Iron ore price negotiations - CISA may give way to steel mills

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Reuters quoted Chinese industry minister said Chinese steel industry must unite to secure better terms with global iron ore suppliers, but did not necessarily need the embattled China Iron and Steel Association to do so.

Mr Li Yizhong Industry and Information Technology Minister when asked whether CISA would maintain its role as China chief representative in global benchmark price negotiations told reporters at a press briefing told that "We should pick one entity. It would be reasonable for CISA or Baosteel to represent China's steel industry in talks with the three top miners."

Mr Li called for more domestic support for CISA but said price negotiations are a matter for the companies involved, not the government. He said that "It is up to the enterprises and industry associations to discuss prices in a fair manner, adding that China should speak with one voice in iron ore negotiations."

Mr Li said "As the world's largest iron ore importer China should have some say in iron ore trade. But I think we don't have enough influence now."

The pricing talks which are supposed to set benchmark iron ore prices for the 12 months from April 1st have collapsed into a diplomatic storm over China's arrest of four Rio Tinto employees, including one Australian.
With spot iron ore prices now 50% higher than the benchmark settlement agreed by Rio Tinto with Japanese mills, the association has come under growing pressure to reach a deal. CISA has blamed its failure to reach a deal on China huge and fragmented local steel sector which produces as much as the next nine biggest steel producing countries but despite lobbying for extra power it has been unable to force mills and ore traders to toe the line.

Small steel mills have undermined its plea for a united front on iron ore pricing by signing their own supply deals and the industry appears to have ignored CISA dire warnings about over production with output in July hitting the highest level ever.

(Source from Reuters)

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