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Rare Earths

China and raw materials: conflict or cooperation?

The decision by the EU, together with the US and Japan, to challenge China's rare earth export restrictions before the World Trade Organisation (WTO) takes this ongoing dispute to a new level. Building on an earlier challenge on 9 other raw materials, which yielded a successful WTO ruling January this year, the attention has now been shifted to the infamous rare earths on which high-tech industries rely.

The current challenge was foreseeable but it is far from clear if this approach is strategically wise and whether it is likely to be successful.

Export restrictions are not as such prohibited under the WTO system. The EU has even accepted certain export restrictions in the context of free trade agreements concluded with third countries. Whether or not the Chinese rare earth restrictions are compatible with China's commitments under its WTO membership will be the key question.

It can be expected that China has, in anticipation of such a move, taken the necessary preparations to fight this case. China has completely restructured its rare earths sector, with new regulations having been implemented. This has included taking steps to strengthen environmental protection in the sector. These factors will undoubtedly play a role in the deliberations, which will likely last until 2014, assuming a two-instance process.

This EU-US-Japan challenge was certainly prepared in advance of the WTO ruling in January. It would have been more prudent, however, to leave more time between the January outcome and the launch of a new WTO case. Time that would have allowed China to draw proper conclusions from the ruling; time to find a reasonable balance between the opposition to unfair trade practices and proposals for a win-win strategy; time to put a new cooperation strategy on the table that would have been difficult for Beijing to refuse.

Regardless of the WTO dispute, the EU, the US and Japan will have to rely on China in the area of rare earths for the coming ten to fifteen years. That is a fact, not a wish. Against this background, it is clear that some form of cooperation will be essential. It might have been wiser, however, to demonstrate the will to cooperate before marching off for another WTO challenge.

* The author is a Green MEP and the European Parliament rapporteur/draftsman on raw materials.

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