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A Castle Built on Sand?
The Ukraine-US Mineral Agreement
By
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23 May 2025

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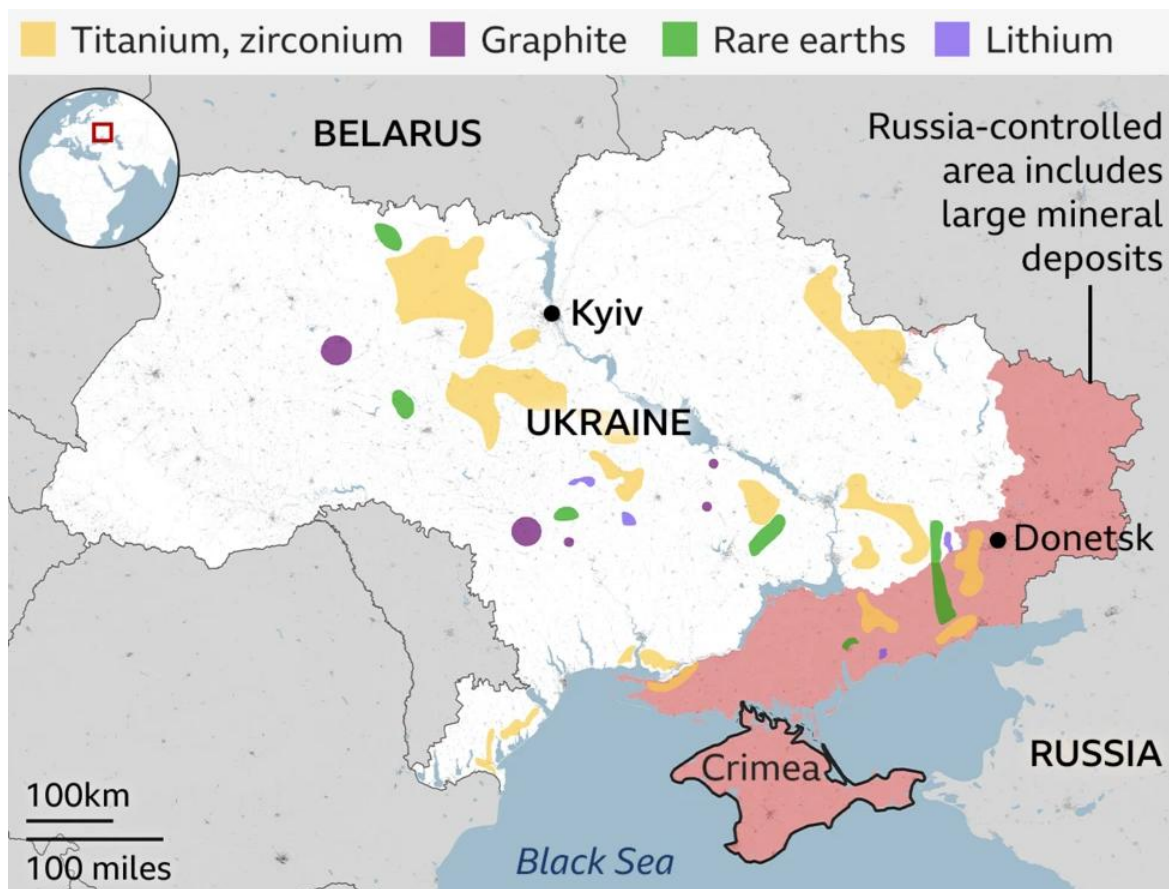
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Executive Summary

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- ✦ The long-awaited Ukraine-US Mineral Deal was ratified on May 12th
- ✦ At its core, the agreement establishes a US-Ukraine Reconstruction Investment Fund, a joint vehicle managed by the US Treasury Department and the US International Development Finance Corporation (DFC). The Investment Fund is set to lead mineral projects and fund reconstruction.
- ✦ There is an emphasis on flexibility and private sector involvement – the agreement is the poster child of “America-First” foreign policy.
- ✦ Large quantities of Ukrainian resources remain under Russian control, weakening the strength of the agreement.
- ✦ Though the minerals deal doesn’t directly address Ukraine’s security situation, it will shape the landscape in which any peace is negotiated.
- ✦ Future Negotiations will ultimately determine the value of the agreement.

Key Picture: Critical Mineral Deposits Across Ukraine



Source: [BBC](#), ISW (21:00 GMT, 25 February 2025)

1. Introduction

On May 12, Ukraine completed ratification of a mineral agreement with the United States.¹ The "Reconstruction Investment Fund" created by this agreement is jointly managed by Ukraine and the United States, with each nation owning 50%.² The road to the agreement was rocky, especially after the very public argument between Trump and Zelenskyy at the latter's visit to the White House in February. The tense negotiations that followed have borne fruit, though what this means for the war in Ukraine is still up for debate. For Kyiv, this is more than a commercial agreement. It signals hope for a quick economic recovery and a long-term US interest to peace in the region. For Washington, it is a foothold in one of Europe's most resource rich nations, crucial for the larger picture battle for global dominance against China.

For now, the deal is more symbolic than substantive, with no clear security guarantees or commitments, especially with a large portion of Ukraine's resources being in Russian occupied lands. What significance it has will hinge on any armistice or peace agreements made in the future.

2. Lithium and Let Die: Core Provisions of the Agreement

At its core, the agreement establishes a US-Ukraine Reconstruction Investment Fund, a joint vehicle managed by the US Treasury Department and the US International Development Finance Corporation (DFC).³ For the next decade, the fund will channel royalties, license fees, and other revenues from Ukraine's natural resource projects into rebuilding the country's war-torn infrastructure. After this point, Ukraine and the US can allocate revenues as they wish, providing it aligns with the agreement's other provisions. Interestingly, Ukrainian Deputy Prime Minister, Yulia Svyrydenko, stated that she does not expect any dividends to be paid out of the fund for the first 10 years.⁴ The agreement helps Ukraine by providing essential capital that is debt free, and in 10 years the US will have entrenched influence over a geopolitically crucial counterweight to Russia and China.

Notably, the US will receive first access to new projects involving Ukraine's critical minerals, including lithium, titanium, and rare earth elements, resources vital to everything from EV batteries to advanced defence systems. These minerals are crucial to the US's Cold War with China, especially given China's own rich reserves. If Washington does not want to acquire the project, it is able to designate a purchaser of their choosing.⁵ This provision has caused much debate in Ukraine, as Zelenskyy stressed he would not agree to anything that threatened Ukraine's sovereignty while Trump initially stated that he wanted 50% ownership of the minerals and not just projects in Ukraine.⁶

Another key provision is that future US military aid will count as a contribution to the fund, but past assistance does not. Crucially, the deal does not include explicit security guarantees for Ukraine, something Kyiv has been pushing for despite how unrealistic it seemed. This clause allows the Trump administration to have the flexibility to not be tied down by specific defence guarantees, while still incentivising US economic and military involvement in Ukraine.

3. Rocky Relations: The Road to the Agreement

The final version of the minerals deal is a product not only of negotiation but confrontation. Though initially thought to be close to finishing in February, talks collapsed after a public clash between President Zelenskyy and Donald Trump at the White House.⁷ The core of the disagreement revolved around Trump's suggestion that the US would de jure recognize Russia's annexation of Crimea if Kyiv failed to move forward with the agreement, a diplomatic threat that pushed Zelenskyy to delay signing, fearing domestic backlash and loss of credibility. This confrontation exposed competing visions. Trump aimed to secure a flagship foreign policy win, showcasing his "America First" economics without entangling Washington in military commitments.

The minerals deal, with its emphasis on private sector incentives and light on direct US responsibility, fits this doctrine perfectly. Some had predicted that this style of diplomacy would be characteristic of US foreign policy after he nominated Benjamin Black, son of private equity mogul Leon Black, to lead the DFC.⁸ This prediction

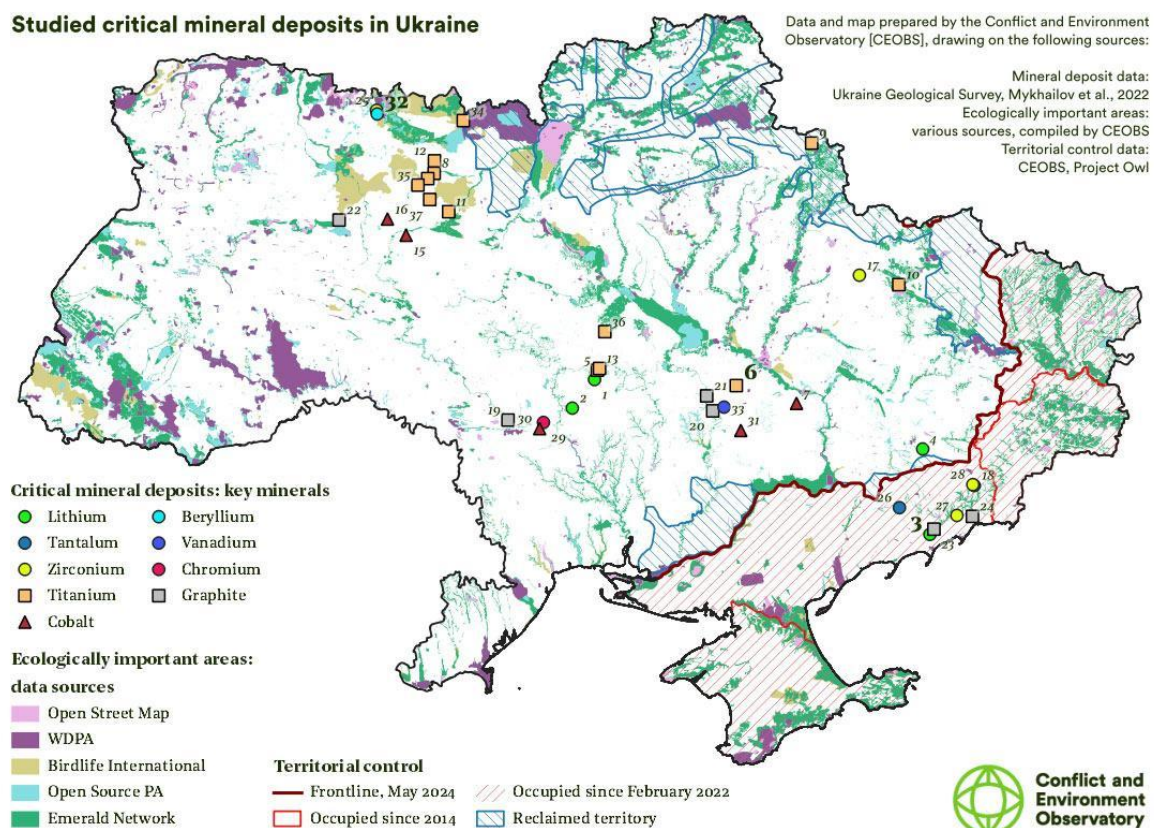
seems to have been vindicated. Furthermore, the deal could serve as a blueprint to other regions, with the Democratic Republic of Congo proposing a similar deal in response to their own deteriorating situation against M23 rebels.⁹

4. Digging for Peace: How will the Agreement Affect Peace Talks

Though the minerals deal doesn't directly address Ukraine's security situation, it will shape the landscape in which any peace is negotiated. From the beginning of the war, control of natural resources has been a strategic priority to both sides. This is why much of the heavy fighting in Ukraine's East has centred around resource-rich regions like Donetsk, Luhansk, and Zaporizhzhia. During the first few months of the invasion, Russia's invasion routes were clearly resource-oriented, seizing \$12 trillion in coal-rich areas.¹⁰ The Dnieper Donetsk region alone accounts for 80% of oil, gas, and coal production reserves, while much of Ukraine's rare earth deposits are also found in the region.¹¹

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Figure 1: Mineral Deposits in Ukraine¹²



Source: [Conflict and Environment Observatory](#)

Therefore, this deal may not be the triumph that it is purported to be by Kyiv and Washington if Russia retains parts of these occupied regions. Indeed, the signing of this agreement has given these regions even more importance in peace negotiations. Russia has pushed a "Novorossiya" narrative to legitimize its occupation of Eastern Ukraine through historic links to the province of that name that existed during Russia's Imperial Era.¹³ While some predict that this could be Moscow signalling that Donbas is a bargaining chip, what incentives would Russia have for giving up such a resource rich region, especially when it has to consider its own economic recovery? More than ensuring Ukraine's economic rebirth or entrenching US support, this deal has shown that control of Ukraine's resources will shape the outcome of its future.

If Russia maintains its control over the resources it has seized, Ukraine's future looks bleak. It would be reliant on the West for the wealth needed to rebuild while exacerbating Europe's energy reliance on Russia. The EU's cash strapped governments cannot fund both their green transitions and Ukraine's recovery at the same time, especially if the resources they need for green technologies are in Russian hands.

An example of Ukraine's importance, despite making up only 3% of total Lithium production, Ukraine holds a third of proven reserves in Europe. It is also one of the world's leading nations in titanium and graphite reserves.¹⁴ As it stands, \$350 billion of Ukraine's metal reserves are under Russian occupation.¹⁵ While targeted sanctions on minerals coming out of these territories could be a useful negotiating tactic, it would require a stable international approach, which given the Trump's administration's unpredictability, would be hard to carry out. Therefore, a Korean-style demilitarized zone, with some exchange of less resource rich territories, seems to be the natural resolution of the conflict.

5. Conclusion

The US-Ukraine mineral agreement is as much a geopolitical manoeuvre as it is an economic deal. While it offers Ukraine the hope of Western commitment and a vehicle for post-war reconstruction, its true worth hinges on the war's outcome. With most of Ukraine's key resources under Russian control, the deal risks becoming a promise built on unstable ground. Absent of clear security guarantees or territorial resolution, the fund may entrench U.S. influence without securing Ukraine's sovereignty. Ultimately, whether this castle stands or crumbles depends not on signatures, but on the shifting sands of war, diplomacy, and resources.

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