

Digging deeper into rare earth row

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ANALYSTS have predicted an imminent mineral trade war, with the media focusing on the rare earth disputes between China and advanced economies like Japan, Germany and the United States. We need to take into account certain points that have been overlooked in the controversy.

First, media reports do not present the entire picture when they say that China controls 97 per cent of rare earth production.

A Mineral Commodities Summary released by the US Geological Survey reveals that the US is home to the second-largest rare earth reserve on the planet. In fact, China has about 37 per cent of rare earth reserves while the US and Australia have 13 per cent and 6 per cent, respectively. But the US does not currently mine rare earths due to three main reasons: the relatively high cost of production, strict environmental regulations, and complications due to property rights issues.

Second, reports attribute China's grip on rare earth production partly to the value of China's currency relative to the US dollar. But the recent renewed interest in mining for rare earths in the US revealed that there are significant barriers to their production there, such as financing problems and property rights.

Some reports highlighted the destructive nature of rare earth mining in China, with its relaxed or poor mining regulations coming under fire.

Yet it is seldom acknowledged that the standards set by the US Environmental Protection Agency, as well as its Occupational Safety and Health Administration, drove up the cost of mining rare earth ores in the US in the mid-1980s. The standards were imposed largely because of the health risks associated with land, water and air contamination as a result of rare earth production.

Adding to the fears of an impending trade war is the misleading nature of the 'rare earth' label. Contrary to the impression it creates, there is actually a significant amount of rare earths on the planet. They are called 'rare' because concentrated; economically viable deposits of the minerals are scarce.

As for China's decision to limit rare earth exports, more needs to be considered apart from political maneuvering.

The fact is that the country's rare earth industry was among those hit by the global economic downturn. According to last year's China Rare Earth Industry Report, China's rare earth leader, Baotou Steel Rare-Earth (Group) Hi-Tech, saw its revenue fall by about 30 per cent last year, resulting in a loss of 67 million yuan (\$\$13 million). China has faced massive setbacks in the production and export of rare earths, which may have affected its decision to cut back on exports.

But there is an upside to China's rare earth export cap. Reserving more of its rare earths for domestic use will help it develop its clean energy and high technology sectors. This, in turn, will boost economic growth.

The production of rare earths is considered important because the minerals are vital for hybrid cars, security systems and a wide range of electronic products. But rare earths are also crucial in the campaign against climate change because they help to produce clean energy technologies.

The recent disputes over rare earths make global cooperation in this area more urgent than ever.