

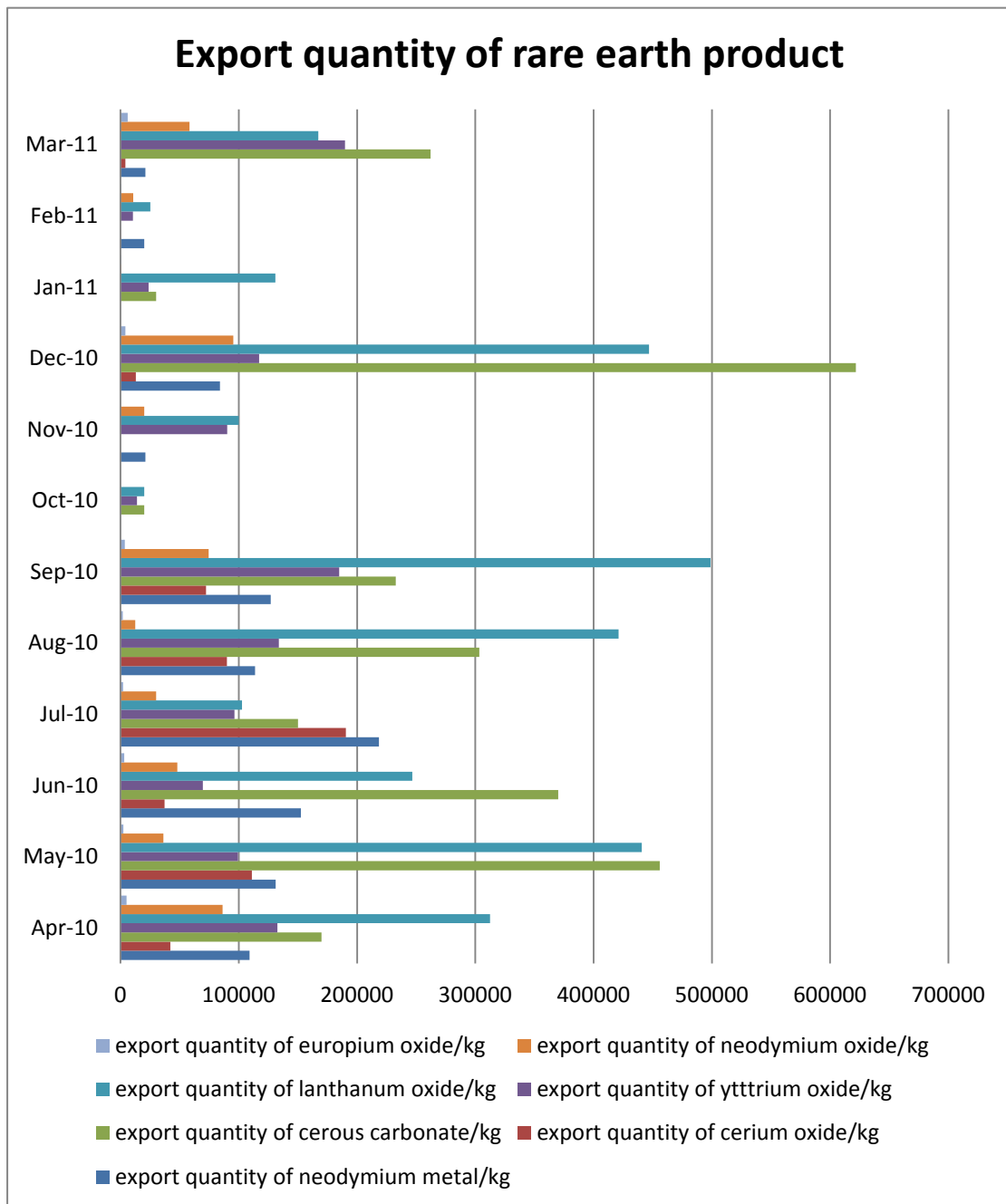
# Study on Japan-Chinese Rare Earth Disputed Issue

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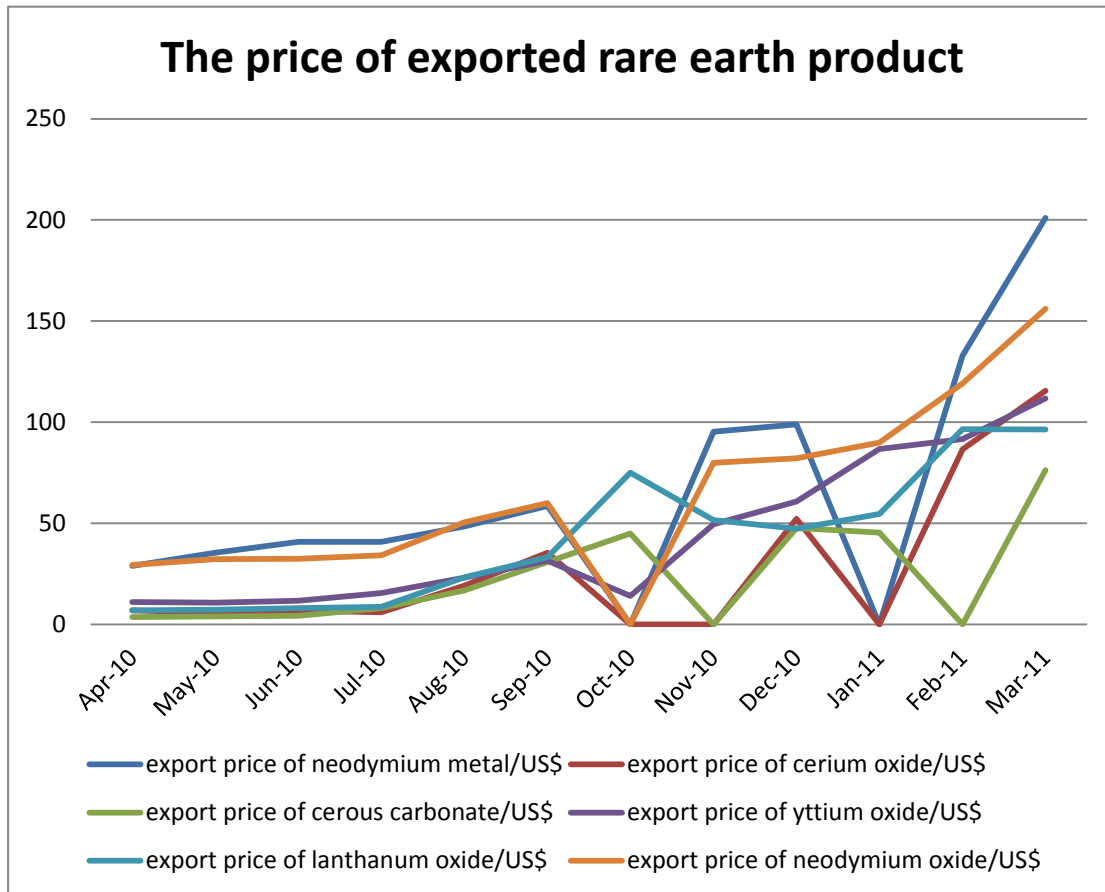
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Currently, Japan-Chinese relations are still shrinking after the second Abe Administration established in 2012. Actually, both Japan and China are facing the new round of foreign and domestic policy reformation. So it is the deep structural change that leads to the outstanding bilateral disputes. However, during the political and economic disputes, one of them are not belong to the theory above, which is rare earth issue.

What is Japan-Chinese rare earth disputed issue? In September 2010, boat collision incident occurred near Diaoyu Island (Senkaku Island called by Japanese side) between fish boat from China and civilian vessels from Japan. After that, as response, the amount of rare earth export from China to Japan began to shrink. According to Chinese Journal *Rare Earth Information*, from April 2010 to March 2011, the amount of part kinds of rare earth export from China to Japan reached the bottom in October 2010, including ceric oxide, neodymium oxide, and europium oxide. However, on the other hand, other kinds of rare earth were still exported to Japan, based on the monthly statistics collected by *Rare Earth Information*. It is illustrated that it is hard to say Chinese side suspended the rare earth export with Japan after the collision incident.



However, when talking about the price of rare earth exported to Japan, it increased at high speed from April 2010 to March 2011. During the period, for instance, the price of cerium oxide soared from 6.841 US dollars per kilogram on April 2010 to 115.507 US dollars per kilogram on March 2011. Meanwhile, the prices of other kinds of rare earth products rocketed as well. From the graph below, it is obvious that this period from April 2010 to March 2011 witnessed that the price of rare earth product increased.



It is noteworthy that at the same time that the collision incident occurred, Chinese government reformed her rare earth strategy and export policy. From the year of 2006, Chinese central government began to rearrange her rare earth mine policy, because Chinese rare earth industry was faced with tough problems: 1) excessive exploration of rare earth resources; 2) severe damage to the ecological environment; 3) irrational industrial structure; 4) severe divergence between price and value; 5) grave smuggling.<sup>1</sup> So both limit of the export quantity and raising the export price were the measures caused by new rare earth policy. This policy did not target towards Japan only, because China took 97% share of rare earth support in the world. But as the largest importer from China, Japan felt strongly at that time.

To sum up, this report does not think that rare earth serves as sanction measures

<sup>1</sup> Situation and Policies of China's Rare Earth Industry [EB/OL], Information Office of the State Council of the People's Republic of China, June 2012, URL: <http://www.scio.gov.cn/zfbps/ndhf/2012/Document/1175419/1175419.htm>

towards Japan when the vessel collision incident occurred. But as the objective influence, after October 2010, the export from China to Japan, in terms of rare earth product really fell down.