



## What Does Red China Intend With Its Rare Earth Monopoly?

Communist China supplies the world with more than 95 percent of the rare earth minerals, resources which are increasingly vital to advanced technology. In September 2009, China announced that it would reduce its production of these minerals to 35,000 tons, with the stated reason being to conserve scarce resources and to protect the environment. In July 2010, China reduced the quota of rare earth minerals for export by 72 percent. In September 2010, the communist government halted shipments of critical rare earth minerals to Japan and the next month also halted shipments to the United States and Europe.



This was widely viewed as a victory for economic nationalists within the Central Committee of the Communist Party of China. A report Tuesday in *China Daily*, the government newspaper of the nation, predicted a decline of up to 30 percent in rare earth export quotas in 2012; however, the commerce ministry called the report “totally groundless and purely false,” adding, “China will continue to export rare earth to the world, and at the same time, in order to conserve exhaustible resources and maintain sustainable development, China will also continue imposing relevant restrictions on mining, manufacture and export of rare earths.”

Since 2005 China has been reducing the export quota of rare earth minerals as well as imposing steep export taxes on them. And, unless one doubts the Japanese and believes the official Chinese reports, China had imposed an embargo on Japan. Wang Baodong of the Chinese Embassy in the United States denied that his country was trying to gain a bargaining chip in trade negotiations, noting: “With [a] stricter export mechanism gradually in place, outbound shipments to other countries might understandably begin to feel the effect, but I don’t see any link between China’s reasonable rare earth export control policy and the irrational U.S. decisions of [a] protectionist nature to investigate China’s clean energy industries.”

The U.S. Chamber of Commerce is not convinced by Chinese assurances. Jeremie Waterman, who handles Chinese relations for the chamber, made the following observation about a suspension of exports of rare earth minerals by China: “If it’s true, it’s disturbing to say the least.” The *Economist* has also questioned the communist government’s motives, noting, “Slashing exports of rare-earth metals ... is all about moving Chinese manufacturers up the supply chain, so they can sell valuable finished goods to the world rather than lowly raw materials.”

In [February 2011](#), China seems to be confirming the fears of the U.S. Chamber of Commerce, the *Economist*, and others. Its cabinet announced that China would impose tighter controls on rare earth producers and also restrict output in a five-year development strategy. The announcement also promised that China would “reasonably set annual quotas for production and export,” although the



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government did not elaborate. The government website also said that China would “establish healthy development of earth industry with appropriated development, orderly production, high utilization and technological advancement.”

This “communist planning” by China, which controls more than 95 percent of the world’s production of rare earth minerals, is troubling. Perhaps at least as troubling is the fact that China seems to be stockpiling these minerals, which it could easily sell for a healthy profit in the international market. How dangerous could this be to the economic health of the United States and other economies highly dependent upon technology? If China pushes hard, the problem could quickly become serious. Although there is no doubt that over time and at some expense these minerals could be produced in other parts of the world, the interruption of supplies could bring some industrial processes to a standstill. Congress is considering setting up a stockpile of rare earth minerals similar to the Strategic Petroleum Reserve.

These rare earth minerals are not “rare” in the sense that the elements are found only at a few locations in the planet’s crust. For example, cerium, a “rare earth mineral,” is the 25th most abundant element on the planet with 68 parts per million, roughly equivalent to the prevalence of copper in the earth’s surface. The rare earth minerals are simply not found in high concentrations, so that their extraction requires more intensive effort than that of minerals such as iron, tin, or silver. Until the 1950s, much of the rare earth mineral production occurred in India and Brazil, not China, with significant production also in places such as California and South Africa.

So why does Communist China have a practical monopoly on rare earth production these days? Their monopoly is the result of several converging factors. China has a huge landmass, so there are plenty of these rare earth minerals about. The country also has masses of labor to mine rare earth minerals relatively cheaply. And though environmental concerns have depressed production in Western nations, such concerns do not trouble the Chinese nearly as much. Finally, as is so often the case in human history, a resource once thought to have no great value has quickly become vital and expensive.

This fast rise in economic value, however, can easily lead to a bust over time (as anyone familiar with the oil industry knows). “King Cotton” in the American South was once a very important global resource. In the 19th century India rubber for a while was quite valuable. (This value transformed cities deep in the Amazon.) Uranium became much more valuable after the fission bombs were dropped on Japan. Petroleum replaced whale oil, which had been used for a number of different purposes and was once prized. Lithium is a very important resource these days, primarily because of its use in long-lasting batteries.

China, may, however, be seeking more than just an economic monopoly in rare earth minerals with the profits from that brief monopoly (because other sources will develop as soon as practicable around the world, if China charges much above market value for long). These rare earth minerals are vital in defense production. The Soviets attempted to use their domestic resources of [strategic materials](#) such as chromium, manganese, cobalt, and platinum-group metals and then sought to destabilize and produce client Marxist regimes in those other nations that possessed these strategic metals.

One of those nations was Rhodesia, now Zimbabwe, which moved from a free, democratic country with a democratically-elected black bishop as its leader to a Marxist dictatorship with poverty and oppression. Another of those nations was the Union of South Africa, which had a treasure trove of vital minerals, and so was squarely in the crosshairs of the Soviet Union.

Does Communist China have the same plans as Soviet Russia? It is hard to imagine that China is



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strongly driven by environmental concerns. The Chinese are selling these rare earth minerals at a tidy profit and the alarms that Beijing is creating will, over time, result in more producing nations. The possibility that Communist China has more sinister motives cannot be ruled out.

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