



**EUROPEAN COMMISSION**

**PRESS RELEASE**

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## **EU requests WTO panel against China's export restrictions on rare earths**

The European Union today requested the establishment of a dispute settlement panel at the World Trade Organization (WTO) concerning China's export restrictions on rare earths, tungsten and molybdenum. This follows EU efforts to find a solution with China, including through formal WTO consultations that were held in April. The EU, together with its partners in the case - the United States and Japan, will therefore proceed to the next step in WTO litigation in order to seek compliance by China with its international obligations.

"China's restrictions on rare earths and other products are a violation of China's WTO commitments and continue to significantly distort global markets, creating a disadvantage for our companies" said EU Trade Commissioner Karel De Gucht. "Despite the very clear ruling earlier this year of the WTO in the first raw materials case, Beijing has not taken steps to remove these export restrictions. We regret that we are left with no other choice but to solve this through litigation."

On 13 March this year EU, US and Japan requested consultations with China on their export restrictions of various raw materials including rare earths. Despite these formal consultations which took place in Geneva on 25 and 26 April 2012 and the WTO ruling on similar measures on 30 January 2012, there have been no signals from China that it would remove the restrictions.

China imposes a set of export restrictions, including export duties, export quotas and additional requirements that limit access to raw materials for companies outside China. These measures significantly distort the market and favour Chinese industry at the expense of companies and consumers in the EU and globally.

The EU considers that these restrictions are in violation of general WTO rules and also of China's specific commitments on export duties that China undertook when acceding to the WTO. Earlier this year, the WTO confirmed the EU's claim that China's export restrictions on a different set of raw materials were incompatible with WTO rules.

The EU appreciates the environmental challenges linked to the mining of raw materials and encourages all countries to promote an environmentally friendly and sustainable policy for raw materials. However, the EU believes that export restrictions do not contribute to this aim; there are more effective environmental protection measures that do not discriminate against foreign industries.

## **Background**

Raw materials covered by this case are various forms of rare earth elements (REE) as well as tungsten and molybdenum. Rare earths, tungsten and molybdenum have a wide spectrum of applications - in hi-tech and green businesses, cars and machinery manufacturing, chemicals, steel and non-ferrous metal industries.

### **1. Rare earths**

Rare earth elements are a set of 17 chemical elements in the periodic table, specifically 15 lanthanides (lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium) as well as scandium and yttrium.

Rare earths feature unique magnetic, heat-resistance and phosphorescence properties. They are used to directly produce highly efficient magnets, metal alloys, phosphors, optical material, battery material, ceramics, special abrasive powders. These materials are key components of many downstream and consumer products such as: wind power turbines, catalysers (for car and oil cracking), energy-efficient bulbs, engines for electric and hybrid vehicles, flat screens and displays (LED, LCD, plasma), hard drives, car parts, camera lenses, glass applications, industrial batteries, medical equipment or water treatment - to name just a few.

While rare earths often constitute a small share of the finished product, they are most of the time non-substitutable (and even if so, with consequences in the form of redesigned and/or more costly final product). Their non-availability can lead to the disruption of whole value chains. China is a monopoly supplier of rare earths with a 97% share of world production.

### **2. Tungsten**

Tungsten is a very hard metal that makes an important contribution, through its use in cemented carbide and high speed steel tools, to the achievement of high productivity levels in industries. It is used in lighting technology, electronics, power engineering, coating and joining technology, the automotive and aerospace industries and medical technology.

China is by far the largest tungsten producer in the world, accounting for 91% of total world production.

### **3. Molybdenum**

Molybdenum is a metallic element which is mainly used as alloying agent for making alloys stronger and more heat-resistant due to molybdenum's high melting temperature. The alloys are further used for filaments for light bulbs. The iron and steel industries account for more than 75% of molybdenum consumption.

China is the lead producer of molybdenum worldwide and accounts for 36% of the global production.

### **4. Restrictions at issue export**

The export restrictions imposed by China on the rare earths, tungsten and molybdenum are mainly export duties and export quotas, as well as additional requirements and procedures for exporters.

## **Further information**

On the EU's challenge on rare earths and other raw materials

[MEMO/12/499](#)

EU challenges China's rare earth export restrictions, 13 March 2012:

[IP/12/239](#); [MEMO/12/182](#)

On the WTO's ruling on raw materials of 30 January 2012:

[IP/12/87](#)

Contacts :

[John Clancy](#) (+32 2 295 37 73)

[Helene Banner](#) (+32 2 295 24 07)