

China tightens mineral quotas

"Rare earths" | The cutback of minerals needed for high-tech shrinks world supplies

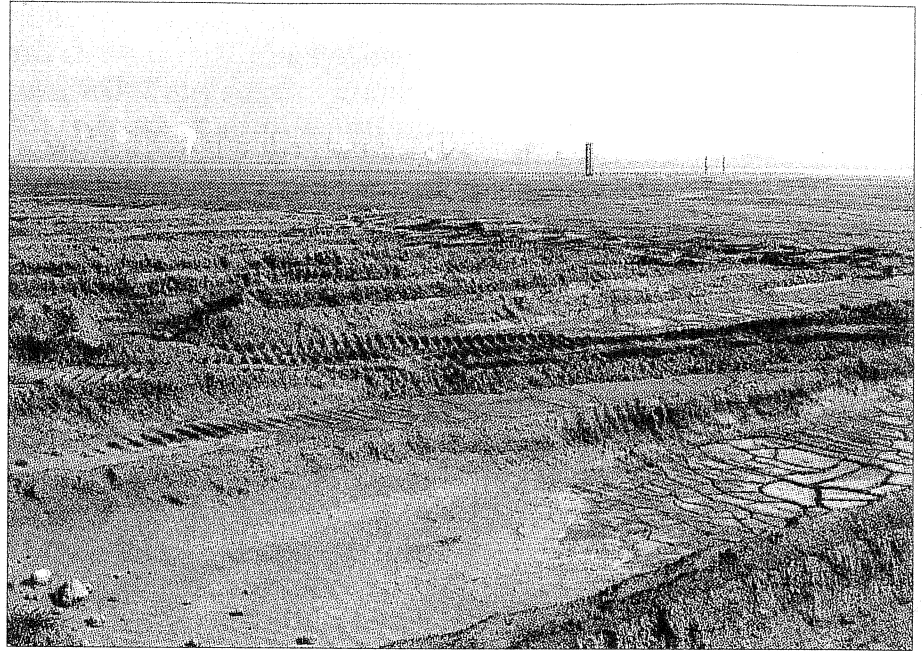
By **KEITH BRADSHER**
NEW YORK TIMES NEWS SERVICE

HONG KONG — China's commerce ministry announced on Tuesday in Beijing a steep reduction in export quotas for rare-earth metals in the first months of next year, a move that threatens to cause further difficulties for manufacturers already struggling with short supplies and soaring prices.

The reduction in quotas for the early months of 2011 — a 35 percent drop in tonnage from the first half of this year — is the latest in a series of measures by Beijing that gradually has curtailed much of the world's supply of rare earths.

China mines more than 95 percent of the global supply of the metals, which are essential for smart phones, electric cars, many computer components and a range of military hardware. In addition, the country mines 99 percent of the least common rare earths, the so-called heavy rare earths that are used in trace amounts but are crucial to many clean-energy applications and electronics.

In what seemed to be an effort to reassure traders and users of rare earths, the commerce ministry said in a follow-up statement late Tuesday on its website that it had not decided what the total export quotas would be for all of 2011. The ministry typically



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Waste from iron-ore and rare-earth factories is discharged at this site in Baotou, China. China feels entitled to call the shots with rare-earth minerals because they have done the dirty, toxic and often radioactive work that the rest of the world has long shunned.

issues a second, supplementary batch of quotas each summer.

The ministry said Tuesday night that companies should not make guesses about the total export quotas for next year based on the initial reductions issued earlier in the day.

"We will be considering the production of rare earths in China, domestic demand and sustainable development needs to determine" the full quotas for the entire year, the ministry website quoted its foreign trade department director as saying, without naming the director.

Earlier this month, China's finance ministry raised export taxes to 25 percent from 15 percent for some of the most crucial rare earths. The ministry also extended taxes to exports of some

rare-earth alloys that previously were not taxed.

China gradually reduced its annual tonnage of export quotas from 2006 to 2009, then cut the tonnage of allowed exports by more than half in the second half of 2010.

Separately, the Chinese government imposed an unannounced embargo on shipments of raw rare-earth minerals to Japan from mid-September to late November, a ban that started during a territorial disagreement over disputed islands.

In addition, rule changes for export quotas have had the effect of reducing the availability of supplies leaving China. Until now, the quotas mostly covered alloys and oxides with a rare earth content of at least 50 percent.