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CISA urges unified opposition to BHP-Rio JV

(Agencies)

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Every country should unite in opposition to a "monopolistic" production joint venture between the Australian mining giants BHP Billiton and Rio Tinto, China's steel industry association said on Thursday.

The China Iron and Steel Association (CISA) said in an announcement published in the China Metallurgical News that the planned \$116 billion joint venture would harm competition and drive up global iron ore prices, and that "customers across the whole world should oppose it as one."

The World Steel Association, the European steel industry lobby Eurofer and the Japanese steel industry association were all firmly opposed to the tie-up, CISA said.

CISA has complained that the monopolistic nature of the global iron ore market has made it difficult for China to get a fair deal during annual contract price negotiations. It said the joint venture will make matters worse, despite promises from the two Australian miners that the new joint venture would cover only production and not sales.

China's total iron ore imports this year are expected to reach a total of 600 million tons, making it by far the biggest market for both companies. But Beijing has struggled to win any price concessions from Rio Tinto, BHP Billiton or Brazil's Vale.

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Domestic media reports said that a CISA delegation led by Chairman Shan Shanghua visited Brazil last week to discuss joint action against the merger with Vale suggesting that the two sides could make a joint approach to the European Commission's competition regulators.

CISA said in its statement that the Chinese government should also make use of its anti-monopoly legislation to block the deal, but lawyers familiar with China's mostly untested new law said it might be difficult.

"Up to now, the Ministry of Commerce has not yet set up the mechanisms to support proactive legal action against monopoly practices, and for that reason, I don't think they will set the anti-monopoly process going against Rio and BHP," said Dong Zhengwei, a Beijing-based lawyer who has filed civil actions against domestic monopolies.

He suggested China would wait for the European Commission to respond to the merger before taking any action of its own.