

The Planet's "Rare Earth Elements" (REEs): The Worldwide Battle for Strategic Resources

By [Roy Tov](#)

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rare earth elements ("REEs") or **rare earth metals** are a set of seventeen chemical elements in the periodic table, specifically the fifteen [lanthanides](#) plus [scandium](#) and [yttrium](#).^[2] Scandium and yttrium are considered rare earth elements since they tend to occur in the same [ore](#) deposits as the lanthanides and exhibit similar chemical properties. (Wikipedia)

Strategic resources are carefully protected by countries owning them. Bolivia still has 50,000 metric tons of pure silver in Cerro Rico, Potosi. This is the same amount extracted by the Spaniards during colonial times in that place. Bolivia's strategy is to keep this vast richness for the uncertain future, when fiat money might collapse. A similar strategy was adopted by the USA with respect to its oil. The USA has the 13th largest oil reserves in the world; yet it is the world's largest oil importer, purchasing more oil than the entire European Union, which rates only 23rd in reserves. This assures that the USA will improve its competitiveness in this market. Yet, in odd cases, ownership of strategic resources may become a liability. Apparently this is the case with rare earth minerals in China; this country exhibits an odd behavior towards one of its most unique resources. A new study by the European Commission hints that China's peculiar reaction may be an early response to yet another Western attempt to colonize and control strategic resources. Unsurprisingly, even Israel is involved

Rare earth elements are not especially scarce on Earth; the problem is that they are dispersed and thus difficult to extract. Rich deposits are rare, thus their name. These seventeen elements were used until recently only in esoteric applications; if you didn't need special types of superconductors, lasers, or nuclear devices you were unlikely to even hear their names. Yet, in recent years they have become increasingly used, especially in thin, bright-color screens and computer memories. Since 1984, China is the world's largest supplier of rare earth elements; it is the only supplier of the heavier ones, including dysprosium. The 2010 Critical Materials Strategy Report by the U.S. Department of Energy identified this element as most critical in terms of import reliance. The vast majority of Chinese production originates in Bayan Obo, Inner Mongolia. One last datum; China doesn't own the largest reserves of rare earth minerals. Is it committing commercial suicide?

China vs. the World

Roughly until 1950, Brazil and India led the world supply of rare earth elements. South Africa took over then, only to be replaced by the USA in the mid-sixties. Since the 1980's the USA

production is in decline despite this country having discovered new deposits of this rare goods. Despite having been initially discovered in Sweden, Europe doesn't produce any significant quantities. Japan owns large quantities in the form of old electronic products; nowadays it is recycling them at a very slow pace, so that it develops the technologies without flooding the market. Moreover, recently Japanese scientists discovered almost seven million tons of rare earth elements near the island of Minami-Tori-Shima. This is enough to supply Japan's current consumption for over 200 years. Of the known world reserves, China owns just 35%; yet, around 90% of the world's production of rare earth elements comes from China. Japan imports 60% of that. The behavior of China is opposite to the one mentioned in the oil and silver industries. If they continue with this policy, later this century China will have no significant deposits left, while its former main customer—Japan—will rule the market. Moreover, the USA has discovered large reserves in Afghanistan; the Pentagon has estimated the value of the light rare earth elements discovered there at about \$7.4 billion. This probably means that the US Army won't let the Afghani people live in peace until this resource is depleted.

If the USA or Europe were in a similar situation, they would probably place a complete export ban on the strategic resource. However, China just placed a limit on its annual exports of the raw metals (finished products are not counted); the quota is above 30,000 tones, which is enough to supply most of the world requirements. Moreover, it is rapidly developing its market for products using rare earth elements. Can this unusual strategy be explained?

Winning Strategy

It is difficult to understand this American-Israeli eagerness to conquer the goodwill of one of the most sparsely populated countries on earth; a country whose main richness is empty steppes. This is true unless they consider Mongolia a springboard to Inner Mongolia. Mongolia could request the unification of its historical core and find itself backed by the USA, Israel and Europe. Such a shaky alliance probably can't beat China, but it could cause a lot of expensive troubles. Later today, July 5, 2012, Antonio Tajani, the European Union Commissioner for Enterprise will present the abovementioned report on Key Tech Minerals in Spain. The report is unfriendly to the world. It claims that the European Union is facing shortages of 14 critical raw materials needed for mobile phones and emerging technologies like solar panels and synthetic fuels. Among the critical products appear the rare earth elements. The document claims that the markets for these materials will be highly volatile because "rapid diffusion of new technologies can drastically change the demand for critical raw materials." The positive side of the report says the European Union should improve its recycling policies, develop products that require fewer raw materials and encourage research on finding substitutes. However, it also claims that the shortages may be the result of trade policies, taxation and political decisions from the producing countries to reserve their resources for their exclusive use. "It is our aim to make sure that Europe's industry will be able to continue to play a leading role in new technologies and innovation, and we have to ensure that we have the necessary elements to do so," Mr. Tajani said in a formal statement. He also recommended that the Union "consider the merits of pursuing dispute settlement initiatives" at the World Trade Organization because "such actions may give rise to important case law." In other words, Europe will fight for the Chinese resources; history shows that Europe can get awfully violent and untrustworthy in such circumstances.

China doesn't have a confrontational culture. Moreover, at the very strategic level, rare earth elements are relatively unimportant. Now China dominates the market and sells them

at premium prices; once recycling becomes the main source of the products the prices will drop. A few years from now, China will be the largest economy in the world. It will enjoy a preferred commercial position for the purchase of anything. Its leaders probably assume that it won't have any problem in purchasing rare earth elements from its neighbor Japan. Under these circumstances, creating a very expensive confrontation along the Mongolian border is senseless. Better to get rid of the troublemaker resources. This explains the Chinese eagerness to deplete its main mine in a long-term, peaceful strategy that the West never mastered. Bravo, China!

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