

China ends export quotas on rare earth elements

December 31, 2014

According to a statement released on December 31, China has ended export quotas they previously placed on rare earth elements (REEs) after the World Trade Organization (WTO) declared the quotas illegal in August 2014. REEs are critical elements in the production of mobile phones, electric cars, solar panels, and defense technologies, China produces approximately 90 percent of the world's REE supply, although it only has 50 percent of global reserves. The U.S. and other industrialized nations accused China of implementing quotas to drive up international prices, which forced manufacturers to limit production of certain products or find substitute materials.

Although China abolished the quotas, they have instituted new licenses and tariffs that analysts suggest will keep export prices of REEs as much as 15 to 25 percent higher than domestic prices, a strategy intended to draw international manufacturing to China. U.S. and European companies have begun work to expand mining and processing of REEs in their own countries, which would diversify the global market, but it could take several years before the infrastructure is complete.

Sources: Bloomberg News, Congressional Research Service, E&E News, The Guardian

Updated 2/11/15
