

## The Case of the Missing Tortoise: 'Rare Earth Shortage'

by Eric Thomas

Jan. 19, 2010--The much-advertised rare earth shortage is not what it seems. The United States was the world's leading producer of these increasingly important minerals, until 1994, when Wall Street and government environmental agencies colluded to shut down the world's most productive mine in California. The astonishing story of the Mountain Pass mine is a case study in how Britain's global monetary and strategic raw materials empire works.

The rare earths, which are not really so rare, refer to the elements scandium, yttrium and the 15 lanthanides. Rare earth elements, and alloys that contain them, are used in many devices that people use every day. For example, samarium and neodymium are used to create strong permanent magnets used in electric motors, and generators, cell phones, computers, and most modern sound systems. Europium is used to produce the red color in your computer screen, while other elements of the lanthanide series are used as a catalyst in refining crude oil, and have other, strategic military applications.

The Mountain Pass mine, located in the Mojave Desert north of Barstow, California, was one of the richest, if not the richest rare earth element (lanthanide) mine in the world. But on Oct. 31, 1994, with the passing of the California Desert Protection Act, the mine was effectively surrounded by park land, potentially locking up a large part of the ore body in the new Mojave preserve and adding tremendous constraints to the open pits operation. This act was pushed through by Sen. Diane Feinstein and Rep. George Miller.

When water from a routine flushing of the tailing pipeline accidentally spilled into the Mojave preserve, the clean-up effort by the owner, Molycorp Minerals LLC, was delayed for months by Federal agencies. Twenty-nine government agencies got involved. U.S. Fish and Wildlife and California Department of Fish and Game SWAT teams seized the company computers and records at gunpoint. They held the employees incommunicado under armed

guard, denying them access to the company attorneys, who were held outside at the main gate.

These federal agencies levied more than \$6 million in fines and penalties against the company. This includes \$1 million for a dead desert tortoise that was found on the property. (!) An autopsy on the tortoise failed to show any wrongdoing on the part of the company.

As it turns out, Diane Feinstein's husband, Richard C. Blum, an investment banker with ties to Felix Rohatyn and Lazard Freres, had major investments in China, and had become the representative for a Chinese rare earth producer at the time. China's rare earth industry was going to get a major boost from the shut-down of this mine.

Molycorp Minerals eventually shut down, unable to both compete with China's pricing and deal with all the government-imposed fines. Molycorp was then sold in 2008 to private equity fund and holding banks. Those were Resource Capital Fund IV L.P, Pegasus Partners IV, LP, and The Goldman Sachs Group, Inc. Now, apparently, the impediments encountered by Molycorp have been lifted and the company is in the process of reopening operations.

Pegasus Partners is nominally a "green" company, based in Wales. It was appointed by Governor Arnold Schwarzenegger of California to serve as the financial advisor to the R20 Regions of Climate Action. They are also part holders of Resource Capital. Sogemin Metals Inc. was convicted by the Commodities Trading Commission for laundering money in the Cayman Islands with money from a Chilean mine. Sogemin and Consider merged to form Traxys, which is also a part owner of Pegasus.

This is just one case of how the global British monetary empire has operated. Expect to see the same thing occur, in the immediate future, with other strategic minerals, if the United States doesn't reassert its sovereignty soon, by the reinstatement of the Glass-Steagall Act and the launching of NAWAPA.