

Nobody Should Be Fooled. It's Protectionism

The World Trade Organization's ruling this month against **China's restrictions on the export of raw materials** is a welcome decision that we hope will temper China's **mercantilistic strategy**, in which every policy decision is designed to favor Chinese exporters. It also should serve as a warning to others about these protectionist tools.

Prices of commodities are rising fast as growth in developing countries increases demand. The W.T.O.'s rules, which have been crafted mostly to remove barriers to imports, must be adapted to address this new threat.

The ruling was not based on general W.T.O. rules but on commitments that China had made in 2001 to end most export restrictions in order to join the group. In recent years, China has put export duties and export quotas on materials like bauxite and zinc. Last year, it imposed quotas and even export bans on 17 so-called rare earth metals (used in cellphones and other high-tech devices), of which China accounts for 97 percent of the world's supply.

The verdict did not refer to the rare earth quotas, but it rejected China's argument that export restrictions on other raw materials were justified because they were meant to protect the environment and protect public health. The W.T.O. found those arguments to be bogus since the restraints do not apply to domestic production or consumption. They benefit China's domestic industry and push up prices of the materials on global markets.

China can appeal this decision. If it loses, it would have to remove the restraints or suffer sanctions. It should also remove export limits on rare earth metals.

The W.T.O. must consider how to fight export restraints more broadly. In 2007 and 2008, 25 of 81 countries surveyed by the United Nations Food and Agriculture Organization banned food exports or imposed export taxes. These policies have pushed up prices, undermining confidence in food markets and encouraging hoarding.

The W.T.O. allows countries to set temporary export restrictions to prevent or relieve "critical shortages." There is no clear definition of what this means and leading economies have been unwilling to push for tighter standards. Access to resources is becoming fiercely

contentious. The world economies need clear rules to avoid undue competition that could spark new trade wars.