

European envoy: China may alter rare earths policy

July 14 2011, By JOE McDONALD , AP Business Writer

(AP) -- A European trade envoy said Chinese officials indicated Thursday that Beijing might change its curbs on exports of rare earths after a World Trade Organization panel rejected similar restrictions on other metals.

China accounts for 97 percent of world production of [rare earth metals](#) used in mobile phones and other high-tech products. It has alarmed global manufacturers by reducing exports while it tries to build up its own industry, prompting pressure from Europe and the United States to treat foreign and domestic buyers equally.

The [European Union](#) trade commissioner, Karel De Gucht, said [Chinese officials](#) gave "general indications" the policy would change following the WTO ruling on July 5. It said China improperly protected its domestic manufacturers by restricting exports of nine materials used by the steel, aluminum and chemical industries.

"They realize that they have to change their policy," De Gucht told reporters after meeting with China's trade minister, Chen Deming, and other officials.

De Gucht said the officials gave no details and the outcome would depend on the result of an appeal that Beijing has said it will file against the WTO ruling. But he said Europe and the United States want to see the ruling's principles applied to rare earths.

Chinese authorities say [Beijing](#) restricted exports to conserve scarce supplies and curb [environmental damage](#) caused by mining. But foreign governments complain similar limits were not applied to domestic manufacturers that use rare earths.

"From the general indications they gave, I can conclude that they realize that they cannot have a different policy with respect to exports than with respect to internal consumption," De Gucht said. He expressed confidence the two sides can reach a "sensible solution."

The 27-nation EU is China's biggest trading partner.

On Thursday, China issued rare earths export quotas totaling 15,738 tons for the second half of this year. That appeared to be nearly double the 7,976 tons for the same period of 2010, but De Gucht said the total was unclear because the list has been expanded to include ferrous alloys that incorporate rare earths.

Rare earths are a group of 17 minerals used in manufacturing flat-screen TVs, mobile phones, batteries for electric cars and wind turbines.

China has about 30 percent of the world's rare earths. The United States, Canada and Australia also have deposits but stopped mining them in the 1990s as lower-cost Chinese ores flooded the market. Companies are restarting production in North America and elsewhere but the Chinese restrictions have pushed up global prices.

De Gucht acknowledged the Chinese government's other stated reasons.

"It has environmental ramifications," he said. "But if that affects production, then that should go not only for exports. It should also go for the internal consumption."

The WTO ruling said China's policy that imposed extra duties on exports of coke, bauxite, zinc and six other materials violated its commitments to treat foreign and domestic companies equally. The complaint was brought by the EU, the [United States](#) and Mexico.

De Gucht said Europe and other trading partners want a negotiated settlement on rare earths. But he said he made clear that "we would not hesitate to take further action" if no agreement is reached.

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