
Bans on foreign control of China mills face changing

Monday, 09 Nov, 2009

China Business News reported that as lifelines of national economy, China has banned foreign companies' control of domestic steelmakers. However, the move of Valin Steel Group seemingly has broken the long-last situation.

According to an authority sharing the revision of the steel industrial development policy, the ban on foreign control of China steel mills written in 2005 edition steel policy might be reconsidered this time.

An official from the Ministry of Industry and Information Technology said "Steel opening to outside world is changing along with the economic development, but it is still a sensitive and important issue on the degree of foreign capital's investment and shares at domestic steel producers."

In principle, foreign investment was not allowed to control Chinese steel mills according to the 2005 edition steel development policy.

A vice president of Shagang Group said "Earlier policies were inflexible in foreign capital's control of China steel but if it is feasible if they gain or control China mills at the expense of their most-advanced technology?"

Rumors had been spreading in June 2005 that Korean POSCO was in negotiating with Shagang Group to gain 51% of the latter. However, the plan was crushed down by the later released 2005 edition steel policy. Besides private steel mills, some state run producers also hold the view that China should loosen its control of China steel industry to overseas capital.

Mr Li Xiaowei chairman of Valin Steel Group said this May that its medium plate price was even CNY 50 per tonne higher than Baosteel same products in its supply contracts with China State Shipbuilding Corp in this March thanks to the technology support from ArcelorMittal.

Valin Steel Group has sold half of its shares in Valin Steel Tube & Wire Co of about some 37% to Mittal in early 2005. And now the latter controls 33.02% of Valin Steel the second largest share holder after Valin Steel Group.

As per the agreement, Mittal will provide six technology to Vain including auto sheet and electric steel production technology. However, the move aroused wide dispute at that time. And Valin Steel again inked a CNY 5 billion auto sheet venture deal in Hunan with Mittal last year. However, final spending shrank to CNY 4.5 billion impacted by financial storm.

Mittal has great ambitious in China, and besides cooperation with Valin it also holds 28% of China Orient Group. But its plan to control the group has failed though its vice president Mr Roland Verstappen said its company would continue to press forward the plan.

(Sourced from China Business News)

For more news visit at www.steelguru.com