## REE Updates

### China is halting its REE exports to the U.S. and Japan-there is no excuse not to prepare for that

Foreign Policy 8/3-Foreign Policy, Steve LeVine, “The big worry about China on the energy patch,” 8/3/11, http://oilandglory.foreignpolicy.com/posts/2011/08/03/the\_big\_worry\_about\_china\_on\_the\_energy\_patch

Then there is the continuing friction over China's restrictions on the production and export of the 17 so-called rare-earth elements, which are vital for hybrid and electric cars, wind turbines, and semiconductors for some solar cells.

The restrictions have been at issue since last year, when Beijing halted exports to Japan and elsewhere over what appeared to be a simple fishing dispute in the East China Sea. Since then, the question has appeared to be more complex, involving Chinese interest in developing home industries that use the elements and in earning more money for the rare earths that it does sell. As part of its industrial policy, Beijing is cracking down on black-market miners and sellers who have defied state quotas and shipped rare earths to Japan anyway.

Yesterday, Minmetals, a state-owned rare-earths processing and trading firm, said it is halting its rare-earths operations as of this month and called on everyone else in the country to follow suit, Reuters reports. Minmetals said the state's annual production quota of 93,800 tons of rare earths has already been reached. The state is considering regulations to further tighten the market, the WSJ writes.

Even assuming China were to export only 10 percent of what it produces, the risk we face in our home markets is enormous. We cannot afford to be unprepared for the ascent of China, reassuring ourselves of our invincibility. The excuse that we did not understand or that we underestimated the scale will serve no purpose.

### China has a monopoly over the REE and have already stopped exporting to the U.S.

Newswire Today 8/3-Newswire Today, “China Currently Dominates the Global Rare Earth Elements Market Reports IMARC Group,” 8/3/11,http://www.newswiretoday.com/news/95444/China\_Currently\_Dominates\_the\_Global\_Rare\_Earth\_Elements\_Market\_Reports\_IMARC\_Group/

China currently has a monopoly over the global rare earth elements market accounting for 97% of the global production and 50% of the global reserves. In a language referring to the energy crises of the seventies, former Chinese leader Deng Xiaoping had stated in a 1992 speech,"the Middle East has its oil, and China has rare earth.

IMARC Group, one of the worlds’s leading research and advisory firms in its new report entitled “The Global Rare Earth Elements Market 2011-2015: Is the Hype Justified?” finds that China’s awareness on its rare earth monopoly has driven it to exploit political mileage from the situation on various instances. According to the report, in September 2010, China halted its entire rare earth exports to Japan when they arrested the captain of a Chinese fishing boat which had collided with two Japanese patrol vessels in disputed territorial waters. Similarly, In October 2010, Chinese authorities stopped all rare earth shipments for ten days, effectively rupturing trade to the US and Europe.

The report cited China’s low production and processing costs as one of the main factors driving the country’s dominance in this market. The reports found numerous factors behind china’s low production and processing costs. These included cheap labor, lack of proper regulations related to working conditions/environment and a strong government support. China’s strong in-house expertise was also regarded as a major reason behind its rare earth monopoly. Findings suggested that current capabilities to process rare earth elements into finished products are currently limited mainly to Chinese sources. China currently had a significant advantage over other rare earth producing countries in terms of mining, separation, refining, alloying, and purification of rare earths.

### China has a monopoly and REE and will stop exporting to the U.S.-Japan proves

Business Insider 8/3-Business Insider, Vincent Trivett, Contributor to Business Insider, “This Nebraska Village May Be Sitting On The World's Largest Untapped Deposit Of Rare Earth Minerals,” 8/3/11, http://www.businessinsider.com/elk-creek-rare-earth-2011-8

Imagine if just one country produced nearly all of the world's oil. Deng Xiaoping was once quoted saying, "The Middle East has its oil, China has rare earth." This pretty much sums up the dangerous amount of control that one country has over the supply of elements that are crucial to clean energy technology, smartphones, lasers, and defense technology. China has a firm hold on the 17 elements classified as 'rare earth' elements. China currently accounts for 97% of all rare earth element production in the world. After a 2010 diplomatic dispute, China showed that they are perfectly capable and willing to cut off the supply of rare earths when they first officially, then unofficially banned exports to Japan. Without rare earths, the specialized high-tech instruments that Japan exports can't be made. The Toyota Prius, for example, requires about ten pounds of Lanthanum to manufacture.

### China has a monopoly over U.S. REE-we have to act now

Economic Observer 7/25-Economic Observer, weekly Chinese-language newspaper, “The secrets and shortcomings of China's mammoth rare earth industry,” 7/25/11, http://globalpublicsquare.blogs.cnn.com/tag/chen-jibing/

Disputes between China and the West over rare earth are not new. But it came to a peak in the second half of 2010 over the Sino-Japan dispute called the “Diaoyu Islands collision”. Japan is the world’s biggest rare earth importer, with nearly all coming from China. Many major western media therefore speculated that China was controlling the export of rare earth elements to achieve its political ends. US Secretary of State Hillary Clinton even publicly called for the United States and its allies to reduce dependence on Chinese rare earth production, and said that “This is a wake-up call for us.” It’s probably the most forthright speech by a high-ranking official from the West. In order to eliminate the world’s misconceptions, Wen Jiabao and other Chinese officials have repeatedly said over the past year that China will not prohibit or restrict the export of rare earth, and that rare earth issue should not be politicized. Rare earth is the collective name for 17 kinds of metals, including lanthanum and gadolinium. They either possess strong magnetic force or can enhance other metals’ high temperature capabilities. These elements are commonly used in all industries, and in particular, cutting edge fields like new energy sources and high-tech products. Many observers warn that the modern economy cannot function without rare earth. China's "oil" Currently, China as a near monopoly on the global supply of rare earth elements. It produces 95% of the world’s supply – and consumes half of it. Twenty years ago Deng Xiaoping quipped: “The Middle East has oil, China has rare earth.” Although they are dubbed “rare,” these resources are not in fact all that scarce. A lot of countries have these elements. China’s reserves are just 40% of the total global reserves. The fact that they are rare in other places is because other countries are unwilling to extract them because of the high cost. There are a number of reasons China controls the export of rare earth materials. Contrary to what most Western analysts claim, "political motivation" is not one of them. China's market dominance can instead be explained by the fact that the exploitation and processing of rare earth cause serious air, surface water and soil pollution. Over the past dozen years, the supply of rare earth has exceeded demand. The Chinese supplier had no control over its pricing, thus the price has been very low. There are other reasons as well. It is said that if China continues its exploitation at the current speed, its reserves in medium and heavy kinds of rare earth will be exhausted in 15 to 20 years. Thus it too will need to import them. Finally, China would rather encourage foreign companies that need rare earth to move to China instead of just selling them cheap raw materials. This will help to create employment and economic development in Inner Mongolia. It could also help upgrade China’s manufacturing industries. All these reasons are justified because no country is obliged to sacrifice its own interests for the benefits of other countries. This is why the WTO adjudication is very unfair to China. Still, there is no denying that the Chinese government has committed considerable mistakes in defending its legitimate interests. To a very large extent, these mistaken measures have put China in an embarrassing predicament. First and foremost is the mistake of issuing export licenses with declining quotas. The second error was to force numerous private mining companies to shut down. China tried to integrate extraction firms and processing companies into two respective conglomerates, one in the North and the other in the South. China's third mistake was to establish a so-called system of reserves. These policies are doing more harm than good. Not only are export quotas and rising tariffs likely to conflict with the WTO’s rules, but they are also detrimental to the healthy development of the sector.

### China has decreased its REE quota by 40% and it will continue to do so, U.S. needs to act

New York Times 7/29-New York Times, “China Still Strangling Rare Earths Market, Says Molycorp CEO,” 7/29/2011, http://www.nytimes.com/gwire/2011/07/29/29greenwire-china-still-strangling-rare-earths-market-says-77150.html

At first glance, many analysts cheered China's announcement earlier this month that it would allow another 15,738 metric tons of rare earth material exports, bringing the year's total to roughly 30,000. Think again, says the man responsible for one of the world's most lauded mining projects, meant to lead the world to rare earth independence from China -- the country currently responsible for almost all global output. "Everybody seems to be relaxed because the year-on-year number for 2011 versus 2010 is basically the same amount of materials, roughly 30,000 tons of export quotas," Molycorp Inc. CEO Mark Smith said in an interview. "The discrepancy is created because China continues to add more products that are covered by the quotas, but we never seem to want to take that into account." Doing an apples-to-apples comparison, Smith says, China's export quota is really closer to around 20,000 tons. Meanwhile, he predicts the global demand to be much higher. U.S. and E.U. officials criticized China's quota announcement, which came days after a World Trade Organization ruling against the country for export controls of other materials -- a development many analysts see as a sign of how the WTO may view similar complaints related to Chinese curbs on rare earth exports (ClimateWire, July 6). The Office of the U.S. Trade Representative, according to a statement obtained by Reuters, believes the latest Chinese export quota announcement amounts to a 40 percent decrease from 2009 levels because of the new products included in the allotment. Dudley Kingsnorth, executive director of the Industrial Minerals Company of Australia and arguably the world's foremost expert on rare earths, said he generally agreed with critics who say China continues to strangle the market for its own benefit. People should not be surprised, he says, because China has made its intentions clear to look after its own interests. "The industry talks about supply and demand in terms of rare earths oxide, whereas the quota is in terms of product," he said in an interview from Australia. "They've increased the scope of the quota." Kingsnorth said the world is in the long process of becoming self-sufficient from China for rare earth elements -- used in everything from cars and defense systems to smart phones. Of the advanced rare earth projects around the world, two consistently rank as the most coveted -- Lynas Corp. Ltd.'s Mount Weld mine in Australia and Molycorp's site in Mountain Pass, Calif. (Land Letter, July 22, 2010). Kingsnorth said, "There's a whole lot of pressure for Molycorp and Lynas to get started up." "Where we are going to start to feel some of these pressures is when companies can't get these products anymore and have to survive," Smith said. "People have been able to survive on either illegal material coming out of China, of their working inventories or a national stockpile in the case of Japan."

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