

United States Senate

WASHINGTON, DC 20510

September 14, 2011

Ambassador Ron Kirk
Office of the United States Trade Representative
600 17th Street N.W.
Washington, D.C. 20508

Dear Ambassador Kirk:

We are writing to urge you to initiate a case at the World Trade Organization (WTO) against China for its policies on rare earth materials. These protectionist policies – which include quotas limiting the amount of rare earth materials that can be exported and imposing onerous tariffs on them – unfairly undermine the competitiveness of manufacturers in Ohio and throughout the nation. Furthermore, these policies apparently have support at the highest levels of China's government.

On July 5, the WTO ruled that export restraints imposed by China on several raw materials are inconsistent with obligations China committed to by joining the WTO. We applaud your litigation of the case, and believe it has significant ramifications for China's dominance over global supplies of rare earth materials. As you are aware from your visit to Cleveland in April, Ohio and American manufacturers are highly dependent on rare earth materials to make end products in many sectors ranging from wind turbines, to lighting, electronics, and aviation. Currently, China accounts for 97 percent of the world's supply of rare earth materials and these quotas give it complete control over the market.

Ohio is home to some of the world's strongest and most innovative manufacturers. From the defense industry, to aviation, to clean energy, Ohio manufacturing strength relies on a skilled workforce, cutting edge technology, and continually updating processes. The ability to access rare earth materials is also of critical importance to Ohio manufacturing.

In our travels throughout Ohio, we repeatedly hear concerns about China's policies that place U.S. manufacturers at an unfair disadvantage. China's restrictions on rare earth materials are of one those concerns.

In arguing its recent case before the WTO, China argued that its restrictions on the export of raw materials were based upon environmental and public health concerns. The recent WTO ruling rejected these specious arguments as China's restrictions only applied to export of raw materials while unfettered domestic production or consumption of those same minerals was not implicated. Clearly, this policy is solely in place to ensure that China becomes the dominant force in all the secondary businesses that rely on raw materials to make their products.

Unfortunately, China is pursuing the exact same policy to the export of rare earth materials and is artificially using these tariffs and quotas to raise the cost of rare earth materials internationally while keeping them low domestically. As a result, businesses are forced to choose between paying artificially high export tariffs or moving production to China. Such an approach threatens American jobs and places Ohio producers at an unfair disadvantage.

Rare earth quotas significantly affect companies' bottom-lines. Ohio companies, such as Eletrodyne in Cincinnati have seen their costs go up dramatically in recent months. Over the past ten years, Electrodyne's sales have quadrupled, but their continued success is threatened given that the market for rare earths has turned into a spot price market.

We urge you to continue litigating on the general issue of raw materials and ask you to consider initiating a WTO case on rare earth materials, which is crucial for jobs in Ohio and across our country.

Thank you for your attention to this matter, and we look forward to your reply.

Sincerely,



Sherrod Brown
United States Senator



Rob Portman
United States Senator