

China tightens controls on rare earths production

August 8 2012, by JOE McDONALD



In this photo taken Tuesday, July 6, 2010, workers use machinery to dig at a rare earth mine in Baiyunebo mining district of Baotou in north China's Inner Mongolia Autonomous Region. China's government has tightened controls on rare earths production in a move that might inflame trade tensions with Washington and Europe. Regulations issued this week say mines and smelting companies must meet minimum output levels to continue operating. The state newspaper China Daily on Wednesday, Aug. 8, 2012 cited an official who said about one-third of China's mines and half of its smelting companies might not qualify to remain open. (AP Photo) CHINA OUT

(AP) — China's government has further tightened curbs on production of rare earths used in mobile phones and other high-tech products in a move that might inflame trade tensions with Washington and Europe.

Regulations issued this week say mines and smelting companies must

meet minimum output levels to continue operating. The state newspaper China Daily said Wednesday that might result in 20 percent of the country's production capacity to be shut down.

China has about 30 percent of the world's rare earths deposits but accounts for more than 90 percent of production. It alarmed foreign manufacturers by imposing export curbs in 2009 while it tries to build up a domestic processing industry to capture more of the profits that go to U.S., Japanese and European companies that transform rare earths into mobile phone batteries, camera lenses and other products.

Chinese officials have expressed hope foreign companies that use rare earths will shift production to China and share technology with local partners.

The United States, the European Union and Japan filed a World Trade Organization complaint in March accusing China of violating its free-trade commitments. Chinese officials have defended the controls as in line with WTO rules and necessary to protect the environment.

The restrictions are especially sensitive at a time when governments are trying to boost exports to reduce high unemployment. The United States and Europe are looking to increase sales of high-tech goods that include products made with rare earths.

The latest regulations appear to be an extension of Beijing's effort to force rare earths producers to consolidate into a handful of large companies that will be easier to monitor and control.

Mines must have yearly output of at least 20,000 tons, while smelters must have production capacity of 5,000 tons per year, according to the Ministry of Industry and Information Technology.

Up to one-third of China's 23 mines and about half of its 99 smelting companies will fail to meet the new standards, China Daily said, citing the director of the ministry's rare earths office, Jia Yinsong. Jia said that would eliminate about 20 percent of China's rare earths production capacity.

A ministry statement cited the need to protect rare earths resources and the environment and to promote restructuring of the industry.

The government also has limited the number of companies that are allowed to export rare earths.

China's trading partners say export quotas and taxes push up rare earths prices abroad, giving buyers in China an unfair advantage.

One mineral, terbium oxide, costs \$2,000 per kilogram on global markets this week, more than double its \$863.47 price in China, according to Lynas Corp., an Australian miner. Neodymium oxide cost \$105 per kilogram on global markets and \$67.50 in China.

The dispute reflects the clash between Beijing's free-trade pledges and its ambitions to transform China from a low-wage factory into a creator of profitable technology.

Rare earths are 17 minerals used to make goods including hybrid cars, weapons, flat-screen TVs, mobile phones, mercury-vapor lights and camera lenses.

[China](#) reported total exports last year of 18,600 tons, just 60 percent of the 30,000-ton quota, due in part to slack global demand. The government cut the export quota for the first half of this year by 27 percent from a year earlier to 10,546 tons.

The United States, Canada, Australia and other countries also have [rare earths](#) but most mining stopped in the 1990s as lower-cost Chinese ores came on the market.

Beijing's decision to limit exports has prompted foreign producers to announce plans to reopen or develop mines in California, Canada, India, Russia and elsewhere.

More information: Ministry of Industry and Information Technology of China (in Chinese): <http://www.miit.gov.cn>

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