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# China Still Bans Rare Earth to Japan

By **KEITH BRADSHER**

HONG KONG — The Chinese government is continuing to block shipments of crucial strategic minerals to Japan, according to industry executives, analysts and a Japanese official.

The blocked shipments of minerals known as [rare earths](#), despite previous signals that [China](#) was lifting the ban, could increase tensions at the meeting of the [Group of 20](#) leading economic powers, now under way in Seoul, South Korea. And it could place China at odds with Germany, which has been an outspoken critic of the rare earths policy but has recently been an ally of China's on a separate matter that is a hot topic for the G-20 — the weak United States dollar.

The continuation of China's unannounced embargo against Japan highlights the delicate balance that Beijing officials are trying to strike as world leaders converge on Seoul. Chinese customs and port officials have been blocking exports of raw rare earths to Japan for seven weeks, [despite suggesting in late October](#) that they were about to allow a resumption of shipments.

Rare earth shipments to the United States and Europe did resume, after a brief suspension in October.

But for Japan, "as far as we're aware, that temporary ban, although still unofficial, remains in place," Dudley Kingsnorth, an Australian rare earths consultant, said in a speech in Hong Kong on Wednesday morning. Mr. Kingsnorth and many executives in the rare earth industry spoke at the annual industry conference here organized by two British companies, Roskill Information Services and Metal Events Ltd.

Rare earths are essential for a wide variety of products, including [wind turbines](#) and smartphones, gasoline-electric hybrid cars, oil refining and the tiny electric motors that control the guidance fins on missiles and smart bombs.

Beijing officials have sought this autumn to assert their country's interests more fully within Asia, across a range of issues. They successfully demanded the return of a Chinese fishing captain detained by Japan near Japanese-controlled islands, and they have insisted on sovereignty over much of the South China Sea, to the dismay of countries like Vietnam and the Philippines.

But they have also been seeking international allies to confront the United States on currency policy. A result has been a sometimes contradictory set of positions, with China aligning itself with Germany in particular on some issues and against Germany on others.

The German government and a broad range of German companies have led [international calls for the Group of 20](#) to discuss China's broad restrictions this year on all exports of rare earths, not just to Japan. A wide range of German manufacturers depend on rare earths, and China produces 95 percent of the world's supply.

But at the same time, Germany and China have been among the most vocal critics of the [Federal Reserve's](#) recent decision to buy more long-term [Treasury bonds](#). The Fed's so-called [quantitative easing](#) could cause a decline in [the dollar](#) in currency markets, which by making American exports cheaper could eventually erode both Germany's and China's large trade surpluses.

After blocking all shipments of rare earth minerals to Japan since Sept. 21, and some shipments to the United States and Europe as well beginning in mid-October, Chinese customs officials abruptly began granting approval on Oct. 28 for most exports to resume.

But a day later, Chinese port officials quietly began blocking the loading of ships with containers of rare earths destined for Japan. That reversal came after high-level China-Japan talks in Hanoi on Oct. 29 failed to produce a thaw in bilateral relations, industry executives and analysts said.

Several industry executives said that they had initially interpreted the port difficulties as a minor logistical problem and a coincidence. This week, though, they say it appears to be a continuation of a ban that began seven weeks ago.

Normal shipments have resumed to the United States and Europe, three rare earth industry executives said in interviews on the sidelines of [the industry conference here](#), which began on Wednesday and ends on Thursday. And Chinese customs officials have been more willing to process the paperwork for shipments to Japan in the past week, executives said, even as the actual loading of vessels is now suspended.

Japan had no official confirmation that rare earth shipments from China resumed even briefly at the end of October, a senior Trade Ministry official said in Tokyo. The official, who demanded anonymity, said that rare earth shipments to Japan continued to be held up at Chinese ports and that the Japanese government had not seen any signs that trade would be normalized in recent weeks.

Japan, the biggest importer of rare earths, is still asking China to clarify and correct the situation, the official said. He added that it was Japan's understanding that the United States shared its concern over China's action, and would continue to seek opportunities to discuss and cooperate on the issue.

He said that ministry officials expected the issue to be raised by Prime Minister [Naoto Kan](#) of Japan at two

conferences this week by heads of state: the G-20 session in Seoul on Thursday and Friday, and a weekend meeting in Yokohama, Japan, under the auspices of the Asia-Pacific Economic Cooperation.

Mark A. Smith, the chief executive of Molycorp, which owns and is [trying to reopen the main American rare earths mine at Mountain Pass, Calif.](#), said at the conference in Hong Kong that he had been working with White House officials on rare earth issues in connection with [President Obama's](#) trip to Asia. It is "highly likely" that Mr. Obama will raise the issue with President [Hu Jintao](#) of China when the two meet in Seoul, Mr. Smith said.

China's commerce ministry has denied repeatedly that a regulatory ban on exports has been imposed.

Most rare earths are not actually rare. But China dominates world production because the rare earths in its major ore deposits are unusually easy to extract for geological reasons. China has also been more willing than other countries until recent months to accept the environmental damage that often accompanies rare earth mining.

Prices have surged up to ninefold this year for some rare earths, as China sharply reduced its export quotas in July and then began blocking companies in late September from using their export quotas for shipments to Japan. Mr. Kingsnorth and Roskill Information Services predicted in their annual market forecast, released at the industry meeting Wednesday, that rare earth demand would grow a little less quickly in the next five years than previously predicted.

Users of rechargeable batteries, including automakers with hybrid cars like the Toyota Prius, are responding to high prices and shortages by accelerating a shift to [lithium](#) ion batteries instead of nickel-metal-hydride batteries, which require lanthanum, a rare earth. But demand for rare earths is still accelerating for clean energy industries like wind turbines, Mr. Kingsnorth said.

George Bauk, the managing director of Northern Uranium of Australia, said that after his company announced last winter that it had located a rare earth deposit in Australia, a Chinese state-owned company made an offer in August to buy 51 percent of Northern Uranium. The Australian company declined the offer as its share prices rose, but a Chinese mining magnate then bought 13.5 percent of its stock on the open market in September, Mr. Bauk said.

The same Chinese state-owned company, East China Exploration, did buy 25 percent of Arafura, another Australian rare earths company, in a deal last year. Another Chinese state-owned company reached a deal last year to buy nearly 52 percent of Lynas Corporation, which plans to open a large rare earths mine in central Australia next year, but the Australian government blocked that deal on national security grounds.

Chinese state-owned companies have also made three unsuccessful approaches in the past five years to acquire the Mountain Pass mine in California. By contrast, the Chinese government does not allow any

foreign purchases of minority or majority stakes in its rare earth mining sector.

*Hiroko Tabuchi contributed reporting from Tokyo.*