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I'll Take My Quotas Medium-Rare, with Some Chinese Cerium on the Side

Perhaps President Obama will form yet another 12-member “Super Committee” to try and solve this latest riddle wrapped in a mystery inside an enigma called rare earths.

When Winston Churchill said something similar in 1939, he was talking about Russia, how its actions might revolve around just one thing: Russian national interest.

The same could be said of China, its stranglehold on the rare earth industry and the world’s growing interest in what that country will do next.

Just this morning, a Washington-based organization called [RARE, The Association for Rare Earth](#), urged the formation of “Senate and House caucuses to focus on the challenges of securing supplies of rare earth elements for the nation’s high-tech, clean energy and defense communities.”

In a request letter to members of Congress, RARE’s president and board wrote that such elements are “critical to the production of virtually every high-tech and clean energy product and are fundamental to the national security of the United States. A secure and sustainable supply of REEs affects thousands of companies and millions of American jobs.”

The letter urged the creation of the bipartisan caucus to “assist the REE community in navigating the rapidly changing and still emerging issues surrounding rare earths.”

Earlier this month, experts, politicians and officials from the US, EU and Japan got together in Washington. The occasion? Pretty much the same thing. Talk about ways to limit demand for critical materials from China, such as rare earths.

At the same time, there's a growing cross-border effort to recycle rare earths and/or substitute the metals with, um, some other material that probably won't work as well. Induction motors, non-REE electric vehicles, et cetera.

“Non-Sino Global collaboration seems to be an emerging trend in international cooperation through state-owned and trans-national corporations,” according to [*The Rare Earth Market: A Monthly Analysis for the Rare Earth Industry*](#), a 15-page report put together by [Metals-Pages](#) and [Core Consultants](#).

The report called attention to one recently formed venture, KT Rare Metals Company, a joint undertaking between Kazatomprom (Kazakhstan's state-owned nuclear and rare earth mining group) and Japan's Toshiba Corporation.

“We believe that this venture is the start of a conscious effort to exclude the Chinese from global rare earth supply; the upshot could lead China being forced to operate as a closed economy in so far as rare earths is concerned,” the Rare Earth Market report stated. “That is, it could lead to further export restrictions, or even a self-inflicted embargo.”

So, while we are seeing something akin to a groundswell of support to undermine China's rare earth market, there are Chinese rare earth organizations, such as the Jiangxi Rare Earth Association, wanting to push back.

They're asking for more centralized control over supply, demand and, therefore, keeping prices stable for end-users (and shutting down the speculative side of the market).

Metals-Pages' Rare Earth Market report had this to say: “Undisclosed sources in China have revealed to us that there could be a move to establish a centralised pricing union, though we do not foresee these efforts gaining any viable traction until 4Q12-1Q13. While these ambitions have seemingly noble intentions, we believe that the establishment of such a union could empower China to keep prices inflated through limitation of production.”

Oddly enough, these arguably powerful voices coming from China and the rest of the world might accomplish the same task – close down China's rare earth export market and force western governments to ramp up their own rare earth markets via deregulation, funding and expediting everything from permits to building related infrastructure.

That's one outcome. But, given the slightly bigger problem of a coming global economic collapse (read: The day that gold bugs everywhere get to say, “I told you so.”), the rare earth question, much like U.S. government spending, could remain an enigma for some time.