

March 15, 2011

The Honorable Timothy F. Geithner

Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Ken Salazar

Secretary of U.S. Department of the Interior  
1849 C Street, NW  
Washington, DC 20240

Dear Secretary Geithner and Secretary Salazar,

A series of recent reports highlights the United States' vulnerability to shortages of rare earth minerals increasingly used in national security and clean energy applications. China has a monopoly on rare earths mining and processing, producing over 95 percent of the world output of rare earth minerals. The United States is 100 percent reliant on imports.

In recent years, China has ratcheted up restrictions on the export of rare earth minerals to encourage the production and export of high value-added rare earth products. China's anticompetitive practices are exacerbating global supply problems at a time when world demand continues to climb. We propose the United States stop helping China enhance its dominant position in rare earth minerals. To that end, Secretary Geithner, we respectfully request that you instruct the United States Executive Director at each multilateral bank, including the World Bank entities, to oppose the approval of any new financing to the government of China or for a project located within China involving rare earth mining, smelting or separation, or production of rare earth products. The United States' support for multilateral bank international development initiatives should not extend to projects directly at odds with our own national and economic security needs.

China's anticompetitive rare earths policies extend beyond export restrictions. China also prohibits foreign investors from mining rare earths and from participating in rare-earth smelting and separation projects except in joint ventures with Chinese firms. We propose the United States stop tolerating China's imposition of unfavorable terms on foreign companies. For over 90 years, U.S. mining law has recognized that foreign investment in mineral exploration and purchase should be prohibited where a foreign country denies reciprocal privileges to U.S. companies. Secretary Salazar, until China lifts its rare earths foreign investment prohibitions, we respectfully request that you enforce reciprocal prohibitions with respect to Chinese investment in mineral exploration and purchase in the United States. The United States should not sit passively while China's investment policies hamstring U.S. companies and undermine our national and economic security needs.

The United States must have an adequate and reliable supply of rare earth materials for national security and industrial needs. In the long run, new mining projects coupled with development of refining, alloying and fabricating capacity will alleviate supply concerns. However, in the short term, the United States must act to address the rare earth minerals shortage caused by China's anticompetitive policies. We know from experience with China's foreign exchange regime that meetings and discussions have no significant impact on China's anticompetitive practices - which is why we respectfully ask you take specific steps to respond to China's deleterious rare earths policies.

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

Sincerely,

Sen. Debbie Stabenow

Sen. Charles E. Schumer

Sen. Robert Casey (D-PA)

Sen. Sheldon Whitehouse (D-RI)