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## Crunch looms for green technology as China tightens grip on rare-earth metals

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Japan's increasingly frantic efforts to lead the world in green technology have put it on a collision course with the ambitions of China and dragged both government and industry into the murky realm of large-scale mineral smuggling.

The robust international trade in illegally mined, quota-busting rare-earth metals highlights China's near monopoly on the raw materials for environmental technology – a 95 per cent dominance of world supply that is likely to become more widely noticed as China tightens its grip.

The weight and magnetic properties of rare-earth metals have made them important for wind turbines, essential to hybrid cars, and indispensable if the world ever hopes to convert to fully electric vehicles.

One mining company president told *The Times* that governments that had promised a way out of economic turmoil with bold schemes to subsidise green cars, solar panels and other environmental technology had “spoken without understanding the upstream of modern products”.

Don Burbar, the chief executive of Avalon Rare Metals, said: “The crux of the matter is that there are now a lot of technologies that can't work without rare earths, and China is currently in effective control of the global supply. China has positioned itself to retain control, and meanwhile politicians around the world do not appreciate how the supply side of green technology works.”

In Japan, the world's biggest importer of rare-earth metals, more than 10,000 tonnes per year – about a fifth of the country's total annual consumption – are thought to enter the country through a thriving black import network without which Japan would already be in a severe supply crisis, a senior government official said.

China has been lowering its export quotas for rare-earth metals by about 6 per cent annually since the start of the decade, with Japan expected to be allotted only 38,000 tonnes in 2009. Toyota and Honda alone will consume about that quantity and experts in Australia have predicted a wider global supply crunch within three years as demand surges beyond existing refinery and extraction capacity.

But rare-earth specialists at two of Japan's largest trading houses said that loopholes and smuggling substantially raise the quantities of rare metals that enter Japan each year. Kazunori Fukuda, deputy director of the nonferrous metals division at the Ministry of Economy, Trade and Industry, said: “If the Chinese export quota limits were the reality of what comes into Japan each year, we would be even more worried than we already are. All green technology depends on rare-earth metals and all global trade in rare earth depends on China.”

Ginya Adachi, from the Japanese Rare Earth Association, said that China's dominance of rare earths would serve the developed world with a rude shock about global trade: Japan, America and Europe must now realise that some markets are not real, but political. But he added: “The Chinese Government wants full control but it doesn't have it. It is not in control of the rare-earths market in the same way that Opec is in control of oil. Local miners will sell even if the government tries to control the price or the quotas.”

The Japanese Government has begun looking for alternative supply sources in Vietnam and elsewhere; rare earths are not as rare as the name suggests. There are potential supplies around the world, but prospective miners in Australia and the US are experiencing financing difficulties and as soon as new facilities have emerged in Asia and elsewhere, Chinese companies have quickly become majority investors.

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