Iron ore price negotiations - No impact from new guidelines

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China Daily quoted an insider said China's newly unveiled draft regulations aimed at ending monopolistic price fixing may not apply to ongoing negotiations between foreign iron ore producers and Chinese companies.

The draft rules, issued by the National Development and Reform Commission are aimed at preventing collusion among retailers and both domestic and international industry associations.

The provisional document calls for an end to monopolistic price agreements that come about when operators in a competitive relationship fix or alter prices, restrict the extent of price shifts or use a uniform price as the basis for negotiations with a third party.

Some commentators have suggested the draft is aimed at negotiations between China's steel industry and Australian iron ore producers. But an expert from the China Price Association who contributed to research work for drafting the regulations said that the relatively high price offered by Australian mining companies did not impact competition on China's domestic iron ore market.

The source said "Even though they may have made agreements about price ahead of negotiations with China, their behavior did not eliminate or limit the competition in China's domestic iron ore market. Therefore, the regulation may not apply in this case."

The regulations will apply when overseas producers collude to drive up the price within China, if that collusion produces an exclusionary or restrictive impact on the domestic market.

According to the draft, monopolies could face punishment for trying to control prices dump products at below cost prices and sell products at unfairly high prices or if they buy at unfairly low prices.

(Sourced from China Daily)