

# **China defends rare earth export restrictions (Update 2)**

March 13 2012

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China said Tuesday that it would "properly deal" with a complaint by the United States, European Union and Japan over rare earth minerals, but defended its right to restrict exports of the elements.

The three economic powers lodged the complaint with the World Trade Organization alleging China -- which produces 97 percent of the world's supply of rare earths such as lutetium and scandium -- was unfairly benefiting its own industries by monopolising global supply.

China's Ministry of Commerce confirmed in a statement on its website that it had received the request for dispute settlement and had already informed other countries of its export policy, the official Xinhua news agency said.

China has "emphasised repeatedly that the policy aims to protect resources and the environment, and realise sustainable development," the statement said, adding Beijing had no intention of protecting domestic industries by distorting its foreign trade.

"China will properly deal with the request for dispute settlement in accordance with the WTO's settlement procedures," the ministry added.

Xinhua earlier Tuesday said the suit was "likely to hurt bilateral trade ties and trigger a backlash from China instead of settling the rift."

"A better choice for the United States would be sitting down with China

face-to-face and solve the problem through negotiations instead of making it an internationalised issue," it added.

Rare earths are critical to making everything from iPods to low-emission cars -- and China's export quotas on the elements have triggered an outcry among major trading partners.

The WTO complaint argues Beijing places restrictions on the export of 17 rare elements as well as tungsten and molybdenum.

It formally requests "dispute settlement consultations," the first step in any bid to settle WTO disputes.

"If China would simply let the market work on its own we would have no objections, but their policies currently are preventing that from happening and they go against the very rules that China agreed to follow," US President Barack Obama said.

Beijing has set its 2012 export quota for rare earths -- which have a wide range of applications in the military and technology sectors in particular -- at around 30,000 tonnes, roughly the same level as 2011.

Critics say the restrictions are aimed at driving up global prices and forcing foreign firms to relocate to the country to access them.

But Beijing says the measures are necessary to conserve the highly sought-after natural resource, limit harm to the environment from excessive mining and meet domestic demand.

Earlier, foreign ministry spokesman Liu Weimin defended China's rare earth export restrictions.

Liu said China would continue to supply rare earths to the international

market, and pointed out that Beijing had also put restrictions on mining the materials within the country.

It has for instance stopped issuing new licences for prospecting and mining rare earths and has also adopted production caps, in what it says is a bid to protect the environment.

He also urged other countries with rare earth resources to "actively develop and explore" these and "share the responsibility for supplying rare earths."

Obama, facing fierce election-year pressure over China from Republican opponents, has repeatedly called on Beijing to play by the "rules of the road" as it rises to become one of the dominant players in the global economy.

He has already launched a new enforcement centre to more aggressively challenge "unfair" trade violations, including by China.

In other disputes, Washington has accused China of artificially undervaluing its yuan currency in order to boost its own exports, hurting US manufacturers and hobbling the economic recovery.

But China defends its exchange rate regime, saying it is moving gradually to make the yuan more flexible.

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