



EU, US and Japan launch rare earth case against China at WTO

The European Union, the United States and Japan have asked the World Trade Organization to settle a dispute with China over Beijing's restriction on exports of raw materials, including rare earth elements critical to electronics makers.

This is the first case to be jointly filed by the EU, United States and Japan at the WTO, an EU official said.

EU trade chief Karel De Gucht said the three trading powers were making a dispute settlement request - the first step before filing a full trade case.

"China's restrictions on rare earths and other products violate international trade rules and must be removed," De Gucht said in a statement. "These measures hurt our producers and consumers in the EU and across the world, including manufacturers of pioneering hi-tech and 'green' business applications."

Beijing said the export curbs were motivated by environmental concerns and said it would defend itself.

Though dependent on the outside world for vast quantities of industrial inputs such as iron and coal, China accounts for about 97 per cent of world output of the 17 rare earth metals. They are critical in producing items such as mobile phones, disk drives, wind turbines and electric cars.

China's Minister of Industry and Information Technology Miao Wei said the export quotas were not trade protectionism and did not target any specific country, the official Xinhua news agency reported.

The EU, the United States and Mexico won a similar case against China in January concerning other raw materials.

But a European official close to the case said that despite this ruling, China had not removed wider export restrictions. In particular, the EU said in a statement, "the latest rare earth quota announcements are further tightening the restrictions and are a clear signal in the wrong direction."

The EU directly imports 350 million euros worth of rare earths from China each year, and also brings in products of far greater value containing rare earths from Japan and elsewhere.

The damage done to European manufacturing runs into billions of euros, the official said because it was nearly impossible to diversify from Chinese supply.

The United States and the EU had long been expected to take China to the WTO over rare earths, but appeared to be awaiting the outcome of the earlier case.

That ruling left open a loophole for export quotas if they were imposed to limit environmental damage, so long as they were matched by domestic restrictions.

Japanese worries over supplies of rare earths heightened in 2010 when China held back shipments after a territorial dispute.

In the United States, Obama recently created an inter-agency trade enforcement centre, which is expected to focus particularly on how well China abides by WTO rules.