

# China denies cartel-like behaviour on rare earths

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A senior Chinese trade official on Tuesday denied the country was dictating prices of rare earth metals to the world and insisted shipments of the minerals to Japan were never blocked.

Rare earths -- a group of 17 elements -- are used in high-tech products ranging from flat-screen televisions to lasers to [hybrid cars](#), and China controls more than 95 percent of the global market.

But Jiang Fan, vice director-general of the commerce ministry's foreign trade department, insisted that the companies involved in the trade -- not Beijing -- were setting the prices.

"They are deciding the price according to the market and the [Chinese government](#) cannot control this," she said during a two-day rare earths industry conference on the southeast Chinese island of Xiamen.

The father of China's economic reforms, Deng Xiaoping, once compared China's rare earths to the Middle East's oil, and critics increasingly accuse Beijing of emulating the 12-member OPEC cartel.

China has cut rare earth exports by five to 10 percent a year since 2006 as demand and prices soar.

The official China Daily newspaper reported Tuesday the country would again cut rare earth export quotas by up to 30 percent next year to protect the metals from over-exploitation, citing an unnamed commerce

ministry official.

Jiang said she was not aware of any new export quota decision and Xu Xu, the chairman of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters called the report "nonsense".

However, both officials echoed concerns that rare earths reserves could run dry within the next two decades if production remained at current levels.

"Rare earths are not only limited in terms of exports but also in terms of mining and production -- this is for environmental protection and to protect the materials," Jiang said.

In Beijing, foreign ministry spokesman Ma Zhaoxu said: "All countries have the right to make use of their own resources."

Jiang denied Japan's charge that China's rare earth shipments to its neighbour stopped last month in a bitter row -- the worst in years between the two countries.

"No, never," she said, laughing when asked about the allegations. "You can see the figures from China customs."

Japan however insists Beijing is still restricting exports amid political tensions and said Tuesday it was seeking talks on the issue.

"I've instructed officials to set up talks with China. Once they're ready, I want them to get our vice minister in touch with the Chinese counterpart," Japanese Trade Minister Akihiro Ohata said.

"We are making efforts to realise talks as soon as possible."

A Japanese trade ministry survey released this month found that all 31 Japanese companies handling rare earths had reported disruption to shipments.

Ohata said that although some shipments had resumed, with at least two ships having left Chinese ports, "the overall situation has not improved, as strict inspections at customs are being continued".

Yasushi Watanabe, a senior geologist for Japan's Institute for GEO Resources and Environment, said his country was hit by a "practical stop" to rare earth imports from China in late September.

Japan, which consumes a quarter of rare earths produced, imports 89 percent of its rare earths from China, with smaller amounts coming from France, Estonia and the United States, Watanabe said in Xiamen.

"Our major concern is a stable supply of [rare earths](#) into Japan," he said, adding that Tokyo had made it a priority to decrease its dependence on Chinese exports.

Jiang dismissed suggestions that export cuts were aimed at encouraging foreign firms to move manufacturing to China.

But Geoff Bedford, executive vice-president of Toronto-based Neo Material Technologies Inc., which has production facilities in China, said falling quotas had pushed companies to relocate.

"What we saw were clearly a lot of our customers were relocating their operations out of Japan, Korea, the US and Europe into [China](#)," Bedford told the conference.

China's 2010 export quota of 30,000 tonnes would be insufficient to meet demand, Bedford said.

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