

Obama to announce rare earth trade case against China

March 13 2012, by Stephen Collinson

US President Barack Obama will Tuesday announce a new trade suit against China prompted by Beijing's restrictions on the export of rare earth materials used in manufacturing high-tech products.

A senior White House official said on condition of anonymity that the United States would bring the case at the World Trade Organization with the European Union and Japan, in a new sign of election-year trade tensions with Beijing.

EU sources close to the case confirmed the move while Japan's top government spokesman said ministers were "carefully considering the matter."

China is the world's largest producer of rare earths -- 17 elements critical to manufacturing a range of high-tech products from iPods to missiles -- and its moves to dictate production and exports have raised a global outcry.

Critics say Beijing's strategy is aimed at driving up global prices of the metals and forcing foreign firms to relocate to the vast emerging nation to access them.

But China says the restrictions are necessary to conserve the highly sought natural resource, limit harm to the environment from excessive mining and meet domestic demand.

The Beijing government has set its 2012 export quota for rare earths at around 30,000 tonnes, the same level as 2011. Yet exporters only filled roughly half the quota last year.

"We believe such measures comply with WTO rules," foreign ministry spokesman Liu Weimin told reporters on Tuesday, defending the restrictions which he said "were based on environmental protection... to achieve sustainable development."

China's official Xinhua news agency, meanwhile, hit out at Obama's planned announcement.

"It is rash and unfair for the United States to put forward a lawsuit against China before the WTO, which may hurt economic relations between the world's largest and second-largest economies," it said in a commentary.

"A better choice for the United States would be sitting down with China face-to-face and solve the problem through negotiations instead of making it an internationalized issue."

State media had already reported that China was bracing for renewed calls to ease its rare earths controls after the WTO ruled that limits on such key raw materials broke trade rules.

China has also called for greater use of rare earths for its own domestic manufacturing, a move which also raised concerns in the West.

Rare earth goods have a wide range of applications in the military and technology sectors of the economy in particular.

They are used in products including computers, MP3 players, disc drives, missiles and flat screen televisions and cellphones.

In Tokyo, the government's top spokesman confirmed ministers were mulling a rare earths trade case against China, but declined to elaborate.

"We are carefully considering the matter," Chief Cabinet Secretary Osamu Fujimura said. "Nothing has been decided at this point."

Obama, facing fierce election-year pressure on China from Republican opponents, has repeatedly called on Beijing to play by the "rules of the road" as it rises to become one of the dominant players in the global economy.

The US president has already launched a new enforcement center to more aggressively challenge "unfair" trade violations, including by China.

In other disputes, Washington has accused China of artificially undervaluing its yuan currency in order to boost its own exports, hurting US manufacturers and hobbling the economic recovery.

But China defends its exchange rate regime, saying it is moving gradually to make the yuan more flexible.

During a visit last month to Washington by China's presumed next ruler, Vice President Xi Jinping, Obama spelled out his expectations on trade.

"We want to work with China to make sure that everybody is working by the same rules of the road when it comes to the world economic system," Obama said, as Xi sat by his side ahead of their Oval Office talks.

"That includes ensuring that there is a balanced trading flow not only between the United States and China but around the world."

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