

# Backlash over China curb on metal exports

Ambrose Evans-Pritchard, London Telegraph, 8-30-10

China's draconian export curbs on rare earth minerals needed by the rest of the world for frontier technologies is escalating into a serious diplomatic and trade clash with the United States and other leading powers.

Japan's foreign minister Katsuya Okada issued what amounted to a formal protest at top-level meeting with Chinese officials in Beijing over the weekend, saying the sudden cut-off was "affecting the global production chain".

It is the latest sign of rising pressure after angry complaints by companies outside China that rely on this family of 17 metals for hybrid cars, mobile phones, superconductors, navigation, and a host of high-tech industries.

China's commerce minister Chen Deming said that Beijing would not back down over the export quotas. "Mass-extraction of rare earth will cause great damage to the environment, that's why China has tightened controls," he said, repeating the official line.

Beijing set off shockwaves in early July when it announced a 72pc reduction in rare earth exports over the second half of this year. The country has acquired a near monopoly, with 97pc of global output after undercutting the rest of the world with Mongolian ores in the 1990s. The sudden cut-off since July has drastically restricted supplies to the rest of world.

The last US mine shut 14 years ago, discouraged by tough US environmental rules. The US General Accounting Office said China now has a "dominant position" with market power. "Rebuilding a US rare earth supply chain may take up to 15 years," it said.

Washington is examining claims that China's curbs breach World Trade Organisation rules by giving preferential access to Chinese companies. The US Trade Representative is collecting data from US firms to assess the basis for a legal challenge. There are strong suspicions that Beijing's aim is to force foreign companies to locate technology plants in China.

Baotou Steel High Tech Co said in February that it was building storage space for 200,000 tonnes of rare earth oxides. The company has since been told to stockpile metals by party bosses in Inner Mongolia. *China Daily* reports that Baotou and Jiangxi Copper are aligning their policies and now "virtually control" the market.

China claims it will need a growing proportion of these metals for its own industries, but US and Japanese officials say privately that Beijing's methods are not in keeping with the WTO ethos. Japan has already drafted a "Strategy For Enhancing Stable Supplies of Rare Metals" and has been stockpiling.

Rare earth metals are sprinkled in iPads, BlackBerrys, plasma TVs, lasers, wind turbines, hybrid engines, and smart bombs. They cannot easily be replaced, if at all. Neodymium enhances magnets at high heat, and cerium is used in catalytic converters.

Rare earth ores are not in fact rare, merely scattered and costly to extract. There are ample reserves in the US, Australia, Canada, Russia, and Greenland. A number of explorers are reopening mines but will not produce significant amounts until mid-decade.