

China Said to Widen Its Embargo of Minerals

By KEITH BRADSHER

October 19, 2010

HONG KONG — China, which has been blocking shipments of crucial minerals to Japan for the last month, has now quietly halted some shipments of those materials to the United States and Europe, three industry officials said this week.



Reuters - A rare earth mine in China, which this week announced that it would cut its annual export quota for rare earths in 2011.

The Chinese action, involving rare earth minerals that are crucial to manufacturing many advanced products, seems certain to further intensify already rising trade and currency tensions with the West. Until recently, China typically sought quick and quiet accommodations on trade issues. But the interruption in rare earth supplies is the latest sign from Beijing that Chinese leaders are willing to use their growing economic muscle.

“The embargo is expanding” beyond Japan, said one of the three rare earth industry officials, all of whom insisted on anonymity for fear of business retaliation by Chinese authorities. They said Chinese customs officials imposed the broader restrictions on Monday morning, hours after a top Chinese official summoned international news media Sunday night to denounce United States trade actions.

China mines 95 percent of the world’s rare earth elements, which have broad commercial and military applications, and are vital to the manufacture of products as diverse as cellphones, large wind turbines and guided missiles. Any curtailment of Chinese supplies of rare earths is likely to be greeted with alarm in Western capitals, particularly because Western companies are believed to keep much smaller stockpiles of rare earths than Japanese companies.

China experts said on Tuesday that Beijing’s assertive stance on rare earths might also signal the ascendance of economic nationalists, noting that the Central Committee of the Communist Party convened over the weekend.

A few rare earth shipments to the West have been delayed by customs officials in recent weeks, said industry officials in China, Japan and the United States. But new restrictions on

exports appear to have been imposed on Monday morning.

Industry executives said there had been no signal from Beijing of how long rare earth shipments intended for the West would be held by Chinese customs officials. A few shipments are still being allowed out of the country for reasons that remain unclear: a fourth rare earth industry official said on Wednesday that one of the 32 authorized rare earth exporters in China had been allowed to export one container of rare earths to the West on Tuesday and hoped to be allowed to ship another on Thursday.

China's official stance remained unclear on Wednesday. In an apparent reference to a report on Tuesday in the official China Daily newspaper, the commerce ministry said the report, predicting a decline of up to 30 percent in rare earth export quotas next year, was "totally groundless and purely false," and added that no decision had been made yet on future quotas.

Without mentioning whether customs officials were interfering with shipments to the West this week, the statement also said that, "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 the mining, manufacture and export of rare earths."

Japan's Kyodo news agency reported on Wednesday that an unidentified diplomatic source in Beijing had said that rare earth shipments to the United States and Europe were being held up by customs officials for tighter inspections, one of the explanations that customs officials have also given in blocking shipments to Japan for the past month. But John Clancy, the trade spokesman for the European Commission, said in a statement on Wednesday that, "at this time, we cannot confirm claims made by European industry officials in media reports of China blocking rare-earth shipments to the" European Union.

The signals of a tougher Chinese trade stance come after American trade officials announced on Friday that they would investigate whether China was violating World Trade Organization rules by subsidizing its clean energy exports and limiting clean energy imports. The inquiry includes whether China's steady reductions in rare earth export quotas since 2005, along with steep export taxes on rare earths, are illegal attempts to force multinational companies to produce more of their high-technology goods in China.

Despite a widely confirmed suspension of rare earth shipments from China to Japan, now nearly a month old, Beijing has continued to deny that any embargo exists. Industry executives and analysts have interpreted that official denial as a way to wield an undeclared trade weapon without creating a policy trail that could make it easier for other countries to bring a case against China at the World Trade Organization.

So far, China seems to be taking a similar approach in expanding the embargo to the West.

Wang Baodong, a spokesman for the Chinese Embassy in Washington, said on Tuesday that the Chinese government was putting new restrictions on the mining, processing and export of rare earths to protect the environment. But he said that China was not violating any W.T.O.

rules in doing so and that it was not imposing an embargo or trying to use rare earths as a bargaining chip.

“With stricter export mechanism gradually in place, outbound shipments to other countries might understandably begin to feel the effect,” Mr. Wang said in an e-mail. “But I don’t see any link between China’s reasonable rare earth export control policy and the irrational U.S. decision of protectionist nature to investigate China’s clean energy industries.”

Nefeterius Akeli McPherson, a spokeswoman for the Office of the United States Trade Representative in Washington, said that American trade officials were looking into the matter, after a report of the Chinese customs restrictions was published on Tuesday afternoon on the Web site of The New York Times.

“We’ve seen the news report and are seeking more information in keeping with our recent announcement of an investigation into whether China’s actions and policies are consistent with W.T.O. rules.”

Jeremie Waterman, the China director of the United States Chamber of Commerce, said that he was still checking government and industry sources to learn the extent of a suspension of Chinese rare earth shipments. “If it’s true, it’s disturbing news to say the least,” he said.

Mr. Waterman said that rare earths were so important to advanced manufacturing that restrictions on their trade might need to be put on the agenda of the Group of 20 meeting of heads of state, scheduled next month in Seoul, South Korea.

The Chinese government office that oversees rare earth policy, which operated with considerable independence for many years, was moved early last year into the Ministry of Industry and Information Technology. That ministry, formed only two years ago to draft plans for global leadership in many industries, has emerged as a bastion of economic nationalism.

Despite their name, most rare earths are not particularly rare. But most of the industry has moved to mainland China over the last two decades because of lower costs and steeply rising demand there as clean energy industries have expanded rapidly.

Congress is considering legislation to provide loan guarantees for the re-establishment of rare earth mining and manufacturing in the United States. But new mines are likely to take three to five years to reach full production, according to industry executives, although existing uranium mines may be able to move faster by reprocessing previously mined material, which often contains rare earths.

China reduced in July its export quota for rare earths for the second half of the year by 72 percent. Exporters had only six weeks’ of quotas left when China imposed its unannounced embargo on shipments to Japan.

Hiroko Tabuchi contributed reporting from Tokyo.

Source: [New York Times](#) .