China, and the Future of Global Affairs; senior advisor to the Asia and Latin America Program at the Inter-American Dialogue; and senior advisor to the United States Institute of Peace; and adjunct researcher with the *Núcleo Milenio sobre los Impactos de China en América Latina*, ICLAC. Margaret has published on China's relations with Latin America and the Caribbean, testified before the U.S. Congress on China-Latin American relationships, and is regularly featured in major domestic and international media. She's a member of the faculty at Georgetown University and the Johns Hopkins School of Advanced International Studies.

Rounding out our panel is Rob Strayer, president of the Critical Minerals Forum. Rob served as the ambassador for Technology Diplomacy at the U.S. State Department during the first Trump administration. During that time, he led a global campaign to promote digital infrastructure. Before joining the State Department, Rob was a general counsel for the U.S. Senate Foreign Relations Committee during the chairmanship of Senator Bob Corker. He also practiced telecommunications law at WilmerHale and served – and clerked for the U.S. Court of Appeals for the 11th Circuit.



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And of course, moderating our panel is the inimitable Elaine Dezenski, senior director and head of FDD's Center on Economic and Financial Power. She has more than two decades of leadership in government, industry, academia, and international organizations, and she's a globally recognized expert on geopolitical risk, economic statecraft, supply chain resilience, illicit finance, anti-corruption, and national security. She has served in senior roles at the World Economic Forum, INTERPOL, and crossmatch technologies, and held both political and career positions at the U.S. Department of Homeland Security.

Elaine, the floor is yours.

DEZENSKI: Great. Thanks, John. I want to just extend a warm welcome to everyone on behalf of FDD, and in particular to our panelists. We have a fantastic lineup today, and it's going to be a really engaging conversation. So, can't wait to get into that.

Before we dive in, just a few words about FDD. For more than 20 years, FDD has operated as a fiercely independent, non-partisan research institute exclusively focused on national security and foreign policy. As a point of pride and principle, we do not accept foreign government funding. For more on our work, please visit our website at fdd.org, follow us on X, and Instagram if you prefer, and subscribe to our YouTube channel. We're everywhere, so I hope you'll check us out.

Some notes of thanks as well. In this process of creating this report, over the last almost 18 months, we've worked more – with more than 100 industry and policy experts who've contributed in some way. So, some are in the audience today, some are online, some are not here, unfortunately. But we're grateful for the support and guidance that we've received every step of the way from across the supply chain. And I think that's reflected in our product.

I also want to take a moment to acknowledge my colleague and co-author of the report, Josh Birenbaum, sitting over here in the corner, deputy director at our Center on Economic and Financial Power.

(APPLAUSE)

DEZENSKI: I may be the one sitting on the stage today, but this report would not have come to fruition without his research, guidance, and insight. So, honored to share the byline with my colleague Josh and thank you to all my FDD colleagues who helped us move our draft report into our slick final version, which you now have a copy of.

So, I want to kick off the conversation with some news. Last week, Beijing imposed export controls on advanced battery technology, including battery cathode production technology for the making of lithium-ion phosphate batteries; the extraction and processing of lithium, as well. And these controls follow earlier controls imposed on the export of graphite, of which China controls 95 percent of the battery grade supply, along with other critical minerals. But I want to ask a question: How big of a problem is it that China would impose these restrictions in a market that they dominate?

We see these moves as components of a long-term strategy to create dependencies across the supply chain that is increasingly critical to a range of vital applications. Most people think of EVs when we talk about battery technology, but it's not just EVs: it's drones, it's night vision goggles, it's energy grids, laptops, phones, and many more products that run on some form of lithium-ion battery tech. Batteries are critical to our military capability, so much so that we should be thinking about batteries as the bullets of future wars.

As we discuss in the report, the US and many other countries face very deep dependencies on China across the supply chain. From the upstream extraction and processing of critical minerals such as lithium, cobalt, and nickel, to the midstream production of battery components like anodes and cathodes, to the final battery pack assembled for EVs and drones, and much more. But it didn't need to be this way. Our report tells the story of a U.S.-developed technology, the

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lithium-ion phosphate battery, a technology that was lost in U.S. bankruptcy court and found in China. LFP [lithium iron phosphate battery] technology is increasingly the standard for cost competitive EVs coming out of China.

But it wasn't just the acquisition of this technology. It was sustained [INAUDIBLE] of non-market practices that have allowed for this dominance to take hold. From monopolies and massive subsidization to overproduction driven by essentially side [INAUDIBLE] growth targets, dumping, IP theft and knowledge transfer, aggressive vertical integration, as well as horizontal integration, for the fusion – blurring of private and public sectors along with price manipulation of critical minerals and, not to mention, currency manipulation and capital controls.

The report really goes into more detail on all of these. We need to think about these practices as parasitic because they rely on open competitive markets to absorb the excess capacity. Market players exit based on rational decisions like not being able to drive a profit. But it is how China comes to dominate. Indeed, China depends on the consumer market that we offer to take care of that overproduction; to absorb it. Wage suppression, housing instability, and too much economic power for the state, within China, leaves their consumers unwilling and unable to buy.

So, what I'm describing at the end of the day are two fundamentally incompatible systems. In the battle between the two, non-market systems always win in the short term, but only because it's a free rider on a dynamic market economy. Once they win, they will lose by having no one to buy their exports and sell them treasuries. But we're not at that stage yet. So, what can we do to break the chokehold? That's what we're going to talk about today. Is there a pathway for Western producers? What does that look like?

We identify six areas in the report that we think need to be addressed, from domestic and allied mining and processing, to controlling for price volatility, particularly with critical mineral trading, investments in emerging technology, pushing for radical transparency across supply chains – we think this is absolutely essential – and working in a more long-term fashion with allies and partners. So, there's no one solution to the dependency. But there are pathways to strategic decoupling, and we hope the report will help us achieve just that. So, that's the framework for our conversation.

Now I'm going to stop talking and hand it over to our panelists to take us through some of the key aspects of the challenges that we face. So, Gil, I want to start with you. The processing chokehold is a major structural challenge for Western manufacturers of components and other materials that are reliant on lithium, nickel, manganese, and cobalt. Are we making progress in eliminating those barriers? Or if not, what market dynamics need to be addressed when it comes to seeding new processing technology like you're trying to do at EValution?

MICHEL-GARCIA: Thanks very much, Elaine, and thank you to the FDD for the great work that they do. There's a lot to be done and we're not there yet. Certainly, we're trying to get it done, but there are still many pieces that, in terms of the policy, and obviously the market, that have yet to be built. So, I like the way that you have framed the recommendations to set up the – you know – step up the extraction of critical minerals and counter the processing chokehold.

So, the first is that you recommend, which we agree because we're doing it, is develop non-Chinese processing technologies. So, we are building the first solar powered cobalt processing facility in the United States, and we are the only one that is producing cobalt sulfate that goes into the EV batteries. So, when you look at how we're designing our structure, the first thing is, what's the technology? Where does it come from? And are we sufficiently de-risked from Chinese control of this?

So, we are basically focusing on using technology from Norway – sorry, from Metso Outotec – sorry, that's Finland – and they have had cobalt in their country for many, many years. So, they developed a specialty in processing. So, much of the equipment is coming – is being built in Finland – and it's being exported to the United States. And we are also focusing on taking advantage of some American technology, and there is a company called ReElement that is basically bypassing some of the structural SX – structures in terms of processing the cobalt and the nickel.

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And they've got this ionization technology that we're looking at. So, it's a combination of Finnish technology and American technology that we think that will allow us to develop this asset in a way that is efficient and competitive to China. We're never going to be 100 percent competitive because they don't run in a profit. We still have to pay shareholders and investors. So, that's where I think one of your other recommendations, in terms of support of U.S. processing capacity, which is the section 45X [Advanced Manufacturing Production] Credit.

Now, I know that that's been pushed back a little bit. We are arguing on the Hill very strongly, that at least for the 13 to 15, that's critical minerals, that Silverado has identified very well in their report; you know, what we call the "critical" critical minerals that are basically needed for batteries, drones, and defense technology – magnets – that for those, there'd be a special new tax credit – production tax credit that allows us to basically run a longer time period and be able to attract institutional capital.

And if you think about the story of 45X as why it's so necessary is: we're not going to win against China unless we deploy one of our competitive advantages, and one of those comparative advantages is the depth and breadth of our capital markets. And so, we need to incentivize private institutional capital to come into these deals. And if you look at how this was structured before and why these industries moved out of the United States, processing of metals is traditionally not a very high EBITDA margin business. And it also has environmental issues; it's also very high CapEx business.

So traditionally speaking, this would be a business that would gravitate toward a lower cost of employment, lower labor cost, lower environmental standards places, and it's natural they would gravitate out of the United States. So, if we need to bring it back in, and we need to have it be environmentally compliant like we are, we're sort of a best-in-class business, where we're reprocessing all of our water so that where there's no discharge into the environment. We don't have tailings, so there's no dust contamination. We are 100% solar powered, so there's no carbon footprint. That makes a facility that is more expensive. That is not going to be as competitive as the Chinese. And so, we need – part of that – if you look at traditional businesses like ours, they're 10 to 12 percent EBITDA businesses. If you go to any institutional capital provider with a 10 to 12 percent EBITDA business, they're going to laugh you out. They're just not going to invest. Why would they invest in us? They can invest in real estate. It's, you know, no brainer, right?

So, without the 45X that has a runway of at least 10 years so we can show investors, 12 percent of our business is not going to attract institutional capital, and the government is not going to do it all for us. So, that's one of the crucial elements that we absolutely need to fix to be able to attract institutional capital that will allow us to win.

DEZENSKI: Thank you. I hope you can hear me. Can you hear me? No? Yes? OK. Hopefully between these two, you can hear me.

Rob, I want to pick up on the critical mineral thread with you. So, one of the examples we mentioned in the report is the case of nickel. So, 75 percent of battery grade nickel is coming from Indonesia, and it also happens to be controlled by mostly Chinese processors in Indonesia. In 2019, Indonesia implemented a ban on the export of unprocessed nickel ore, which ultimately favored Chinese producers, like Xinjiang, that were already established in the country and limited non-Chinese producers in a pretty serious way.

At the same time that that export control was put in place in Indonesia, there was an unknown buyer of 25,000 tons of nickel on the London Metals Exchange, which happened to be the largest purchase of nickel ore in the history of the exchange.

Once the dust settled, it was confirmed that Xinjiang was actually the buyer of that. So, they were able to take a lot of that capacity off the market, and of course, bring it back when it was – when it was more to their interests. The competitors outside of China took a massive hit as a result. There are other examples of this, this que – this question about price, volatility, and control of minerals is very meaningful to the market players.

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So, I was wondering if you could maybe talk to us a little bit about the dominance of China in terms of being able to set these prices around critical minerals and how we might break that structural barrier.

STRAYER: Yeah, that – that is the fundamental question, I think, to getting more Western production online. And it is a little more difficult in the sense that we, on one hand, don't want to take so many corrections to the market, that we lose the price signaling that's really important that signals when there should be new production in the mine level and the processing level.

At the same time, we need to have a reaction to a monopolistic provider that takes on anti-competitive activities, like the ones you just enumerated, and then has the safe harbor of a non-market economy to stay in business, to have very, very low cost of capital that nobody in the West has.

So, it's trying to find that balance, that middle road to move forward on. And the thing you mentioned earlier is, I think fundamental to it, which is transparency. We need greater transparency in the supply chains. Unlike commodities like oil where there's roughly grades that are well known, you have to have a modeling of a supply chain based on each mine and each type of processing. They're often calibrated with one another because of the grades of the mine product, the ore that's coming out.

So, you really have to do full mapping of that, and that's what we're doing with Critical Minerals Forum. We're funded by DARPA to come up with the modeling of supply and demand for roughly the 50 critical minerals, and then coming up with cost production, so we know what it costs for an incremental new mine or processing facility to come online.

With that information, of course, two market participants can decide that what is a – if it is a good index price to use. Often right now, you mentioned the LME [London Metal Exchange] is where they bought up a lot of this nickel, but much of the more minor metals, what they – as they call them, are traded in the Shanghai Metals Market. So that Shanghai Metals Market Index is folded into many of these offtake contracts.

So, two Western produced participants could be completely in the United States, could mine and process and then settle downstream. They all might in – in many cases, use that index that's based in China, which has no relevance to their economic case for staying in business. So, we need to create new indexes that are based on relevant cost structures for the West because their cost of capital is different, and cost of labor and environmental costs are all different. They also need to have that – some kind of narrowing of the volatility to keep – often keep them in business over time if that index is potentially going to drop to the Chinese floor level.

So, you need to have a better, deeper understanding of the markets and have those implemented into offtake agreements. The offtake agreement is one of the best protections against a monopolist acting in the way that they have in the nickel market and other markets like lithium and cobalt. The U.S. government can add – can buttress this by, in its stockpiling, negotiations having a cognizance of what a minimum price is to keep a company in business, to keep Western producers in business, what their base cost of production is, and make sure that, that they're not allowing that price to go below that or in its own procurement decisions for military armaments.

And then lastly, they can incentivize U.S. manufacturers to use an offtake index that is based on Western cost of production. And then last thing I'd say is the use of tariffs could also come in here. We've just seen as of last week, the Commerce Department decide that there was dumping in the graphite market by the Chinese and then imposing a 92 percent tariff on that graphite, which gives some room for there to be Western competition, not competing against that that dumping by China.

DEZENSKI: Excellent. And we'll come back. I want to ask you a question about the idea of a critical minerals exchange perhaps for the US or North America.

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But let's go on to Tom. So, we discuss at length in the report some of the ways that the U.S. government should support a more resilient and diversified critical mineral supply chain. And the Development Finance Corporation really has become a keynote in that strategy, when we think about how to engage with allies in partners. And there's been some activity in this space.

So, Tom, I'd love to hear a little bit more about how DFC is approaching this question of critical mineral resilience. Where do you see the opportunities? How do you see the deals being structured?

HASLETT: Great. Well, thanks so much for having me here today. I really appreciate FDD bringing us all together and really thought the report you drafted was excellent and really laid bare a lot of the challenges that we're facing, but also provided some interesting solutions that I think align with what we're trying to achieve.

Just briefly, for those of you who own – who don't know, the Development Finance Corporation is America's development finance institution. We were established in 2019 with a mandate to partner with the private sector to pursue U.S. strategic goals abroad, as well as to promote positive development impact. DFC works across a number of different sectors, including energy, agriculture, infrastructure, and health. But in recent years, we've dedicated a lot more effort and attention to working in the critical mineral sector.

That's both because of the growing urgency to resolve the real economic and national security risks that Chinese domination over the critical mineral sector poses to the US and to its allies, but it's also because there is a great commercial opportunity here, eventually. Maybe not today, as Gil pointed out. But we are also seeing a lot of demand for businesses who see an opportunity to grow in this space and are looking for support to do that.

We have gotten into the business at a very challenging time, as I think FDD did a great job laying out in the report. This is a sector that present any number of challenges all throughout every part of the supply chain to businesses trying to get a foothold. We see massive Chinese investment overseas in both mining as well as midstream capacity, to the tune of more than \$20 billion last year alone. That allows them to feed their industrial machine back home, which is supported with subsidies and other forms of state support, driving over capacity and producing materials that render other countries' industries non-competitive. That is then used to also manipulate market prices as well as undercut investors abroad to perpetuate the situation over time.

So, this is the situation that DFC has come into, and that's where we're trying to make an impact.

So, the way DFC participates in the space is again, by working with aligned private sponsors to invest in critical minerals projects in emerging markets. For the most part, this is focused on production and mining, because processing and midstream is often still more of an aspiration in most of the markets that we work in. DFC leverages its financing tools to put capital into projects directly, as well as catalyze private capital to support projects and markets that may be considered too risky or too challenging, or in a sector that is quite difficult to move into without patient-government capital to support the – to support private sector objectives.

This helps to increase supply of critical minerals, and as we know, there's something like four to six times growth over the next 10 to 15 years for a lot of the minerals for advanced technology, defense, and energy supply chains. DFC also leverages its financing and work with aligned sponsors and co-financiers to drive offtake outside of China. So that means sending it to the US, ideally, but also working with partners abroad to who already have industry or who are standing up processing capacity to make sure that China can't continue to exercise dominance over the supply chain.

Whenever we're able to secure – help a – an aligned sponsor, secure a mining asset that also helps restrict China's ability to continue feeding, its industrial machine, which again, feeds into that cycle of market manipulation that makes everything more difficult.



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We are doing our best and we've achieved I think a number of significant investments over the past couple of years with about a billion dollars in approved investments, including in graphite, nickel, rare earths, copper and bauxite. But we do see the dynamics caused by China's manipulation of the market as a real problem. We see a lot of projects that we're quite interested in and have a good case to be made as we start due diligence but by the time we get to the end of the process, the bottom is fallen out of the market, and they can't – they don't pencil anymore. We've also seen Chinese manipulation go after clients that we already have, trying to undercut the projects as they see U.S. government support as a threat to what they're trying to do.

So, we are going to continue building a pipeline portfolio in this sector. We work closely with the U.S. Interagency to ensure we're closely aligned with the work that's being done domestically to address supply chain constraints. And we're hopeful that we will be able to address a number of the issues that FDD has identified in the report.

Thank you.

DEZENSKI: Thanks Tom.

Margaret, so I want to switch the focus a little bit to the automotive sector, which of course is a critical part of the conversation on electric vehicles, particularly for North America. And a lot of your research is focused on China's influence in the Western Hemisphere. And you recently came out with a draft report on China's influence on the automotive sector, particularly in Mexico.

So, I'd love to get a sense from you in terms of this dominant position of China, and what that may look like for markets in Mexico. What it may portend for the USMCA [United States-Mexico-Canada Agreement], and where we go on a revision or perhaps even a full-scale review of the USMCA, and potentially opening that up to some of the non-market practices that are implicating China, you know, across North America.

MYERS: Certainly Elaine. And thank you for the invitation. Can you hear me OK? Yeah? Thank you so much for the invitation.

The report is fantastic. For those who haven't had a chance to read it, I highly recommend it. And, you know, has been stimulating of my own thinking about – about this, especially as concerns Chinese engagement in Latin America and the global south, broadly speaking.

Before I turn to Mexico and the auto sector in particular, I thought I might just talk a little bit about how the region sort of fits into this equation as well, which is something that we track very closely at the Inter-American Dialogue and now – now the SAIS Institute.

But you know, Latin America has, what, for two and a half decades, three decades almost now, right, really been a very big part of China's strategy with respect to supply chain development, right, market development, right, all of these things that we're discussing.

And it's critical to understand, you know, China's global efforts, right, as you begin to address from the policymaking perspective what is happening here in the United States, in our competition with China across the board and across sectors, and our efforts to de-risk supply chains in general.

The global south, and I would say Latin America, you know, is critical both in terms of markets, right, markets for Chinese goods. Back at – you know, two decades ago, we were talking about very low-cost times. Now, we're talking about very, very high value-added things.

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This has come as a surprise to no one here in the audience, to everything from highspeed rail to data centers to EVs, right, which we will talk about. All of this driven by a critical role, so markets for Chinese goods. And so much of what China is doing in here, right, and in other parts of the world is also being seen in the Latin American context.

These are non-market practice and it's not in their investment realm, more in the trade realm, you know, that we're talking about vertical integration, which is prolific – right across – across the Latin American context, whether we're talking about, you know, price manipulation, certainly dumping has become a greater concern to Latin American governments in recent years. So, all of these things we're seeing in the Latin American context, too.

It's also, of course, as we know tremendously important as a source of resources. Representative Pfluger mentioned that you don't depend on your adversaries, right, for supply of energy and agriculture. And, certainly, this is part of Chinese doctrine as well, right?

And so, it has turned not just to Latin America but to, really, places all over the world to try and diversify the supply of these things. Latin America features very prominently in this equation, as does Mexico specifically, in certain ways. But beyond this, of course, now critical minerals is fundamental to this question.

And as somebody who tracks Chinese investment on a near daily basis, right, in the Latin American context, whether in Mexico or the Southern Cone or elsewhere, every day I see a new development, right, in Chinese investment in critical minerals in some form or another, right, in the Latin American context. And never mind what's happening elsewhere in the world. So, certainly, a very, very big part of this equation and one that we need to take into account.

Right now, what we're seeing just overall in terms of trends is a real focusing of effort and investment, not just on critical minerals, but on what China has called "new infrastructure," which is essentially all innovation-related sectors to access markets and then achieve a greater degree of dominance, globally speaking, across these industries.

We see so much of this, in fact, that of all investment, Chinese investment, in Latin America over the years, we have seen growth in the amount of investment in new infrastructure, right, as a percentage of the total. But to the extent that now it's above 60 percent, whether as a measure of total deals, right, or of the percent of new infrastructure deals that – or the share of new infrastructure deals as a percent of total investment in the region. So, really, really something fundamental for them.

In terms of Mexico and what's happening there, we were fortunate to do a study very recently on Chinese engagement in the auto manufacturing sector. And what we found there, I think really does correspond in a lot of ways with some of the work, important work that's being done at [U.S. Department of] Commerce and elsewhere in terms of tracking, right, developments in this space, trying to understand what China's motivations are, what progress they're making, Mexican responses to these things, and the extent to which Chinese investment is looking to bypass, you know, trade measures in order to access the U.S. market. What we found there were really two developments. One is OEMs [Original Equipment Manufacturer] related, right, and auto manufacturing in Mexico and another is related to parts development.

With respect to the OEMs, really, what we're seeing, we're seeing a lot of announcements in that space, but really very little in the way of actual investment. And what there is in the way of investment; so there are 12 total companies that have a presence in Mexico OEM, auto manufacturers. And of those four are actually manufacturing automobiles, mostly for the Mexican market.

The bigger story is a parts story. And this is one that is deserving, I think, of a lot of attention. And what we see here is an interest in supplying both for the Mexican market, right, and also for the North American market.

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It will be critical to understand, you know, the extent to which these parts producers are importing mostly Chinese components. And based on our analysis, which we detail, you know, in a very granular way, right, they really are depending mostly on imports and inputs from China for nearly all of the parts that they're producing.

Others are working very closely with a wide range of international manufacturers, auto manufacturers, OEMs in Mexico, to produce in ways that are consistent with USMCA regulations. And so, I think looking at this, in even more depth than we do in our report, will be really fundamental as we go forward with the USMCA review and try to understand the extent to which, right, these parts factor in the broader equation.

Understanding that Chinese parts suppliers are in many ways fundamental to this industry in general, right. There are not really, at this juncture, right, a lot of alternatives that would be viable. So, thinking through this in a strategic and scientific way will be really critical looking forward.

DEZENSKI: I have one quick follow-up question, and then I'm going to go back to Gil. And that is, how do you see the Mexican government's interest in this? And do you think they share that sense of urgency around this question of Chinese engagement?

MYERS: So, another, I mean, really fundamental – so, I mean, Elaine, to answer your question directly, right, when we address this issue with Mexican officials, there tends to be, I think, in general, an effort to downplay the problem, right, to suggest that not a lot is happening.

And, indeed, a lot of the announcements have been canceled, or they haven't been realized, right, but that doesn't mean nothing's happening, right? There's still a lot happening on the ground, especially in the parts space, and the OEMs are producing not necessarily for the North American market, right, but for the Mexican market. And so, there are massive implications for these things, right, regardless of whether we want to – or the Mexican government wants to pay attention to them or not.

And the most important finding, which I left out in my previous remarks, is that, you know, not just in the parts space, but for the OEMs as well, those that are actually producing in Mexico. In some cases, all of their imports are from China, right? And if they're supplying for the Mexican market, then they have no real incentive to incorporate any local manufacturers whatsoever, right, in their supply.

In other cases, for the OEMs, right, we really don't see a massive investment in industrial ecosystems in Mexico in any profound way, which is I'm sure you all have heard a lot about already. What this is, really, is an effort to contract with existing production facilities, right, and to do very basic assembly, importing, essentially, fully made cars that are disassembled and shipped over to Mexico and reassembled for sale to the Mexican market.

So, although there's a tendency to downplay this, it has massive implications, right, for the extent to which these investments can be impactful for Mexico. And also, you know, will have implications for sales in Mexico by other producers, such as U.S. producers, right, and broader competitiveness, right, of U.S. companies in this industry.

And so, not all investment is created equal. And what we see in the Mexican context, especially whether we're looking at auto manufacturing or other sectors, is that Chinese companies are just not investing in the same way – dedication to industrial capacity development, right, that we've seen from other major US and other manufacturers.

DEZENSKI: Thank you.

Gil, I want to come back to some of the questions around processing on permitting, addressing environmental challenges. How long does it take, on average, to get processing set up? And how long should it take?

MICHEL-GARCIA: Well, I mean, I think you need to differentiate between mines and processing.

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DEZENSKI: Yes, processing.

MICHEL-GARCIA: So, obviously, mines is a special case, which my colleagues from Freeport-McMoRan would know better than I would, so – but processing. So, processing is also a function of how much waste is there going to be from the processing. So, I'll give you an example.

When we looked at the issue, we sort of said, "How can we do it in a way that there's less left over?" And so, when you look at that, you said you have to start off with a higher concentration of ore, or in our case, hydroxide. So – and that limited our ability to do, let's say, for example, when you looked at nickel and cobalt processing, which is what we're going into, doing HPAL [High Pressure Acid Leaching].

So, we could not take Indonesian HPAL, which is mixed hydroxide precipitate, which contains both nickel and cobalt, and use a high-pressure leaching system in Arizona, within the context of trying to have a green facility, which is not a doable proposition.

We're going to have a lot of stuff left over. We would necessarily have tailings. And then you can imagine we'd have all the same issues that the Indonesians have of the tailings breaking, and how the Mexicans have had in copper and contaminating a river.

I mean, it's just a whole different risk parameters.

So, how much does it take, and how long should it take, is also part and parcel of recognizing that we are going to be more limited in what we can do in the North American context. Once you sort of get that structured, it's obviously going to be dependent on state. And why did we choose Arizona? Well, it's a much friendlier jurisdiction to get all this stuff done and, particularly, if you're able to showcase to the stakeholders. I mean, we're in the middle of an agricultural area called the Salad Bowl of America. And if we had dust contamination, we'd contaminate half of the, you know, lettuce in the United States.

Clearly, those stakeholders are not going to let us have a plant at all if we have any danger of dust contamination. So, that's – it all influences. I think that the Trump policies, in terms of accelerating, and the stuff contained in the Big, Beautiful Bill, of accelerating permitting is very, very useful because some permitting gets stuck forever, right?

But a lot of the work is recognizing what we can do within the context of our own limitations, what needs to be done in Mexico or other places, what can be done here. And then understanding that if you don't sell it to the people that surround you, it's going to be difficult. You've got to design systems where there's a win-win. So, for example, we went to the local farmers and said, "We'll give you solar power at a discount cost."

So, we're going to over-produce solar power, give it to the local farmers who are paying more because the Colorado River's drying up. We are not going to touch your water table but we're going to drill all the way to the aquifer and we're going to get more water than we need, and then if – we're going to give you water. So, we are giving them water and power, and then we're not going to contaminate your crops. Plus, we're going to bring economic growth.

This was pre-discussed even before we showed up to the Yuma County Board of Supervisors meeting which approved us unanimously, which is unheard of. You know, it sailed through. That's because every single stakeholder had been talked to, we'd been – arranged the deal, and everybody was happy with what we were proposing. So, it – but certainly – accelerated permitting is a necessity.

DEZENSKI: Thanks. Rob, I want to come back to the question about the idea of some sort of North American or U.S. critical mineral exchange. What could that look like? I know you've done some thinking about that in the Critical Minerals Forum. Is there a momentum behind this? Tell us a little bit more about how that would work.

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STRAYER: Yeah, if you want to get to a physically traded – physically deliverable exchange, you of course need the physical supply. And so that can be both domestic but domestic with international supply chains.

So fundamentally, to get to that end goal, you need to develop those parts of the supply chain – so the upstream mining, the midstream processing, and then downstream consumers of that high-grade, refined, you know, metallic compound or metal that's going to be put into the – an alloy or something else. So, you need to develop that ecosystem, make it stronger, and then you can have potentially an exchange.

I think there's other interventions that could happen. There's the – use for insurance products here that could encourage a lot of this. For example, you know, if two parties' contract with a certain long-term offtake agreement, the concern from a lot of manufacturers is the price is going to drop at some point in the future. You could have insurance against that price drop if the government is help – helping set up that insurance market.

You also see a challenge of really a huge – trillions of dollars of both academic institution and pension funds who are very risk-averse. So, mining is not their first choice to invest in, but if you provided some kind of insurance for them, credit risk insurance, they could then invest in more of these projects.

So, there's creative ways that we can use the – kind of government tools to intervene in these markets without putting the taxpayer on the hook for too much, and in the long run making – making sure we're still taking advantage of these market signals.

So, I think there's – there's ways to get at this.

MICHEL-GARCIA: Can I just add? One of the most important things, in addition to everything that Rob said, is development of domestic stockpiles. And by that, I mean commercial stockpiles, not government stockpiles.

And the key to that is the fact that you can – the same way that you take corn, right, you dump it into a warehouse, you get a certificate, a warehouse certificate. That warehouse certificate is tradable. You can use it as collateral; you can lend it.

And here's the important piece: if we have physically residing critical minerals in the United States held in warehouses that can issue warehouse certificates, I can lease that warehouse certificate to a trader. Call it whoever you want – Trafigura, Glencore, you know, and any of them – Mercuria – any one of those big traders, they'll lease my certificate and be able to trade on that physical in the United States, in a regulated exchange in the United States, physical delivery in the United States.

That bifurcates the pricing that – of stuff that's controlled out of China because it's no longer FOB [Free on Board] China, it's FOB US. And so, it's going to reflect all of the tariffs, it's going to reflect tariff transport costs. U.S. consumers – GM and other consumers, can enter into long-term agreements off of the U.S.-priced material.

And so that's one of the key components we have been arguing to the DLA [Defense Logistics Agency], that they should do what currently is done by HHS in the critical medical area. During COVID, they – the government lent money for private companies to warehouse large medical stocks and other, you know, equipment, and then the government had an option over it. And like in all markets, they pay an option fee.

And so, we think if we look in critical markets, if the DLA were to have the authority to be able to have options off of this material and not necessarily stockpile it themselves, then you could have this component of lending those positions to the capital markets that would then create FOB pricing in the United States.

DEZENSKI: Excellent. Tom, I want to jump back to the DFC conversation for just a minute. There are critical mineral plays everywhere, certainly in the Western Hemisphere, in Africa, in Europe, and elsewhere. How is DFC thinking about the

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prioritization of these potential projects with – you know, with an investment strategy, for example? And, you know, what would be helpful in terms of allowing DFC to be more impactful, particularly around critical mineral investments?

HASLETT: Yeah, I appreciate the question. So, you know, DFC, I think, is very complimentary to the work that the administration is currently doing to drive more investment domestically. We're really looking for minerals that are not available in the US or not available, you know, at economically viable levels, or in the in locations that are going to make sense to mine. And that means looking in the geographies where those minerals are at.

So we are tending to focus on emerging markets right now, given that is what DFC's mandate is, although, you know, speaking of different flexibilities we may have going forward, as DFC looks at changes to its enabling legislation, there could be opportunities to shift our focus to markets outside of our traditional – our traditional eligible countries in the future as well.

I think we look at, you know, the international marketplace in a couple of different ways. So one is, you know, really working closely with other OECD markets that – and countries that are focused on similar goals to what the US has in this space. So you're thinking – I'm thinking – about countries like Japan or South Korea that have either advanced industries of their own, have been affected by critical minerals bans or negative actions by the Chinese in the past, as we've seen with the Japanese, and have the sophistication, as well as the capital to deploy, and can come in to projects as co-financiers with the US and help direct minerals away from China because we share the same goals.

That's also incredibly important because the US, given its nascent midstream and manufacturing progress towards our goals, doesn't necessarily have the scale needed to really drive development of mines. If you have a large, you know, rare earth mine or if you have a large graphite or a nickel mine, the US right now does not have sufficient absorptive capacity for that. So, we really need to work with these other partners to ensure that we can have those mines become commercially viable. So that's one example.

You know, we also work closely with sponsors from countries that have a rich tradition of mining. So, we do a lot of work with Australian sponsors, Canadian sponsors. The US is, I think, going to see more growth in mining companies operating abroad, but right now, it's pretty limited. Freeport-McMoRan being, you know, one of the few exceptions to that rule. So, we're working with sponsors on that basis.

I think in general, I'm really encouraged also by recent actions at the G7 to create a critical minerals action plan, as well as through the Quad where Australia, Japan, India, and the United States agreed on a critical minerals initiative with details to be fleshed out. But all of which I think is demonstrating an alignment on similar goals and opportunities for collaboration.

Now, when we're working with emerging markets, and the markets where their minerals typically are, I think some of the things that we really value are countries that make it easier for companies to invest. So, similar issues that we have in the US, you know, permitting. Is it clear how you get a license? Are you going to be able to retain the license? Are the – is the taxation regime stable? And so on and so forth. Those are all things that are really going to attract investment to a country.

And if we can't make a project work, if a sponsor can't make a project work, there's nothing for DFC to do. And I think that gets at a point that gets lost sometimes as we're talking about market distortions, and does this project work on paper, and pricing support, all of which is important. But the reality is, at some point, you exit the world of paper, and you enter the world of rocks and people, and you still have to build and operate these mines over a very long time period. They're complex investments. They face a lot of challenges, and you really need jurisdiction that's going to help get that done.

We also see a lot of markets, I think, that are looking for opportunities to move down the value chain, or up the value chain, depending on your perspective, going to the midstream and, potentially, even as far as manufacturing. And I think

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there's a lot of opportunity there, but it has to make sense by – in terms of several different issues. One, we need to see countries taking their aspirations seriously and investing in them.

So, if you're asking each individual company that's building a mine to take on the expense of adding midstream processing capacity, it may not work and you may not have anything to show for it at the end of the day, let alone your midstream goals.

You also may need to invest in infrastructure, energy, transport, as well as training for the workforce, to ensure that you have the soft skills available to actually make midstream capacity a realistic opportunity.

And what I think we advise countries that we talk with is, if you want these things, you have to be practical, you have to be realistic. If you ask for too much and if you don't show any ability to kind of execute on your end of the deal, you're going to scare off investors, and, again, you're not going to have anything.

And there are very few markets. Again, a country like Indonesia is a – is an outlier. They have so much nickel that they can really drive decision-making. But in a lot of other situations, a country will drive investors to another market, and they'll lose out if they're not being practical.

So, again, I think we're looking for opportunities for countries that are serious about this sort of thing to come with – to come together with us and find solutions.

I think a great example of this recently is the US-Ukraine Reconstruction Fund that was established that will bring the US and the Ukrainian government together in partnership to develop and identify strategic projects that can attract private capital into Ukraine's reconstruction, as well as strengthening trade ties between the US and Ukraine in the future, in terms of natural resources, as well as infrastructure.

So, again, when there are countries that are willing and able to look at these creative solutions, I think there's a lot of opportunities for collaboration going forward.

DEZENSKI: Excellent. Thank you.

We just have a couple minutes left, and then I want to open it up for some conversation with the audience.

But I'd love to just have one quick lightning round. I'd love to hear everybody's thoughts on what they think the single most important policy decision could be at this stage. What would be most transformative in terms of having impact, specifically on the battery supply chain?

So, Margaret, maybe you can kick us off.

MYERS: So, again, I tend to look at this through a very specific lens and one that varies somewhat from the other panelists.

But what I would say is, you know – again, watching the extent of Chinese engagement across the hemisphere, and I'm very encouraged by the panel discussion that we've had, you know, right now, in thinking through wide-ranging strategies to derisk our supply chains and to reduce Chinese leverage, right, over U.S. industry and U.S. decision-making on wide-ranging matters.

But the more we can do to facilitate partnerships across regions, including in the Latin American region, right, to devise hemispheric strategies and those that build supply chains across a region, right, are – will be absolutely fundamental.

And so I hope we can work toward a vision, right – whether – either it's the Western Hemisphere or another region for something that is enormously hemispheric or regional in nature that incorporates partnerships with other countries, and

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not just those that are – that have technical capacity, for example, Australia and others, but those that are major suppliers of these critical minerals in various forms.

So, just a call for a – for a broader vision for the region and one that is built on partnership and cooperation in, essentially, economic security building.

DEZENSKI: Thank you. Well said.

Gil, what do you think would be most transformative?

MICHEL-GARCIA: Getting institutional capital off the bench and into the game. And so, in my mind, obviously, we – I've talked about 45X. That's a key.

But another key is how do we – these institutional capital providers many times don't have the teams – they've raised a ton of capital and don't have enough teams and resources to deploy. And their investment committees are not necessarily ready. They are not necessarily learning enough, experienced enough in these new deals.

So I think transformative – if I were to be able to talk to the administration and say, give institutional capital providers some form of stop-loss on their deals, not all of it, but some of it, so that they can deploy capital, they can have some cover from their investment committees about the deployment of institutional capital into this space. And I think that would really change the game.

DEZENSKI: Yes. Excellent. Thank you.

Rob, what do you think?

STRAYER: Yes. Just following Gil's point, I think that's where we're getting at. Having some kind of credit risk insurance rather than just – multiple institutions now have political risk insurance, but how do you get to the credit risk for these large sources of institutional capital that – or, can't take a lot of risk, but would be available to finance a lot of these projects.

So, I think when you look at the U.S. battery supply chain, there's the kind of near-term need to ensure there's offtake to get some of these deals financed in the very, like – just call it six to 18 months. That's one window. I think offtake is the tool and government can help support that offtake through a number of different mechanisms. I mentioned them earlier.

The other thing is to think about the longer term for the development of these mines in this area, and that's, again, where a government, traditionally, only finances something as close to investment grade, and to have investment grade, you've got to be near a definitive feasibility study, what they call DFS, or final investment decision has to be in the offing.

For a mine, that can take years, 10 years, 12 years. So, having the U.S. government have some vehicle where they can help support projects – mining projects – at an earlier stage based on the economics that are available at that time. So not necessarily asking them to take wild risks, but also if you do a basket of earlier stage mining projects, some of those are going to pay off just as VC takes on multiple startups and some of them pay off.

So, figuring out how we can finance a little bit earlier too would help us build that supply chain.

DEZENSKI: A little more risk tolerance.

STRAYER: Yes.

DEZENSKI: Tom?

HASLETT: So, I'm going to give two answers and cheat. One is a pretty specific and the other is a little bit more wishy-washy.

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So, the first one is, DFC is coming up for reauthorization. When we were established in 2019, we had to be reauthorized by October 5th of 2025 in order to keep operating. We are optimistic. I think that that will happen. We have a lot of support from Congress to do that.

But there's a couple of things that I think will be helpful in that process that could make us more effective in our jobs. One is just increasing the amount of money that we have to deploy. Right now, we're around \$50 billion in outstanding commitments against a \$60 billion cap. So, we want to do a lot more and we need more money to do that. That would also allow us to potentially take on more risk as we have more ability to deploy that capital.

The second issue that I think gets at the point that Rob was raising, is DFC has a pretty unique tool in the context of U.S. government funding, which is to provide equity. So, DFC can, on behalf of the U.S. government, take actual ownership stakes of companies or projects, and that provides a lot of value.

It provides value to the companies, because, as Rob mentioned, there's a period of time where there is some capital going out the door, but you still don't have the information necessary, really, to access financing at scale. Sometimes the capital you need is not that large, but it's a time when a lot of investors are not going to take a risk on you. The U.S. government – more patient capital, more strategic objectives, can potentially come in at that space.

And right now, unfortunately, we're very constrained in when we can deploy capital. That's also a very important point for the U.S. government. We have a lot of value to be gained from having ownership over these projects or in these companies. It gives us a lot of visibility into their decision-making, ability to influence things like offtake decisions for them. And that's also the period that Rob is referring to, is when a lot of projects are very susceptible to Chinese financing coming in to swoop them up, because they're vulnerable, they're capital poor, and they're – they have shareholders in some cases that need to see progress that can't be made without that additional financing.

So, again, I think that equity fix would both allow us to put more capital in through equity, as well as free up other sources of funding that right now compete with equity investments, such as project development funding, where we can provide grants to companies to do things like feasibility studies and so on. That's, again, smaller levels of capital, but \$5 million can go a long way when you're trying to just advance a project down the line.

The wishy-washy answer I'll give is, I think there has to be more collaboration between, especially, consumers of minerals as well – and the suppliers in the midstream.

In the Chinese system, everybody is rowing in the same direction. There's a lot of top-down guidance. There's information sharing. Everybody is working – singing from the same sheet of music. And the U.S. system is different. People are competing against other firms in their industry. They're trying to get the best deal, while the supplier is trying to get the best deal for themselves and their shareholders.

And that's how it goes. It's understandable. But that leads to suboptimal outcomes in some cases where you may have one company that's willing to do offtake for a large mine, but they won't make a – they – that won't be sufficient to get the mine going on its own. Meanwhile, one of their competitors is trying to lock up supply from another mine that also doesn't have sufficient offtake to get going.

And so, getting more fidelity on what some of these companies are doing, sharing information, trying to get a little bit more collaborative approach, while still working again in the confines of the U.S. capitalist system, which has been very successful in the past, I think is really important.

Now, what that looks like from a policy matter, I don't exactly know. I think a lot of the work that Rob's team is doing, as well as other parts of the U.S. government and the private sector and institutions like yourselves are really important in getting some of that collaboration going. Thanks.

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DEZENSKI: Thank you.

We do have time for a couple of questions.

Nicole?

RODGERS: So – thank you. Nicole Rodgers, Alliance for Mineral Security.

We, in the last couple weeks, saw a pretty major funding – public-private funding deal in the MP [Materials and Apple] deal. That is obviously unique because MP is a company that can, and is, attempting to go from mine all the way through to critical component in the magnet space. But I keep hearing this is not a one and done. There are a lot of strategies around similar public-private investment strategies that to – Tom, your point – include equity, include credit or debt, public financing, as well as private financing, offtake agreements and derisking. Given particularly in the battery sector, in this conversation, that we don't have a vertical integration across the entire supply chain, do you think there's an appetite for a coordinated investment across companies that are playing in the supply chain together, from mine all the way through to critical component, that maybe does not include an entire domestic supply chain?

HASLETT: Maybe I'll take a first crack at that.

Yeah, it was a big week for critical minerals nerds. And, you know, not a great week for our spouses, maybe, who didn't love to hear about how exciting that Mountain Pass news was.

(LAUGHTER)

But I think, you know, I think in answer to your question. Vertical integration and how to sort of encourage that, or when to encourage that, I think is one of the main issues that we talk about sort of internally as well as within the U.S. government. You know, can you get some of the benefits of vertical integration without sort of actually having everything housed in one company?

I, personally, think it's probably going to be hard to try to push vertical integration, sort of, on the market. I think the time frames on which, you know, consolidation happen are probably too difficult. So, I do think it's going to be more likely that we pursue, you know, different companies kind of vertically integrated within one, you know, ecosystem where U.S. government is potentially involved; you know, some of the private sector stakeholders are involved. Potentially, there's more room for collaborative discussion like the – like I was mentioning in terms of getting different buyers and suppliers together to, you know, not be so competitive and to try to build on what everybody else is doing.

The – you know, the challenge is that while the Chinese government derisks investments sort of at every level by providing low-cost capital to go abroad, and making sure that midstream, you know, processors are benefiting from state support and have, you know, state-supported manufacturers at the end of that chain. Meaning that everybody basically does not have to worry about making a strong business case because they know they'll be backed up by something.

We have the opposite in, you know, in the US right now, where not only are there difficulties in reality for each of those minds, but if you're a financing institution, if you're a DFC, your credit policy committee is looking at these deals and they're saying "So, what are the dependencies?" I have to – you know, this mine only works if this happens in the US, which only works if they get financing from this entity, which only works if there's the manufacturer at the end, and everybody is asking the same question. It's quite difficult to bring everything together.

You know, I think there have been a lot of efforts to try to improve that. And I think, for example, you saw the recent executive order on information sharing. There's a lot of dialog ongoing, continuing I think good work that happened in the last administration.

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So, I think, you know, it's going to end up being more of a, you know, a collaborative approach maybe or in a slightly more organic approach rather than, you know, something that's top down. Not to say that Mountain Pass was top down. Those guys put in a lot of work over the years to get themselves in a position where they could make a good case for the type of investment that the Department of Defense is making in them. I don't know how common that will be. And so, I think we'll be piecing things together a bit more, rather than, you know, coming up with real vertical integration.

DEZENSKI: Rob, did you want to jump in?

STRAYER: No. But I also wanted to see if Gil had any thoughts on this.

But my point was going to be, yes, I think there's going to be challenges in this area. There's increasing pressure of course on the OEMs, or those auto OEMs, defense-related OEMs, to think about their upstream supply chain. And they're increasingly getting access to the information I think to act on. So, I'm optimistic that there can be more integration through the manufacturers.

MICHEL-GARCIA: I think that vertical integration in the context of one company doing it all doesn't really work. I mean, maybe the private equity guys can come up with an investment case and, you know, wrap it all up once this is done. But right now, as we're building it, I think the better case is to have alliances at each of the pieces. Like for example, we don't have any pCAM [precursor cathode active material] in North America. I can't sell nickel sulfate and cobalt sulfate anywhere to any buyer in the North American market because all the ones that were being built have – are canceled or delayed. So now the only place that I can sell my product to, sulfate – metal I can sell into the US aerospace and defense sector – but sulfate, I have to go, literally – China is what, you know, 85 percent of the market – I have to go to Korea or Japan or the facility that's being built by Umicore, Poland. That's it.

And so, one of the facets that we can use to encourage it is, let's say, tariffs. So, if we have consolidated tariffs, let's say the 232 Tariffs on Critical Minerals that are being worked through the administration, where we can impose targeted tariffs so that we can prevent Chinese competing material from coming in and undermining that integration. So that the Japanese, because they're thinking that they're going to reexport some of that stuff – and the Koreans – they're going to re-export some of that stuff back into the US, will create a bifurcated chain where there'll be sort of an ex-China supply network, right, that was good – obviously going to be more expensive than the Chinese supply network. And they'll be interested in buying our stuff because it's coming back into the US.

But without 232 Tariffs, where we penalize them, sticking Chinese material into the stuff that's going back into the US, we're in trouble. And so, we're very supportive of the administration's direct tariffs on China. And we're very, very, strong about having 232 Tariffs to prevent the flow back of that stuff back into the U.S. market.

DEZENSKI: Absolutely. Next question.

Sir?

Right there. Yeah.

MULLINAX: Hi. Thank you. Jim Mullinax. I'm a Diplomatic Fellow at the Kluge Center across the street here at the Library of Congress. You know, it takes a little while to set up a new mine or new processing facility, you know, five, 10 years, maybe. I'm wondering if you could talk about some of the interim measures that U.S. companies, U.S. manufacturers, can consider as they're looking for ways to distance themselves or make themselves more resilient in the face of potential Chinese restrictions on battery technology or other types of critical technology?

Thank you.

DEZENSKI: You want to jump in?

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MICHEL-GARCIA: I'll take that.

So, it's all about demand, right? So I got to get GM to agree to buy the stuff that's going to be made by LG Energy, that's going to agree to buy the stuff that's going to be made by POSCO, that's going to be made by me. So POSCO is going to make the pCAM and CAM, that LG Energy is going to buy to make the batteries in Arizona, that then GM is going to install.

And so, if I want to make sure that I have a resilient supply chain on the battery side then I have to make sure that I trickle down those contracts. We don't live in a command economy. So that's-

MULLINAX: Is there a capacity, globally, to disrupt that Chinese, you know, monopoly on these types of inputs?

MICHEL-GARCIA: The only way that you break a monopolist control is you have to break their control over pricing. And the only tool that we have, absent, you know, complete prohibition, is these type of tariffs, the punitive tariffs. But the tariffs without stimulation of our – growth of our domestic production capacity, are just increasing our costs. So, if we're going to hit them with tariffs, that means we're really pushing really hard to build our production capacity so that we're not just paying more money for something, we're actually producing it.

And so, you know, it's difficult to argue these things that – because they go hand in hand together, right. The tariff by itself, it's just a tax. A tariff with domestic production is assistance to the building – or a supply chain.

So, I don't know how you solve it in a capitalist system other than to try to work all together. But the 232 Tariffs could be very helpful. And we're very supportive of that because it prevents the Chinese from coming in in-between and then forces sort of a Western type of supply chain that breaks their control over price.

HASLETT: If I could maybe add something there. You know, I think one of – I don't know that there are a lot of great intermediate solutions, I guess is what I would say. One of the biggest concerns that I have is continued, kind of, kicking the can down the road by a lot of people including you know, parts of American industry.

I have – I think everybody breathed a sigh of relief when, you know, the US and China got to an agreement that would allow for exports of rare earth materials and magnets to restart. But, you know, at the same time I, and I think other folks, had the same reaction which is, OK, well don't let us take our foot off the gas now, because we'll just be – if we take our foot off the gas will be in the same position a year from now or two years from now whenever they want to redo it. Whereas you know, we really could make very substantial progress over the next two years if we acted like this was going to happen again, which it will.

I think you see an example of where perhaps we've not done that well in the context of graphite and active anode material. So, you know, a couple of years ago, or I guess a year and a half ago now, the Department of Energy delayed the introduction of FEOC [Foreign Entity of Concern] rules on graphite sourcing to qualify for our IRA [Inflation Reduction Act] EV tax credits. And that was because, you know, I think there was reasonable concern that companies would not be able to source that material from alternative sources. Well, you know, here we are a year and a half later, the Commerce Department has announced some pretty substantial countervailing duties related antidumping for graphite and active anode material.

And I'm not confident that the auto OEMs have made substantial progress towards being in a position where they would have been ready. You know, come January, had the – had the FEOC rules come back in and are ready to, you know, make a different choice.

And so, I think we are maybe getting to the point where people are getting tired of this and realizing that this is something that we can't kick the can down the road on any further. But I do think that, you know, we do have people coming to us and saying, "Well, what's the 60-day solution? What's the 30-day solution?" And you know, it's not – not really there. It's a

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– it's a two- to five-year business, at least. So, I think really making sure that we have that commitment and that understanding that things need to change is really important.

DEZENSKI: OK. Last question.

FISHER: First of all, thank you guys so much. Bryce Fisher, Congressman Pfluger's office. I wondered – Mr. Haslett, I hate to come back to you; you've been answering a lot of questions. But I wonder if you could press a little bit more on the opportunities for growth and expansion in Central Africa, among peace deals, continued U.S. relations in those areas, what does it look like to reach a mutually beneficial relationship with this region where we're helping them with economic development and good governance, but also establishing critical mineral operations and processing plants in that region as well?

HASLETT: Thanks for that question. I think it's a really interesting time and it's pretty exciting to see some of the opportunities that might be out there.

You know, I think it is interesting to see a context where a country like the DRC [Democratic Republic of the Congo], you know, requested a potential deal with the US that would help them achieve their goals and the goals that really, I think, everybody shares, which are to bring peace to the eastern DRC, which has been such a challenging place and, you know, such a hotspot of tragedy for such a long time.

And I think it also reflects, you know, the understanding that the US has something to add there, but then also a desire to switch up the historic emphasis on Chinese investment, which in part was due to actions of the country itself, which drove Western investors away, but I think has shown itself to be not the model that the country wants to pursue going forward.

So, the – you know, the – the way that the US is trying to engage with some of those markets is, again, as you point out – we're not trying to show up and sort of grab all of the minerals and take them and run. We are trying to set up something that aligns with how we operate as a country and how our companies operate.

So, it's how can we help them understand what some of the challenges are that drove investors away in the past and – so they can make better choices going forward? How can we, you know, show them where they perhaps are getting short-changed by how some of the Chinese companies are operating, whether from an environmental and social standpoint or from a commercial standpoint, in terms of, you know, opaque transfer pricing that hides the true value of some of the resources?

So, I think, you know, there are a lot of opportunities to grow there. The reality is that we're going to continue to face barriers in the form of Western investors that still have questions about that market. You know, they left for reasons that are real and which I still think persist.

But there's going to be opportunities, I think, to build on things like the Lobito Railway investment, where – in fact, I think if you look at some of the numbers, a significant amount of copper has actually been flowing to the US, in part driven by stockpiling behavior ahead of, you know, potential copper tariffs, but again, really demonstrating the value of creating a link there, because that's a circumstance where, had you had a Chinese operator, they could have constrained or squeezed the line and made it less likely that material would flow to the US at a time when it was really being, you know, in high demand.

So, I think there are a lot of examples of how we can build on that interest, and I think that interest is real. The – the question is really going to be, you know, can we come together? Can countries like the DRC and its neighbors put together the type of policies and actions that are going to incentivize investment to come back?

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And again, I think we hope that U.S. government involvement can help to create a backstop for some of those actions, and really, by being more engaged, drive the right decisions by those governments that will help to incentivize Western investors to get back in the game.

STRAYER: Yeah, I just wanted to add I've been to several of these African countries in the last year, and in fact I've been to Zambia twice this year. And I agree with everything that Tom said, that, you know – that these countries are – can move policy to de-risk that for Western investors. They have really strong geology around the number of mine sites. It's very possible to get mines going there quickly.

But some of the concerns around the royalties and tax structures that they can continue to change and make them more fair to incentivize investment – and then, you know, every mine project, you know, there's a geology but then there's the transportation issues – so logistics – and then electricity and water guide a lot of the economics around a project, and they can take steps in – to address both of those as well.

So, I – obviously I've been to Zambia multiple times now, 'cause I believe there's a really strong case for U.S. investment there – access to the copper belt and other things. So, the – the – a number of countries are making these steps in that region, and I think it's important for us to look there as we look globally as well as with – as we develop assets also in the United States.

DEZENSKI: I think we have time for one more. We – yes, Max?

MEIZLISH: Max Meizlish, I work with Elaine and Josh at the [FDD] Center [for Economic and Financial Power]. I'm really curious – maybe as it relates to batteries or other critical sectors, it seems like this conversation is essentially one that centers on building American industrial policy and filling a national security externality in the market.

So, I'm curious, as we push forward in this conversation on batteries and these other sectors, what are the, maybe, guardrails that we need to have as north stars so that we build industrial policy that is market-oriented and doesn't extend too far to actually change the nature of what American government should be pushing for?

MICHEL-GARCIA: So, we should avoid fixed price contracts. Anybody who sets an actual dollar amount over any of these commodities is either going to get wiped or is going to let some speculator mop the floor with them.

So, we do need to realize that this is supply constrained, there's not that many providers, plus prices fluctuate wildly, right? I mean, who the hell knows what the price of cobalt is going to be next month, I mean, much less, you know, a year from now, two years from now?

So we have to look at structures not where the U.S. government is committing to a particular price but where the U.S. government is committed to one or two things, either committed to a minimum profitability of the company so that I can meet a minimum processing spread, so that you tell me as we go up the chain how much do you need to make to break even, to process from here to here, and then I'll give you a stopgap on that processing spread. So that's whatever the market does. I'm just covering you so that you don't take a loss.

The other way to do it is, you know, let's say if I were to price it the way the market prices it, which is off of metal, right, of whatever the metal's trading in LME, I take a look at the way that the Chinese are manipulating the market, and instead of – you know, I look at sort of the – I'll just give you one – on cobalt, if I were to be able to go out and compete with the Chinese head-to-head on the open market, I'm looking at \$3 a pound more.

So, the – structures that are based off of what the market's doing. But that understand that we have either processing margins or capital return margins that are a little bit higher and focuses on pricing the margin correctly rather than the, you know, numeric price correctly.



Breaking China's Chokehold: Securing America's Advanced Battery Supply Chains

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And I think that – that's going to avoid us going into – down a policy that could cost a lot of money unnecessarily, and doesn't understand market mechanics, which essentially what we're trying to do, is provide better liquidity so the market prices it better, and then also understand that our cost structures different. So, it's allowing us to survive in a cost structure – compete against the cost structure that is not profit-maximizing-driven.

MYERS: I would – I mean, just say very quickly, I mean, we still need to understand and – in the short term, at least, U.S. companies, whether we're talking about, you know, auto – auto manufacturers or wide-ranging other types of companies are – can – going to continue to remain reliant on Chinese inputs of various forms, right, whether we're talking batteries, or auto parts or, you know, all the wide-ranging other things that China is producing, and producing in a very competitive way.

And so, what we'll need to do is avoid throwing out the baby, right, which is U.S. company competitiveness, with the bath water, as we, you know, seek to reduce our dependence on China for all of these inputs. But – and I worry a little bit about a – a drive, a policy drive too far in one direction that will threaten the viability of a lot of our private sector.

DEZENSKI: Thank you so much. We've covered a lot of territory. I hope you found it useful. It's been a pleasure to have our panelists with us today. Thank you so much for an engaging conversation, and again, check out the report at fdd.org and a lot of other things that we're writing on this topic and beyond. So thank you again for being with us today.