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China Seizes Rare Earth Mine Areas

By **KEITH BRADSHER**

HONG KONG — A Chinese government agency has taken steps to more tightly manage the production and export of [rare earth](#) minerals, crucial materials used in a wide range of technologies and products vital to the West.

The agency, the Ministry of Land and Resources, invoked a seldom-used mining law to take direct control of 11 rare earth mining districts in southern China.

The ministry said in a statement, posted on its Web site Wednesday and briefly mentioned Thursday by the state media, that rare earth mining in those districts, all at the southern end of Jiangxi Province, had been placed under its national planning authority.

That step removes administrative oversight of mining from provincial and municipal control; local officials in southern China are widely suspected of collusion with crime syndicates responsible for illegal strip-mining and refining of rare earths.

The ease of digging up and refining some of the most valuable rare earths from the clay hills of southernmost Jiangxi Province and northernmost Guangdong Province, together with soaring prices, has led to a surge in illegal strip-mining that has turned many hillsides into lunar landscapes. Crime syndicates [have dumped the mine tailings](#), including powerful acids and other materials, into local waterways. The [fields and water supplies](#) of peasant farmers who live downstream have been contaminated.

The land ministry, which has inspectors, hinted that it planned to place additional districts under the control of the national government. It said repeatedly in the statement that this was the first designation of national rare earth mining areas. A legal notice dated Jan. 4 was posted with the statement and invoked China's obscure, decades-old planning statute.

American officials had said before the current visit of President [Hu Jintao](#) of China to Washington that they wanted some assurance that China would continue to supply rare earths. But Chinese officials have been leery of international commitments on mining output, and [the 41-point joint statement](#) issued Wednesday by the United States and China after the meeting of [President Obama](#) and Mr. Hu made no mention of rare earths.

China produces 92 percent of the world's light rare earths like cerium and lanthanum, which are used in applications like glass manufacturing and oil refining, and 99 percent of the world's heavy rare earths

like dysprosium, which are used in trace amounts but are vital for products like smartphones and compact fluorescent bulbs.

Most of the heavy rare earths come from an unusual geological formation that straddles the hilly, sometimes lawless southern border area of Jiangxi Province with Guangdong Province. According to geologists, it is the only known commercial deposit of rare earths in the world that has virtually no contamination from thorium, which is radioactive.

Many companies in the West indirectly depend on illegal mining and smuggling. Industry experts estimate that illegal production accounts for about a seventh of the supply of light rare earths in the world and as much as half of heavy rare earths.

Smuggling is less common for light rare earths, partly because they are less valuable. They sell for about \$20 a pound outside China, compared with more than \$100 a pound for some of the heavy rare earths.

Most of China's light rare earths come from a large state-owned iron ore mine in a desert near Baotou, in northern China, where illegal mining and smuggling are more difficult and are becoming harder. Security forces have begun erecting electrified fences to discourage trespassers.

China has repeatedly [cut its quotas for exports](#) of rare earth minerals from government-approved mines and refineries in the last two years, while raising taxes on the exports. It separately imposed a two-month, unannounced ban on exports of rare earths to Japan during a territorial dispute last September and carefully checked other countries' orders for rare earths to discourage trans-shipment to Japan.

The United States Energy Department [concluded in a report](#) last month that clean energy industries in America relied heavily on imports of rare earths and would be highly vulnerable to supply disruptions for as long as the next 15 years. Efforts to dig mines elsewhere face many legal and environmental obstacles.

The Obama administration has included China's export restrictions on rare earths in a broad investigation of whether China has [violated World Trade Organization rules](#) to help its clean energy exports; the [United Steelworkers](#) union has accused China of limiting exports of rare earths to force manufacturers to move their factories to China, an accusation supported by comments in 2009 by Chinese provincial officials saying exactly that.

[W.T.O.](#) rules ban most export quotas and taxes and require countries to provide foreign buyers with the same access to natural resources as the best-connected domestic buyers. But China has recently defended the export quotas and taxes as needed for environmental protection, invoking an exception in [W.T.O.](#) rules that allows the conservation of natural resources.

Alan Wolff, a former senior United States trade official and now the chairman of the international trade practice at the law firm Dewey & LeBoeuf, said the crackdown against illegal mining, which has included numerous raids by Provincial police in northern Guangdong Province, could buttress its defense against [W.T.O.](#) cases by showing Beijing's concern for the environment. But Mr. Wolff added that a [W.T.O.](#) case against China's rare earth export restrictions could still be successful.

In addition to seizing control of the rare earth mining districts in southern Jiangxi Province, the Ministry of Land and Resources announced that it was imposing national planning authority on an iron ore mining area in the western Chinese province of Sichuan that has two other scarce and valuable metals, titanium and vanadium. Titanium has many applications in aerospace and other industry sectors, while vanadium is used in the production of sulfuric acid, which is the main material needed to refine rare earth ores.