
Chinese analysts calls for relaxing iron ore import license system

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Beijing Business Today quoted some industry analysts as saying that a tightened iron ore import license system would make no contribution to the solving of import confusion but on the contrary a relaxed system could help decrease scalp.

Earlier reports said China Iron & Steel Association and China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters are mulling to tighten iron ore import license system in an attempt to deal with ongoing tough ore price negotiation.

More than ten traders have attended a conference held by CISA and CCCMC and discussed the adjustment of import qualifications and agents. A well-informed source disclosed that CISA plans to wash out 30% of the traders to raise import concentration.

There are 112 enterprises qualified for iron ore import licenses at the moment, including 70 steelmakers and 42 traders. The 30% cut implies the number of qualified traders will fall to about 30. Statistics show the number of enterprises qualified for the import license has decreased sharply from 523 to 112 since Ministry of Commerce introduced the system in 2005.

Opinions are divided on import license system. Some analysts suggest the government follow Japan to grant the licenses to ten to twenty traders only since traders can do more efficiently than steelmakers. Some others advise the government to relax the system and allow more medium and small steelmakers to benefit from the long-term contracts so as to dwindle scalp.

Mr Zeng Jiesheng analyst of Mysteel said that "But iron ore imports are still in disorder and scalp is still popular. Even the government again cuts the number by one third, the problem can not be solved at root."

Mr Zeng prefers the latter. Though China has stipulated commissions of 3%-5% during resale of contract ores, steelmakers always have their ways to evade the supervision and punishment.

According to a private steelmaker that is kept away from import license, it bought iron ore at CNY 1,400 per tonne from traders, nearly doubling the contract prices of CNY 700 per tonne to CNY 800 per tonne.

It is the failure to share long term iron ore contract benefits that pushed medium and small steelmakers to cave in to iron ore suppliers and sign private import agreements.

(Sourced from MySteel.net)

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