
Iron ore price negotiation - China freezes talks

Sunday, 16 Aug, 2009

The Age reported that the tough talking China Iron and Steel Association is failing to talk at all with its iron ore negotiating partners as steel mill members ignore its directives and entrench the Japanese benchmark price as their own.

A well placed executive at a large mining company said "Nobody is talking to anyone, adding that none of the three major iron ore miners had any incentive to initiate further official negotiations."

Mr Francis Browne iron ore analyst at Platts said "The major iron ore suppliers all tell me that nobody talking to anyone. They had found themselves in the situation where they are actually negotiating with a government and a government that is proving itself to be unpredictable."

Vale and BHP Billiton have said they will take a back seat, while Rio Tinto China iron ore sales team was formally arrested this week for stealing commercial secrets and bribery.

While CISA continues to talk tough publicly but prevaricate behind closed doors, Chinese steel mills are widely signing deals for Australian and Brazilian iron ore at the benchmark price accepted by Nippon Steel on May 26th. Analysts said the Chinese mills, which operate in the world's largest, fastest-growing and most competitive steel industry, have chosen to accept the realities of the market rather than unrealistic official directives.

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