

Canada, U.S. agree on strategy to reduce need for rare-earth metals mined by China

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The two countries are seeking to reduce dependency on China, which has gained control over critical minerals with mines like this one in Inner Mongolia.

Canada and the United States have signed a memo of understanding to reduce their reliance on China for rare-earth minerals that are critical to high-tech and military products, such as smartphones, electric cars and weapons guidance systems.

Officials in both countries have been working since August to develop an action plan for specialty mineral projects and strategic investments in North American processing facilities, as well as greater research and development in extraction of rare-earth materials.

The memorandum was signed on Dec. 19 and aims to secure “resilient supply chains for critical energy minerals” for key sectors, including aerospace, defence and clean technology, according to a statement by Canada’s Natural Resources ministry and the U.S. Department of Energy.

Pierre Gratton, president of the Mining Association of Canada, said China is gaining control over critical minerals and metals such as uranium, lithium, cesium and cobalt. These types of specialty materials are used in a wide variety of products ranging from lasers, computer chips, electric vehicles, solar panels, smartphones and military equipment, including smart bombs and fighter jets.

“This is about the U.S. wanting to make sure it has access to a reliable supply of metals for its defence industries and manufacturing sector,” Mr. Gratton said. “Canada is really well positioned because we have a strong mining industry. We are integrated into the U.S. market and the auto sector and some of the manufacturing sectors that need these minerals and metals.”

At a White House meeting in late June, U.S. President Donald Trump and Prime Minister Justin Trudeau agreed to negotiate a joint strategy on mineral collaboration. The U.S. is also seeking alliances with Australia, Japan and the European Union, which share U.S. fears about mineral dependency on China.

Mr. Gratton said the Germans are also worried about Chinese control over critical minerals that are necessary for its automobile sector, such as lithium used in batteries to power electric vehicles.

“They are feeling very vulnerable by depending entirely on China for so much of it,” he said. “So this is what this whole U.S. initiative is about, and what the Europeans are really interested in is how do we overcome a situation where a non-market player is starting to take control over the market.”

Mr. Gratton said China is buying up critical mineral and metal mines in Africa, Indonesia and the Philippines. It is able to gain control of the market through cheap labour and by ignoring costly environmental standards required in North America and Europe, he said.

“It started with magnesium and tungsten and now it is playing out with other metals, even nickel where Canada is a major producer,” Mr. Gratton said. “The price of nickel is low because the Chinese are all over Indonesia and the Philippines extracting nickel, using practices we would never authorize here in Canada at lower costs.”

For example, Mr. Gratton said China flooded the market with magnesium when Noranda Inc. built a plant to extract magnesium from asbestos tailings in the Quebec town of Asbestos in 1999, forcing the company to close shop in 2002 and take a \$630-million write-down.

China has made veiled threats to restrict critical materials as leverage in its trade war with the U.S., as it did against Japan. In 2010, Beijing limited rare-earth exports to Tokyo while the two countries were sparring over disputed islands.

“For decades, China has pursued a strategy to control global critical mineral production and processing. This strategy has led to China being the leading producer of minerals vital to the modern economy,” according to a Canadian briefing document.

Mr. Gratton said Canada’s mining sector is setting up a task force to work with Ottawa and Washington. The initial focus is to identify critical mineral projects and study “how to overcome some of the R&D challenges to drive down costs and be competitive with China,” he said.

One long-term goal is to get U.S. manufacturers and defence industries to “guarantee supply through contracts” so Canadian mining companies can “survive when the Chinese decide to flood the market,” he said.

In 2018, the U.S. compiled a list of 35 mineral commodities considered critical to its economic and national security. Of these, China was the top supplier of 13 and the top producer of nearly 20.

The U.S. listed six minerals for which Canada was its top supplier, including aluminum (aircraft, power transmission lines, alloys), cesium and rubidium, which often occur together (medical applications, global-positioning satellites and night-vision devices), indium (flat-panel displays, special alloys), potash (key fertilizer), tellurium (infrared devices and solar cells) and uranium (nuclear and medical applications).

In recent years, Chinese firms have also purchased stakes in Canadian companies that extract cesium, uranium, chromite, the main source of chromium – a key ingredient in stainless steel – as well as lithium.

With a report from Steven Chase