

Why is the CEO of Quest Rare Minerals so popular in China?



A few days ago, Our Chinese correspondent, Hong-Po Shen, brought two interesting statistical tidbits about the popularity of the ProEdgeWire video interviews in China to our attention. He noted that, in a special Mandarin language [page](#) for ProEdgeWire videos, the ad for the [Technology Metals Summit](#) has received the highest number of hits; 11,864 until a few minutes ago. In fact, Chinese rare earths and new technology aficionados are well aware of our event on April 21-22 in Toronto as the most important such conference in the western hemisphere. Therefore, the popularity of that short video, then, may not be all that surprising. What is surprising is the second most popular video, at 8,052 views and counting, is a recent interview between Peter Cashin, President and CEO of Quest Rare Minerals (TSX: QRM | NYSE MKT: QRM) and Tracy Weslosky, the Publisher of ProEgeWire.

This video has been popular on the English page as well, receiving about 300 hits so far, but the video's faster spread in China raised the obvious question as to why there might be such interest for Quest Rare Minerals in China. Peter Cashin speaks in a pleasant tone, has a friendly smile and a nice demeanor, presenting the case for Quest. But while that may attract some hits, it fails to explain the popularity of the video in question. Perhaps it has more to do with Quest's increased resource estimate and its claimed potential as being one of the largest heavy rare earths (HREE) deposits in the world. That would certainly raise some interest in China, which remains, for the time being, the main supplier of such

HREE as dysprosium or terbium. Yet there is something else and it may have to do with the fact that Peter Cashin has earned a reputation as one of the main proponents of the notion that China will soon become a net importer of the very same strategic materials and rare earths, over which it now holds a virtual monopoly of supply.

Cashin has suggested that China may start to import some critical minerals by 2014, suggesting that China could become one of Quest's main customers. This is a rather hefty claim, considering that China currently accounts for 95% of the world's rare metal supply and that the country has about one half of known rare metal reserves. The claim warrants investigation, since it is of great consequence on both sides of the REE fence. Should evidence grow in support of the 'China as an REE importer' notion, all REE miners with competitive resources and processing capabilities in the western hemisphere (or in the ideological 'West' such as Australia) will look to China as a major market, just as China has been looking to the rest of the world as a major market for nearly two decades.

The first sign of credibility has come in the form of Chinese REE export restrictions. Certainly, there is a large aspect of geopolitical 'posing', seeing as its decision affects the ability of competitor industrial nations to meet their industrial demand, leaving them in a more vulnerable position vis-à-vis China. Nevertheless, as Hong Po has often noted in his reports from China itself, Chinese government and industrial leaders are genuinely concerned about domestic issues governing or affecting REE supply and demand. The raw material dispute with China reached a peak exactly a year ago, when The United States and Japan made a formal complaint to the World Trade Organization. If the outcome of the motion seemed sure to condemn China then, today upon further consideration, there is less of a case that can be made for it. In legal terms, China would also have to resort to an

appeal, so no concrete decision will, be taken before 2014. Should the US and China obtain some victory over China at the WTO, it would be rather hollow, or Pyrrhic as some EU officials have suggested.

This is because, according to the EU's own statistics, China will, in fact, become a net importer of rare earths. New deposits of rare earths have been uncovered from Kyrgyzstan, Mongolia to Namibia, South Africa, Canada, Australia and the United States; even Europe may have some if we consider the potential REE deposits in Greenland. Then there is a basic issue of semantics: 'rare earths' are not 'rare' at all; what is rare is the ability to process them efficiently and for a variety of reasons, the West gave up that capability all too easily to Chinese industry in the late 1980's as environmental and other considerations made mining more expensive in the industrialized economies (OECD). Even heavy rare earths, while accounting for a tiny percentage of a deposit's total rare earth oxides can still be found. China, therefore, is not holding the West 'hostage' – not in rare earths. Indeed, as Tony Robbins, the supreme leader of the motivational self-help set, would remind us, a crisis in Chinese characters represents 'danger' and 'opportunity' and there are more opportunities to be gained by avoiding an escalation of the WTO dispute.

The West should concentrate on improving metallurgy and processing techniques and making them more environmentally efficient. The Chinese themselves are encountering difficulties in the rare earths industry, having become increasingly aware of the harmful effects that occur when environmental considerations are overlooked. Such oversights may have helped attract business initially, but Chinese citizens are becoming much more vociferous on such matters. Europe, the United States and Japan have had to develop their industry in a much stricter regulatory framework and they can offer China some solutions to overcome these difficulties and

eventually reach a more international regulatory framework that makes it more difficult for one power to hoard a critical resource space. Meanwhile, the argument that China will become a net importer of rare earths should also serve as a boost for miners in the Western space from a supply security and continuity aspect.

If China's REE restrictions are in fact based on industrial and environmental considerations, others should be ready to step in and offer alternative supplies. Conversely, in the West, new sources, more investments and mining must be encouraged in order not risk supply deficiencies, which would in turn affect many other economic and security/defense sectors.