The Chinese Rare Earths Monopoly Saga Continues

written by Jack Lifton | September 12, 2023

The blather in the media suggesting that China could or already be weaponizing the export of their “rare earths” to the rest of the world is so one-sided that it must make the Chinese wonder if non-Chinese “analysts” and “experts” ever bother to see the world from the perspective of “others.” For more than a decade China has been aggressively acquiring outright or buying the output of non-Chinese rare earth sources. At this point in time, China is the overwhelming buyer, worldwide, for example of the mineral monazite, which is produced primarily as a byproduct of the processing of heavy mineral sands, which are the source of zircon and ilmenite, source minerals for, respectively, zirconium and titanium.

We can speculate that China seeks heavy mineral sands for its world-dominating production of zirconium and titanium and that the rare earths are just an added extra attraction. But my survey of actual China experts, not those who’ve never been to China and work for “intelligence” gatherers and purveyors, tells me that China is focused on conserving its own rare earth resources and responding to internal pressure to clean up its massive rare earth industry’s pollution problems. We know that Baotou’s famous operations now include extracting rare earths from the massive tailings produced over the last 30 years of poor quality mining and that China Nuclear has been licensed to process up to 50,000 tons per year of monazite to recover up to 30,000 tons per year of total light rare earths while removing the uranium and thorium from the monazites, which typically contain up to 50% more of the desirable magnet precursors, neodymium and praseodymium, than Baotou’s (and MP Materials

Corp.’s (NYSE: MP)) bastnaesite.

China has now also essentially shut down its domestic heavy rare earth production from its ionic adsorption clays due to environmental degradation from their in-situ processing. China gets the majority of its heavy rare earths from Myanmar ionic adsorption clays today. The production of the first Western ionic adsorption clay producers, in Burundi and Brazil, is already pre-sold to China.

Australia has the world’s first hard-rock heavy rare earth mineral mine, that of Northern Minerals Limited’s (ASX: NTU) xenotime deposit in Western Australia. It is controlled by Chinese interests.

China is doubling the size of its rare earth permanent magnet industry. It is said that this will happen by 2025.

This means that China needs more, much more of the magnet precursor rare earths and all of the heavy rare earths, in particular, that it controls.

It is the domestic Chinese market, the market of the Belt and Road countries, and the rest of the non-aligned with China world, in that order that is driving the Chinese rare earth markets with emphasis on value added in China.

When Western, Japanese, and Korean governments announce that they want to be independent of China for rare earth permanent magnet products, the Chinese simply calculate when, in the best and worst cases, they will no longer have demand for rare earth enabled products from those countries and focus on their key domestic and allied markets.

It is very unlikely that Western car and appliance makers will be able to replace any substantial quantity of Chinese sourced

rare earth permanent magnet motors by any of the ridiculously short-sighted timelines dictated by government mandates. In fact, as is already happening in Europe, it is likely that Chinese EV makers will outcompete European car makers in their (European) home markets due to their cost and critical minerals availability advantages.

The United States is woefully unprepared for the EV transition. But the 25% Trump tariff on Chinese imported cars is helping stave off a Chinese tsunami in the US car market.

2030 is fast approaching, and it’s hard to see how the automotive and appliance industries are going to decouple from China.