

# United States Senate

WASHINGTON, DC 20510

January 18, 2011

The Honorable Gary Locke  
Secretary of Commerce  
U.S. Department of Commerce  
1401 Constitution Ave., NW  
Washington, DC 20230

The Honorable Ron Kirk  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Secretary Locke and U.S. Trade Representative Kirk:

I write to bring to your attention the serious matter of China drastically limiting much of the world's supply of rare earths minerals and the need for a national strategy for the domestic exploration and development of rare earths. Additionally, I ask that in your upcoming discussions with Chinese President Hu Jintao you make it the highest priority to encourage transparent and fair access to China's rare earths.

As you know, rare earth minerals are used in a variety of commercial and military applications, such as cell phones, cosmetic products, wind turbines, and Department of Defense (DOD) precision-guided munitions. While rare earth deposits are geographically diverse, current capabilities to process rare earth metals into finished materials are limited mostly to Chinese sources. The United States previously performed all stages of the rare earth material supply chain, but now most processing of rare earth materials is performed in China, giving China a dominant position that has affected worldwide supply and prices to the detriment of U.S. manufacturers.

In December of last year, the Chinese government announced a steep reduction of export quotas for rare earth materials commencing in January of this year. China also took action to limit foreign availability of rare earths by imposing export duties of 10 – 25 percent. These actions directly threaten the economic health of U.S. manufacturers already struggling with short supplies and soaring prices of rare earths. For example, in my own state of New York, Stefan Sydor Optics Inc., a precision lens manufacturer goes through approximately 40 pounds of powdered cerium oxide-based polishing compound a day and has seen prices for this rare earth material rise more than 500 percent from \$8.50 per pound to more than \$45 per pound since last summer. China's actions as they relate to the export of rare earths have been beyond the pale, and they should be forced to adopt fair trade practices when dealing with products that are so valuable and integral to the supply chain of U.S. manufacturers.

Rare earths are necessary to the technological progress of our clean energy economy and our nation's defense. And even while we seek to implement short-term solutions, it is strikingly evident that the United States needs a national strategy for the domestic exploration and development of rare earths. Our commercial industry and our national defense cannot be held hostage by China which produces 97.2 percent of all the world's rare-earths, although they only have 36 percent of the rare-earths reserves.

Due to the commercial and strategic need to acquire our own domestic resources of rare earths, I urge your support in the development of a national strategy for the domestic exploration and development of rare earths. I ask that it be made the highest priority to encourage China to provide transparent and fair access to its rare earth minerals.

Thank you for your time and attention to this important issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chuck Sch", with a long horizontal flourish extending to the right.