

Limits on Rare Earth Exports Get China in Trade Dispute



USDA

Rare earth oxides from top center clockwise: praseodymium, cerium, lanthanum, neodymium, samarium, and gadolinium

This is the VOA Special English Economics Report.

The United States, European Union and Japan have called for talks with China under the dispute settlement system of the World Trade Organization. They want to discuss China's export limits on rare earth metals and two other minerals, tungsten and molybdenum. WTO rules give talks sixty days to work. If they do not settle the dispute, a WTO panel can then be requested to help reach a settlement.

Rare earth metals are used in the manufacture of almost every high-technology device -- from mobile phones and computers to batteries for electric cars. And demand is only growing.

China says it follows WTO rules in exporting the minerals. In twenty ten, China mined about one hundred thirty thousand metric tons of rare earth metals. That was about ninety-seven percent of world production.

But information from China's government and the United States Geological Survey shows that China has reduced its export limits sharply in the past two

years. Critics say this unfairly helps Chinese companies in the production of high-technology products. And, they say, it is a violation of World Trade Organization rules.

This week, President Obama explained why the United States is involved in the case.

BARACK OBAMA: "This case involves something called rare earth materials, which are used by American manufacturers to make high-tech products like advanced batteries that power everything from hybrid cars to cell phones. We want our companies building those products right here in America. But to do that American manufacturers need to have access to rare earth materials, which China supplies. Now, if China would simply let the market work on its own, we'd have no objections. But their policies currently are preventing that from happening, and they go against the very rules that China agreed to follow."

President Obama added that the United States has a productive economic relationship with China. But he said he would take action if American workers or businesses were facing unfair trade policies.

China says it has restricted rare earth exports to meet needs at home. And it says its policy helps limit the environmental damage caused by over-mining.

China now faces a slowing economy. In February, the nation had its biggest trade deficit in ten years. Experts expect China's central bank to increase the money supply to aid economic growth. At the same time, inflation remains a threat.

On Wednesday, Chinese Premier Wen Jiabao discussed the need for reform. He said China "must continue to strike a balance between maintaining steady and robust economic development, making economic structural adjustments and managing inflationary expectations."

And that's the VOA Special English Economics Report. I'm June Simms.