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China tightens grip on rare earths

Robin Bromby | May 01, 2009

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THE late Chinese leader Deng Xiaoping once said: "The Middle East has oil, China has rare earths".

Now his successors could add: "And we also have Australia's rare earths".

And that means China keeps its control of the global rare earths market - and allows it to call the tune on the future of a number of industries, including electronic and green technologies.

Rare earths came into their own with colour television - europium, for example, is necessary to have the colour red on your (TV and computer) screen; terbium produces the colour green. Dysprosium, for example, is necessary in the production of compact discs and can also be used in some nuclear control applications. Yttrium, among its many uses, has properties that allow it to be used in the transmission of acoustic energy. Batteries and magnets are other uses for rare earth elements.

But these elements have many military applications as well, which gives a political and strategic dimension to the announcement today that China Non-Ferrous Metal Mining will become the majority shareholder in **Lynus Corp** (LYC), a company which has the Mt Weld project in Western Australia, said to be the world's richest undeveloped deposit of rare earths. The Chinese will commit a total of \$500 million to Lynas, the first tranche being \$US286 million to get Mt Weld into production at the rate of 10,500 tonnes a year of rare earth oxides.

It follows less than two months a deal which saw East China Exploration take a 25 per cent in the other main rare earths play, **Arafura Resources** (ARU). This company has rare earths at its Nolan's project in the Northern Territory.

And both deals come against a background of China, which produces more than 90 per cent of the world's rare earths, working to ensure that it maintains its stranglehold on those elements. Use foreign sources, and save our own, is Beijing's policy. In February it again reduced the export quotas for its domestically produced rare earths: in 2004, Chinese miners were able to export 48,040 tonnes but this has been gradually reduced year by year so that 2009's quota stands at 30,086 tonnes.

Apart from the military issue that has Washington concerned, The Times reported recently that China being what it called the "ultimate monopolist" in rare earth metals would allow that country control over the future of consumer electronics and green technology.

"The time may be rapidly approaching when it will be impossible for any company to produce a wind turbine or hybrid electric car (this) communist country," the paper's Asia correspondent wrote.

And now the chance of Australia to call the shots on its rare earths seemed to have gone for good.

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