
Baosteel warns of foreign entry in China through private mills

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China Business News reported that Mr Xu Lejiang chairman of Baosteel's chairman as warning China's steel industry of threats that may be brought by the increasing cases foreign capitals take control of good quality private Chinese steel mills.

Mr Xu said China's steel industry policy remains incapable to restrict such moves taken by the overseas enterprises. He said "If domestic steel market changes, like the price plunges, many private mills will collapse and foreign ingress will be even easier. Though the private mills are selling shell, a foreign enterprise is targeting the domestic market boasting financial and technological advantages."

Mr Xu's remarks followed two recent acquisitions into China's steel mills by the foreign enterprises.

1. In November 2007, the world's largest steelmaker MittalArcelor took control of China Oriental and had raised its stake to 92.1% by early February, marking the first substantial move by a foreign company towards ownership of a Chinese steelworks.

2. In February 2008, Russia's second largest steelmaker Evraz purchased 10% stake in Singapore listed Delong an importance private mill based in China's Hebei Province and said that it may take control of it later by increasing the stake to 51%.

Mr Luo Bingsheng deputy director of China Iron & Steel Association said that about one third of crude steel is made by private steelmakers in China, suggesting an increasing importance they play. In this case, some industry people have given advices to relevant department to discuss about measures to shield from more foreign capitals to indirectly take control of Chinese private mills alongside policy and governmental approval constrains.

China's industry policy only writes to forbidden foreign capital to take control of state owned steelmakers, yet feels unfeasible when they are buying shares of private steel mills listed in Hong Kong or Singapore.

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