**China Ends Its Rare Earth Ore Export Quota**

After losing its battle in the final ruling in the World Trade Organization (WTO), Beijing ended its decades’ practice of rare earth ore export quotas system. On December 31, 2014 China’s Ministry of Commerce (MOFCOM) and the General Administration of Customs (GAC) jointly issued two announcements, effective January 1, 2015: “Catalogue of Commodities Subject to Export License Administration in 2015 (Announcement [2014] No.94)” and “License-Issuing Catalogue in Grades of Export License Administration in 2015(Announcement [2014] No.97)”. Enterprises no longer need to provide approved export quota documents from the Ministry of Commerce for a total 8 types of goods: rare earths, tungsten and tungsten products, bauxite, coke, silicon carbide, manganese, molybdenum, and fluorspar.

China’s export restrictions are strategic in the sense that they have been producing about 93% of global rare earths, up until the recent reduction to 86% due to other countries and manufacturers increasing their supply. In addition, they control the majority of the world’s tungsten ore supply.

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| **Year** | **Maximum Export Quotas (tons)** | **Actual Export (tons)** | **Quotas utilization rate (%)** |
| **2014** | **30,611** | **24,866 (11 month)** | **81.2%** |
| **2013** | **30,996** | **22,493** | **72.6%** |

**Export Licenses, is just another type of Quota:** According to the announcement, an exporting licensing system has been put in place that limits the number of companies that are permitted to export materials. A total of 75 export licenses related to rare earth ore, metals and compounds listed in the 2015 Catalogue and are now subject to export control by means of licenses, which include 39 medium-and-heavy rare earths and 36 light rare earth mixtures. Furthermore, export of these materials must be routed through 1 of 8 specific locations: Tianjin Customs, Shanghai Customs, Qingdao Customs, Huangpu Customs, Huhehaote Customs, Nanchang Customs, Ningbo Customs, Nanjing Customs and Xiamen Customs.

**Hefty Tariffs to continue:** Currently, China still requires rare earth exporters to pay 15-25% tariff as the China State Council Tariff Commission issued a "2015 tariff plan" on December 16th, 2014, which shows that the rare earths export tariffs remain the same as that of 2014. However, unlikely, there is some speculation that tariffs on real earth materials may be reduced or be eliminated in the second half of 2015.

As a result of the Export Licensing System and 2015 Tariff Plan, the cancellation of rare earth export quotas by the Chinese government is expected to have a limited impact on the global rare earth market. Any relaxation of price due to higher export volumes will likely be offset by these export tariffs and volumes will be limited by the permissible number of export licenses offered. It is evident that China’s goal is to form a tightly controlled fast track rare earth industry that includes production, sales, and distribution to the exporting.