

Center for Strategic and International Studies

TRANSCRIPT

Event

**“The Future of U.S.-Australia Critical Minerals
Cooperation”**

DATE

Wednesday, August 20, 2025 at 10:00 a.m. ET

FEATURING

Kevin Rudd

*Ambassador of Australia to the United States; Former Prime Minister of Australia;
Distinguished Statesman (Non-resident), CSIS*

CSIS EXPERTS

Gracelin Baskaran

Director, Critical Minerals Security Program, CSIS

Transcript By

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Gracelin
Baskaran:

Thank you for joining us today.

Australia stands as perhaps Washington's most vital partner in countering China's grip on critical minerals supply chains. It holds 43 of the 55 minerals identified as critical by the U.S. Departments of Energy and Interior, with reserves so extensive they span nearly the entire periodic table. Mining is central to the Australian economy, making up 14 percent of GDP compared to just 1.3 percent in the United States. Australia also provides crucial capital through the Australian stock exchange, and it is a hub of technical expertise with four of the world's top 12 mine engineering programs. Taken together, its resources, capital, and talent make one fact clear: U.S. mineral security cannot be achieved without Australia.

My name is Gracelin Baskaran, and I'm the director of the Critical Minerals Security Program here at CSIS.

I am delighted and honored to be joined by the Honorable Dr. Kevin Rudd, Australia's 26th prime minister and now its ambassador to the United States. We're also fortunate to have him as a distinguished statesman here at CSIS.

Ambassador Rudd, we're delighted to have you with us today to talk about the next chapter of U.S.-Australia bilateral minerals cooperation.

Ambassador
Kevin Rudd:

Well, thanks for having me here at CSIS. I've been at CSIS many times over the years. Good to be talking about critical minerals. Critical for the future.

Dr. Baskaran:

Critical for the future and hot topic as ever right now.

Ambassador Rudd, you have written extensively on the great-power competition between the U.S.-China, and you did a doctorate on it at Oxford, and you've spoken about this all over the world. How do we take the lessons from what China is doing with critical minerals, and what lessons can we learn from it here in the United States?

Amb. Rudd:

Well, the bottom line is that you don't have to be a Rhodes scholar, speaking of Oxford, to work out that China's industrial policy is pretty clear. If you look carefully at the structure of the so-called dual-circulation economy, which is Xi Jinping's official ideological orthodoxy for China's long-term economic development, it's got two characteristics; one, to ensure that the world is dependent on China while China is not dependent on the world. And that, in a nutshell, is what we see across the whole breadth of industrial policy from semiconductors through to critical minerals and rare earths.

Where does Australia come into that? Well, as you just said, Australia more or less equals the periodic table. Geology has been kind to us. It's an ancient continent. It's been worn flat. The stuff's closer to the surface. But also, over

the span of 150 years we've developed particular technological expertise in how do you extract and in certain areas process critical minerals, rare earths, and other resources. And as you said, we have the best mining companies in the world and the biggest mining companies in the world – some of whom have just been meeting with President Trump here in Washington, D.C. – as well as whole depth of technical expertise represented in the research faculties of our major universities.

So put together the geology, which is we do have most of what the United States needs; put together our processing capacity and what we are now unfolding on the processing side; and put together the depth and breadth of our mining expertise; I think we're well-placed to assist in diversifying the supply chains, creating resilient supply chains, and helping the United States under President Trump's leadership meet his requirements for a resilient America when it comes to critical minerals and rare earths.

Dr. Baskaran: Because the way geology falls it's very difficult for any one country to do it alone, so it really requires a coalition of allies. Now, how do likeminded allies ensure that minerals don't become a tool of economic coercion as we've seen them become over the last few years?

Amb. Rudd: Yes. The great mistake which the Chinese made was back in 2010-11, when they began banning rare earths to the Japanese. That sent up an enormous flare into the sky. The Japanese began stockpiling after that. Secondly, we saw a reprise of that most recently when China began to impose parallel bans on rare earths and antimony when it relates to the United States. And again, this simply makes it very plain that certain countries can corner the extraction market, corner the processing market, and therefore effectively determine the global price.

However, geology benefits a number of us, whether it's Australia, the United States, Canada. And with the fact that we've got advanced mining companies, the fact that we have deep capital markets, and the fact that we have governments now in Washington and in Canberra determined to turn the corner on this, I think we are able to achieve a high level of critical minerals resilience and national self-reliance for these two very close allies, Australia and the United States.

Dr. Baskaran: You know, you talked a little bit here about defense. And you know, the U.S. and Australia have long been allies on the defense front. I think Australia is the only country that's fought beside us in every single war. There's been a lot of –

Amb. Rudd: A hundred years. (Laughs.)

Dr. Baskaran: For a hundred years, for a long time.

Amb. Rudd: Oh, more than a hundred now, since –

Dr. Baskaran: World War –

Amb. Rudd: – the 4th of July 1918. That's when we first went into battle with each other.

Dr. Baskaran: A hundred and seven years, so a very good run. And you know, there's a lot of pressure right now to spend more on defense. Should we be thinking about critical minerals more like defense goods, like munitions and weapons systems?

Amb. Rudd: My own judgment is yes, and that's simply because the facts speak for themselves. Take, for example, when you produce a Virginia-class submarine, something we're now working on the United States on in terms of supply of these vessels to Australia starting in 2032 under the new AUKUS agreement. You produce a Virginia-class submarine, it contains within it something like 4.5 tons of critical minerals, rare earths, highly processed. You go to an F-35, you're looking at a high proportion of the actual aircraft itself being derivative of advanced and processed rare earths. So, whether we like it or not, the reality is the sharpest edges of what we do in the military hang off the availability of critical minerals and rare earths supply, as well as processed critical minerals and rare earths, as well as critical, shall we say, derivatives such as magnets.

So, I think what President Trump is seeking to do under the leadership of the defense leadership under Secretary Hegseth and Deputy Secretary Feinberg is trying to find how this now plays into a secure supply chain for the United States. And as a U.S. ally, we are ready and able to help, and we have the capacity to do so.

Dr. Baskaran: You know, it's interesting one of the big changes with this administration has been the recentering of minerals as really a national security priority. And we see that U.S. and Australia have these very strong ties through things like AUKUS, through the Force Posture Initiative, through Quad, et cetera. Now, looking ahead, you know, if we start to look what the next year or two years, three years of U.S.-Australia bilateral cooperation looks like, what do you see as the most high-potential priorities from the Australian side?

Amb. Rudd: On the Australian side, what the prime minister has done is put forward a range of quite concrete initiatives to turn, shall we say, the concept of collaboration with the United States on these questions into reality.

For example, the PM has brought into operation now something like \$18 billion worth of – U.S. dollars, that is – worth of initiatives aimed at

supporting from the governmental level investment in these critical sectors. That includes a \$3.4 billion critical minerals facility. We're now investing, for example, in the Iluka project in Australia some \$1.1 billion, which will be the first ex-China processing facility for lithium in the world other than one which is already controlled by another Australian company which does its own processing in Malaysia but owned by an Australian company. So, therefore, in one domain alone – that is, what we're doing in this area – Australia is leaning forward, relying upon what we've already got in this critical minerals facility.

But on top of that, a tax credit for companies involved in the sector of some 12 billion U.S. dollars. And on top of that, at a more modest level, a 6(00)- or 700-million-dollar U.S. facility to aid the development of new projects across the Australian High North – Western Australia; the Northern Territory; north Queensland, my own home state. And so, where the rubber hits the road is, aside from noble policy aspirations, are you putting cash on the table? Yes.

And on the American side, what we see also, whether it's from the Office of Strategic Capital in the DOD or from the U.S. operation Ex-Im and other instruments of the United States government, a willingness also to invest together with, of course, the private-sector firms who will actually drive and operate these projects.

Dr. Baskaran: And we really saw the importance of, you know, when it comes to the Defense Production Act when, in the last administration, Australia began counting as a domestic source of content, which really is only something we've extended to Canada and Australia.

Amb. Rudd: Well, a lot of work was put in by both our embassy, of course, but critically our partners in the Senate and in the House, and the Republican leadership in the relevant House and Senate committees, to achieve that reform. That change to the Defense Production Act came about at the time of the NDAA which went through the United States Congress at the end of 2023. And so as of 2024, we are for America's own purposes seen as a domestic supplier, like Canada. And that is because we have a capacity based on a long history as an ally, but also the fact that in this domain we are the periodic table and we've got the largest mining companies in the world to meet and help meet the president's objective of making the U.S. secure in its supply of these critical minerals and rare earths for the future.

And one other thing: It's not just in Australia we're doing this. Our mining companies are hugely active in the United States. The president had with him yesterday in the Oval Office the chief executives of BHP and Rio, the two largest mining companies in the world, also Australian, on a copper project in the state of Arizona. The president recognizes the size of these companies, their ability to act. But apart from that particular project in Arizona, there

are some 20, 25 other projects in which the Australian mining industry is actively invested here in the U.S. of A in the critical minerals space.

So put together what we're investing here in the U.S. with what was already invested in Australia, add to it a new layer of processing. We are then on the road to making a material difference in terms of securing supply chains of the future.

Dr. Baskaran: And truly, you know, a long-term economic story or economic growth narrative. You know, I talked earlier about the mining contribution to the Australian economy. But when we look at, like, a project like Resolution Copper, where – we saw under discussion in the White House. Resolution Copper is crucial to the United States getting the copper it needs for datacenters, artificial intelligence, et cetera. So, it's really a mutually beneficial story of economic growth.

Amb. Rudd: Very much so. And the companies concerned, whose chief executives I know well, understand its relevance both to this country – the United States – as well as, of course, to Australia.

You see, we need to see critical minerals and rare earths, raw and processed and the derivatives, as, frankly, the flipside to what we're doing with chips, what we're doing with datacenters, and what we're doing with artificial intelligence. These are seamless elements of the future economic competitiveness of the United States in its global strategic competition with the People's Republic of China, but also Australia's national economic future as well. And we see ourselves as strong and reliable partners supporting the United States in these projects.

Dr. Baskaran: So, from there I want to go to the processing side. You know, one of the things we talked about was production. Australia has a lot of minerals, but minerals are generally everywhere. But one of the ways that China has generated this dominance is by ensuring those minerals went back to China for refining. Now Australia's making big strides on building the processing capacity and providing a meaningful counter to China on that front. Can you tell us a little bit about how China – or, how Australia is building in the processing space?

Amb. Rudd: You know, the Australian government and the Australian mining sector have been looking at this closely. You see, ultimately, it's a global market. Secondly, there's often an assumption in parts of U.S. capital markets that somehow mining's not a terribly sophisticated business. Let me tell you, it is.

A lot of our mines in remote Western Australia are now fully automated; that is, there are not people out there. We are using robots. And the geological survey is usually done from means by which come off drone technologies,

space-based platforms, et cetera. This is a highly sophisticated business because these companies have to remain competitive in global markets.

So, on the extraction side, which people simply say, meh, that's easy, can I just say it ain't, particularly given most of these things are to be had in highly remote, remote locations. So, this is an accumulated expertise going back 100 and 150 years on the part of these companies.

You go to the processing side – (audio break) – what price distortions can exist in processed critical minerals and rare earths around the world when price manipulation occurs and when we see dumping occur on global markets. So therefore, we've all stepped up to the plate. The first of these projects through an Australian company, on the processing front, in the course of 2024 was opened in Malaysia. The second of these projects on the processing front will open under the Iluka project in northern Australia during calendar year 2026. And it involves a \$1.1 billion direct investment from the Australian government. So, we are taking the right steps forward. There's a lot more to be done. And co-investment between Australia and the United States, both the corporations and governments, filtering into our respective critical mineral strategic reserves, I think, is the right way to go.

Dr. Baskaran: We published a paper earlier this year at CSIS looking at what countries will be the most competitive rare earth processing hubs. And companies like Lynas and Iluka are actually a really big part of what make Australia so competitive, is the government support but also the technical expertise and private capital that are moving in this space. One of the things it's done, in this administration, is announced the development of a \$1.2 billion strategic reserve. That should be operational next year. What can you tell us about the strategic reserve?

Amb. Rudd: Well, the strategic reserve in Australia has been designed for our own national security needs, as do – as is the function of strategic reserves here in the United States. So, we are very mindful of what we need in terms of production of defense equipment over time. We are very mindful of the fact that we cannot be reliant upon other countries for the supply of these processed critical minerals and rare earths ourselves, given our own intrinsic requirements. And furthermore, we are also conscious of the obligations we'll be taking on ourselves for the manufacture more broadly of munitions, ordnance, defense equipment, both for the United States and for Australia in the future.

Particularly given where our geographical location lies, in the very heart of the Indo-Pacific. I mean, Australia is a two-ocean country, like the United States. Except it's not the Atlantic and the Pacific. It's the Pacific and the Indian Ocean. Throw in the penguins, we have the Southern Ocean as well.

So, we are very mindful of our geographical significance with the United States.

At an operational level, what does it mean? It'll mean using the critical minerals facility to arrive at a range of offtake arrangements with the end users of the resource. And that is work now underway. And secondly and most importantly, that will involve a series of pricing arrangements between the government and the use of this critical reserve on the one hand, and the offtake agreements with the private sector on the other. This is a work which is just underway, but we also see a great opportunity to dovetail our work with our own critical minerals reserve with those of the United States.

Dr. Baskaran: So, you talked briefly about, kind of, offtake. And one of the hallmarks of what's been done in the U.S. with the Department of Defense and MP Materials is a price floor. And on the day that the price floor was announced, we saw a surge in Iluka's share prices that actually was higher than the day that over \$1 billion of government financing was provided. Which really signals that, you know, price floors can be a very important tool for investor confidence and long-term market stability, especially for an ex-China supply chain. How do you see price floors and price support mechanisms fitting in, particularly given that some of these distortions are coming from the great-power competition?

Amb. Rudd: Well, you're right. Pricing is fundamental. If you look across the whole spectrum of the market, what is your prospectivity? Where does the raw resource lie? Can you process it physically? At what cost? And, most critically, at what price can you sell it on global markets, reliably, in order to sustain investor confidence in those projects long term? So, we fully recognize the fundamental significance of the pricing equation. There are multiple formulas currently being discussed within government and between governments on how this is going to be best delivered. Floor pricing is one. There are a range of other possibilities as well to achieve a common end point, which is a level of pricing certainty for these projects which, as I said, underpins investor confidence in the long term.

I think also it is not just Australia and the United States which are focused on this. If you look carefully at the Quad critical minerals initiative, if you look carefully at the G-7 critical minerals framework, recently initialed at the G-7 summit in Alberta, Canada, other countries, both on the supply side but on the offtake side, are looking carefully at this. Where does the rubber hit the road? The rubber hits the road in those of us who are trying to do the right thing in providing long-term security of supply to the free world on the one hand, and those seeking offtake agreements from those suppliers on the other, who historically have preferred to take the lowest price available on global markets, which – surprise, surprise – may be delivered by other

suppliers, who may not have our long-term economic interests nearest and dearest to their hearts.

Dr. Baskaran: No, and in fact it's actually – it's interesting watching companies wanting to pay a premium for an ex-China supply chain, given the amount of restrictions and supply chain disruptions that have happened as a result of one country having this dominance.

Amb. Rudd: Well, as I said, the Chinese sent a giant flare into the sky when they did what they did to Japan back in 2011. They sent an even larger flare into the sky with their announcement of restrictions towards the United States in both rare earths and antimony most recently. And therefore, people are reacting accordingly. So therefore, there is a premium here. Now, how we arrive at the premium, through which pricing formula, that is a separate and technical discussion, which as a graduate in Chinese classical poetry I'm not going to directly comment on. Know what you know and know what you don't know is the beginning of wisdom. But what I do know is that we are working on the detail of this as we speak.

Dr. Baskaran: And it's really that rubber hits the road that Australia is taking a very, very powerful lead on. And, you know, as we said earlier, given the technical expertise, the resources, and the capital, means that it's perhaps the most important ally to the United States. I mean, it has been building a mineral center of excellence for many decades, at this point.

Amb. Rudd: Well, Australia has the largest mining industry in the world. We have the biggest mining companies in the world. In terms of the periodic table, it is, as we've discussed, that is most of it's in Australia. Not all of it, but most of it. And now we'll be adding processing on top of that as well. The missing piece in the jigsaw is what we do on pricing. And we'll work that through with our friends, partners, and allies around the world. But we are confident that if we get these policy settings right, that Australia will be, in critical minerals and rare earths, a great power, if not a superpower in the world. That's how nature has endowed us. That's what we're good at.

And contrary to the views of some, it is a massively high technology business. And if you don't have it, well, kiss goodbye to your long-term ability to produce chips, to produce datacenters, and to win the AI race across the world. Look at the whole stack in terms of AI infrastructure, from datacenters through to silicon chips through to the rest of the stack. Frankly, no critical minerals, no rare earths, well, no AI. And we get that as well.

Dr. Baskaran: We won't be making much of anything. We won't be making defense goods, you know, electronics. We won't be making chips. We won't be making energy. I mean, all of our key supply chains break down without those mineral inputs.

Amb. Rudd: I think also a factor bearing in the mind of the largest American tech firms, the magnificent seven, as they consider future investments in datacenters around the world, they're very mindful of the importance of investing in Australia. It's one of the reasons, for example, we had a recent announcement of a \$20 billion investment by AWS in Australia, into datacenters in and around Sydney and around Melbourne.

Though I can't speak for the companies, I think in the surround-sound of those discussions, and I've been in them, is the fact that we are a long-term reliable supplier of raw and processed critical minerals. These are therefore part of overall security of supply chains. We are legitimately concerned about where do our chips come from in the future. We are legitimately concerned about where our critical minerals come from in the future. And if I see a role for Australia in the future, it is in both of these domains.

Dr. Baskaran: So, I want to wrap up on one final question here. You know, you have been a long-standing scholar thinking about this great-power competition, long before most people began thinking about it.

Amb. Rudd: That's just because I'm older than most people.

Dr. Baskaran: I mean, you're older than me. I don't know if you're older than most people. We have, like, an older political order these days. (Laughs.) But do you think that when you look ahead, are you optimistic that – you know, I mean, China has built this dominance over the better part of 40 years in minerals. Do you think that we can counter China through cooperation? Do you think we can catch up? What is realistic?

Amb. Rudd: I think, looking carefully at the president's, President Trump's, executive orders on critical minerals and rare earths, and looking carefully at what the NSC and others are now doing in this domain, collaborating with the Energy Dominance Council under Secretary Burgum, the Department of Defense, the Department of Energy, Department of State, there is a whole-of-government, whole-of-administration effort here in the United States. That is mirrored by what we're now doing in Australia, through the prime minister's Critical Minerals Task Force, which is established within the prime minister's department itself. We now have the coordination mechanisms working very closely together. Add that together with the fact that we've got very large mining companies who are leaning forward, mindful of opportunities but also responsibilities in this area, plus deep capital markets, as well as public investment facilities available in both countries. I think we can start cooking with gas.

Dr. Baskaran: When do you think we'll get there? Any guesses?

Amb. Rudd: Well, as a graduate in Chinese classical poetry, that's beyond my pay grade. But I am firmly of the view that we can make real, measurable, tangible progress in the most sensitive critical minerals and rare earths, which are essential to the United States' future national security and that of its allies. And we, in Australia, stand ready to help.

Dr. Baskaran: I mean, to be fair, the world's best mining experts still don't know, can't give me a date on when we might catch up. So I think it's a larger question with a lot of ifs and variables, but it's been so fantastic seeing the progress because, as you mentioned, you know, critical minerals have become the center of multilateralism, of bipartisan support, and is arguably one of – the driver of some of the greatest cooperation of our day now.

Amb. Rudd: I think so. I think we've spoken largely in this conversation about the supply side, what Australia does, what the United States does, and what, for example, Canada can do. On the demand side, the oftakes and those who are into the needs of their own economies for the future – whether it's Japan, whether it's Korea, whether it's Germany, whether it's the United Kingdom, whether it's the Nordic countries, as well as France – all of these countries need long-term supply. Go to our friends in Detroit. They need long-term supply. Go to our friends in other manufacturing centers across the United States, including on the west coast, those servicing and supporting Silicon Valley, they need security of supply. So, it takes two to tango here, supply and demand, off take agreements, price. I think we'll get there.

Dr. Baskaran: And as someone from Detroit, I am – I can tell you that we really need those minerals, if we don't want to see the end of our domestic manufacturing industry there.

Ambassador Rudd, thank you so much for joining us. This has been wonderful. I think this really captures why, you know, the U.S.-Australia partnership is so crucial if we want to actually create resilient, secure, long-term supply chains for what underpins our national economic and energy security.

Thank you to you all for joining us today. It's always such a pleasure to have you tune in. And we look forward to our next conversation.

(END.)