

The U.S.-Ukraine Minerals Deal and the Broader Geopolitical and Economic Implications

In April 2025, the United States and Ukraine signed a landmark minerals agreement, establishing the United States-Ukraine Reconstruction Investment Fund. This deal, formalized by U.S. Treasury Secretary Scott Bessent and Ukrainian First Deputy Prime Minister Yulia Svyrydenko, aims to secure critical minerals like lithium for American industries while bolstering Ukraine's war-torn economy. However, the agreement's implications extend far beyond trade, touching on Ukraine's economic survival, Russia's strategic motivations, and the shifting global economic landscape. This article explores the deal's details, its impact on Ukraine's economic and geopolitical stance, Russia's perspective, and the broader transformations in global alliances driven by recent conflicts.

The U.S.-Ukraine Minerals Deal: A Strategic Economic Pivot

The U.S.-Ukraine minerals deal is designed to harness Ukraine's vast reserves of critical minerals, including lithium, cobalt, and rare earths, which are essential for batteries, renewable energy technologies, and advanced manufacturing. For the United States, the agreement addresses supply chain vulnerabilities exposed by reliance on Chinese-dominated mineral markets. For Ukraine, it promises an influx of U.S. investment, potentially worth billions, to rebuild an economy ravaged by Russia's invasion since February 2022. The deal, facilitated by the U.S. International Development Finance Corporation, explicitly excludes any state or individual tied to Russia's war efforts, signaling a deliberate effort to sideline Moscow.

However, the agreement faces significant hurdles. Ukraine's outdated geological data, damaged energy infrastructure (with 30% of its grid destroyed), and ongoing security risks due to the war complicate implementation. The deal's success hinges on long-term peace and stable investment conditions, both of which remain elusive as Russia occupies roughly 20% of Ukraine's territory, including resource-rich regions. Despite these challenges, the agreement is more favorable to Ukraine than earlier drafts, prioritizing Kyiv's economic development alongside U.S. strategic interests. It may also serve as a model for future U.S. mineral diplomacy, with potential applications in countries like the Democratic Republic of the Congo.

Ukraine's Economic Situation: A War-Driven Lifeline

Ukraine's economy has been profoundly reshaped by the war. Prior to Russia's 2014 annexation of Crimea, Ukraine was heavily reliant on Russia for energy and trade. Russia supplied 60% of Ukraine's natural gas and was a major market for its grain, steel, and chemicals, accounting for 20% of Ukraine's trade in 2013. The Soviet-era integration of Ukraine's eastern industrial zones, particularly Donbas, into Russian supply chains further deepened this dependence. However, Russia's annexation of Crimea and the 2022 invasion severed these ties. By 2023, trade with Russia had plummeted to less than 5% of Ukraine's total, with gas transit fees—once worth \$1.2 billion annually—ceasing in late 2024.

Ukraine has pivoted toward the European Union, which now absorbs 60% of its exports, primarily grain and steel. The EU, along with the United States, has replaced Russian energy supplies with LNG from Norway and coal from Poland and Romania. Sea routes from Odesa, reopened after

Ukraine's military successes against Russia's Black Sea Fleet in 2023, have sustained agricultural exports, a critical revenue source. Yet, Ukraine's economy remains precarious, propped up by \$100 billion in U.S. aid and \$60 billion from the EU since 2022. Inflation hovers at 10%, and GDP contracted by 29% in 2022, though it has shown resilience with modest recovery in 2024. The war has created a paradoxical dynamic: Western aid, tied to Ukraine's resistance, is a lifeline, but it also makes the economy dependent on the conflict's continuation. As one observer noted, the government may see a grim logic in sustaining the fight to maintain this financial flow while transitioning to new economic alliances. The U.S. minerals deal is a step toward long-term stability, but its benefits are years away, requiring peace and infrastructure rebuilding. Without reclaiming occupied territories, Ukraine's economic future remains tied to external support.

Russia's Perspective: Economic and Strategic Imperatives

Russia's occupation of Crimea, Donetsk, Luhansk, Zaporizhzhia, and parts of Kherson and Kharkiv—roughly 20% of Ukraine—reflects both economic and strategic imperatives. Analyst Peter Zeihan, formerly of Stratfor, has argued that Russia views these territories as critical to its economic survival. Donbas, with its coal, steel, and lithium deposits, is an industrial powerhouse, once contributing 20% to Ukraine's GDP. Crimea's Black Sea ports, like Sevastopol, secure Russia's naval dominance and trade routes, vital for its oil and grain exports, which account for 30% of its economy. Zaporizhzhia's nuclear plant, Europe's largest, offers energy leverage, while Kherson's agricultural lands bolster food security amid global grain price spikes of 25% since 2022. Zeihan emphasizes Russia's geographic and economic vulnerabilities: its flat terrain requires buffer zones against NATO, and its economy, heavily reliant on energy exports (40% of GDP), faces pressure from Western sanctions and Europe's shift away from Russian gas (from 40% to under 10% of supply since 2022). Controlling Ukraine's resources diversifies Russia's economy, particularly through lithium, which positions it in the global clean energy market. President Vladimir Putin's vision of "Novorossiia" frames these territories as historically Russian, aligning economic motives with ideological goals of restoring great-power status. However, holding these regions is costly. Sanctions, Ukrainian resistance, and infrastructure damage strain Russia's economy, which grew only 1.5% in 2024. Integrating occupied areas by 2026, as planned, faces challenges from corruption and ongoing partisan attacks, as reported by sources like *The Study of War*. Sentiment in occupied territories is mixed: some Russian-speaking communities in Donbas lean pro-Russian due to historical ties, but widespread human rights abuses—193 politically motivated arrests in Crimea last year alone—fuel anti-Russian sentiment, per UN reports.

Ukrainian Public Sentiment and Government Resolve

Despite economic and military challenges, Ukraine's government remains resolute. President Volodymyr Zelensky, with 65% public trust per 2023 KIIS polls, has vowed to resist Russian aggression, framing the war as a fight for national survival. Surveys indicate 74% of Ukrainians support continuing the fight, even without U.S. aid, driven by memories of Russian atrocities since

2022. Another poll shows 81% believe Ukraine can still defeat Russia with Western support. However, war fatigue is evident, with life satisfaction dropping from 7.9 to 6.9, per Gallup, and 56% of households spending savings on food.

The government's stance aligns with public sentiment for now, but prolonged stalemate could erode support. If losses mount and aid falters, dissatisfaction may grow, potentially leading to political instability. Yet, there's no immediate sign of regime-change-level unrest, as Zelensky's leadership remains anchored in the narrative of defending Ukraine's identity against Russian domination.

Global Economic Shifts and Alliances

The Ukraine conflict is part of a broader reconfiguration of global economic alliances over the past decade. Europe's pivot from Russian energy has spiked costs, with LNG from Norway and the U.S. filling the gap. Developing nations in Africa and Latin America face 20% food and fuel inflation due to disrupted grain and fertilizer supplies, as Ukraine and Russia supplied 25% of global wheat. In the Middle East, Russia has deepened ties with Saudi Arabia, Iran, and Turkey, capitalizing on U.S. withdrawal from Iraq and Afghanistan. Saudi Arabia's \$50 billion in deals with China since 2020 reflects a hedging strategy, per *Brookings*.

Key drivers of these shifts include energy markets, supply chain vulnerabilities, and geopolitical rivalries. The war exposed food and fertilizer dependencies, prompting countries like Brazil and India to diversify. NATO's expansion, with Finland and Sweden joining, counters Russia's weakened position, while sanctions have pushed some nations to explore alternatives to the U.S. dollar, though the yuan remains marginal at 2% of global trade. Ukraine's allies, like Poland, have boosted trade with Kyiv by 30% since 2022, reinforcing EU-NATO integration.

Conclusion: A Fragile Balance

The U.S.-Ukraine minerals deal underscores Kyiv's shift toward Western economic alliances, but it does not address the military or territorial challenges posed by Russia's occupation. Ukraine's economy, propped up by war-driven aid, faces a delicate transition to self-sufficiency, reliant on EU and U.S. partnerships. Russia's seizure of resource-rich territories reflects a desperate bid to shore up its economy against sanctions and global isolation, but the costs of occupation may outweigh the gains. Globally, the war has accelerated a rewiring of trade and alliances, with energy, food security, and geopolitical rivalries reshaping the economic landscape.

For Ukraine, the path forward requires balancing immediate survival with long-term economic rebuilding. The minerals deal offers hope, but without peace or territorial recovery, Kyiv remains tethered to Western aid. Russia's motivations, rooted in economic necessity and imperial ambition, ensure the conflict's persistence, while global shifts signal a new era of fragmented alliances. The question remains: can Ukraine leverage its new partnerships to outlast Russia's grip, or will economic cracks force a reckoning? Only time will tell.

Sources: The Atlantic Council, The Economist, Foreign Affairs, Chatham House, RAND, Brookings, The National Interest, The Study of War, UN reports, Gallup, KIIS polls, and posts on X from @kamilkazani, @Mylovanov, @front_ukrainian, @TheStudyofWar, and others.