

China says rare earths not a 'bargaining tool'

October 28 2010, By JOE McDONALD , AP Business Writer

(AP) -- China said Thursday it will not use exports of rare earths, exotic minerals required by high-tech industry, as a diplomatic "bargaining tool" while Washington pressed Beijing to clarify its policy following its de facto ban on supplies to Japan.

China accounts for most [rare earths](#) production and global manufacturers that need them to produce mobile phones and other goods were alarmed when Beijing blocked shipments to Japan last month amid a squabble over disputed islands.

"China will not use rare earths as a bargaining tool," said a spokesman for the Ministry of Industry and Information Technology, Zhu Hongren, at a news conference. "Rather, on the basis of cooperation, development and a win-win outcome, we will have cooperation with other countries in the use of rare earths, because it is a nonrenewable energy resource."

Zhu did not answer a reporter's question about when normal rare earths exports would resume.

Meanwhile, U.S. Secretary of State Hillary Clinton called on China to clarify its policy on rare earths. She said recent Chinese restrictions served as a "wake-up call" for the industrialized world.

"I would welcome any clarification of their policy and hope that it means trade and commerce around these important materials will continue unabated and without any interference," she said Wednesday at a news conference in Honolulu after meeting with Japanese Foreign Minister

Seiji Maehara.

Japanese companies say Beijing has blocked rare earths shipments to Japan since Sept. 21 after a Chinese fishing boat captain was detained near disputed islands. The captain was later released but Japanese authorities say supplies have yet to resume.

Many see China's action as indicative of its growing aggressiveness in dealing with such disputes.

China has about 30 percent of rare earths deposits but accounts for about 97 percent of production. The United States, Canada and Australia have rare earths but stopped mining them in the 1990s as lower-cost Chinese supplies became available.

Clinton and Maehara said China's limits meant the international community would have to look for other sources.

"This served as a wake-up call (about) being so dependent on only one source," Clinton said. She said rare earths are both "commercially and strategically" essential.

"The entire world has to seek additional supplies in order to protect the important production needs that these materials serve," she said.

Japan is expected to need 32,000 tons of rare earths next year and could face a shortfall of 10,000 tons, assuming the same quota is allowed by China and additional shipments come from outside China, a spokesman for rare earth importer Sojitz Corp. said this month.

China's Commerce Ministry has said it will limit rare earths exports to protect the environment but denied a report shipments will be cut by up to 30 percent next year. This year's export quota is 24,280 tons, down 30

percent from 2009.

Zhu insisted a reduction in exports was in line with China's free-trade commitments under the World Trade Organization.

"China has exercised orderly management over the exploitation, production and export of rare earths. This is in line with relevant regulations of the World Trade Organization," Zhu said. "Our production, use and export of rare earths are based on our considerations for economic development and environmental protection."

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