



Tungsten scarcity raising red flags

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NEW YORK — The scarcity of tungsten in the international market is becoming an increasing concern, with a World Trade Organization (WTO) case in the offing against China due to its export restrictions on the material.

Jean Kemp, director of steel trade policy at the U.S. Trade Representative's office, said at the recent Congressional Wire and Wire Products Caucus in Washington that the USTR office, aware that Chinese export quotas result in "a serious disadvantage to downstream producers," is considering filing a WTO trade case (*AMM*, Sept. 29).

In July, the WTO ruled against China in a raw materials case that addressed complaints filed in 2009 by the United States, Mexico and the European Union related to exports of bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, yellow phosphorus and zinc, although China has appealed the ruling (*AMM*, Sept. 1).

But one end user was unimpressed. "Everybody says that (tungsten is scarce), but nobody can do anything about it. The Chinese are just going to tell you to stuff it. It's all just political posturing," he said, adding that international trade cases in the past have been lengthy and ineffective.

The British Geological Survey recently listed tungsten at the top of its list of "chemical elements or element groups which are of economic value" with the biggest supply risk for 2011, pegging it at 8.5 out of a possible 10 on its index. In particular, it noted China's dominance in supply, which the survey said was about 83 percent of the world's total, as a big factor in the metal's ranking.

The list was compiled using the criteria of scarcity, production concentration, reserve base distribution and governance.

Tungsten prices have ramped up significantly this year on tightening supply, with U.S. prices rising to between \$435 and \$445 per short ton unit (\$480 to \$490 per metric ton unit) from \$305 to \$309 per stu (\$336 to \$340 per mtu) in late January, while the price in Europe has increased to between \$460 and \$470 per mtu from between \$335 and \$340 per mtu in the same period. Participants at the recent International Tungsten Industry Association (ITIA) annual meeting in Nice, France, said that they expected supply to further dwindle and prices to rise.

"One interesting comment that was made by the China presenter (at the ITIA meeting) was that, in his mind, the actual price of tungsten did not factor in the real value of the material," Pierre Monet, president of junior tungsten miner Malaga Inc., told *AMM*. "China believes that the price should be higher because we are not seeing any significant new production (in the rest of the world)."

Malaga supplies about 15 percent of the tungsten sourced outside China from its Pasto Bueno property in Peru, according to a recent statement.

"Part of the Chinese perspective is that it's become more expensive to produce (tungsten). They've closed unsafe mines and they're just not going to give it away," said an end user who also attended the ITIA conference, adding that there also was a strategic element. "It's similar to the U.S. and oil: 'We have domestic oil reserves, but we're not shipping them; we're holding them back.'"

Supply in the rest of the world is not set to increase significantly, meaning more reliance on Chinese supply.

"The same mines from six years ago are still in the pipeline, and half of them you should probably throw away due to cost, location and environmental restrictions," the end user said.

Consumers are already scrambling for material, with Malaga having been approached by numerous companies for a possible offtake, even though all of the company's material is already committed to Global Tungsten & Powders Corp. (GTP), a subsidiary of Reutte, Austria-based refractory metals and composite materials manufacturer Plansee Group, until 2014.

"Even they (GTP) are looking for more tungsten right now," Monet said, adding that Malaga has significantly increased exploration at Pasto Bueno to try to satisfy growing demand.