Rio Tinto Case Underscores 'Worsening Environment' In China

SHANGHAI, China — An Australian executive and three Chinese officials with mining giant Rio Tinto pleaded guility to accepting bribes in a Shanghai court, lawyers said Monday in a case that has strained relations between the countries.

The lawyers said Stern Hu and the three Chinese nationals — Liu Caikui, Ge Minqiang and Wang Yong — pleaded guilty but disputed the amounts they are alleged to have accepted. They still face charges on stealing commercial secrets.

"Like the other three executives, Hu also pleaded guilty to the bribery part. He was very calm when the case was under the trail," said Tao Wuping, the lawyer for Liu. Calls to Hu's lawyer, Duan Qihua, were not answered.

The case has been used as an example of the hazards of doing business in China, but the guilty pleas may be an embarassment for Rio Tinto, which has been saying its employees were innocent and which is again involved in tough iron ore price negotiations with China.

Australia's consul-general in Shanghai, Tom Connor, told reporters that "during the course of the trial, Mr. Hu made some admissions concerning those two bribery amounts. So he did acknowledge the truth of some of those bribery amounts."

Rio Tinto has urged authorities to handle the case quickly and openly. In the meantime, it is moving ahead with its business in China, the world's biggest steel maker and thus its biggest consumer of iron ore.

China accounted for 24 per cent of Rio Tinto's revenues last year and the company recently appointed a new top executive for China. On Friday, it announced an agreement with China's state-run aluminum giant Chinalco to develop an iron ore reserve in the West African country of Guinea.

The Rio Tinto case comes as many foreign executives doing business in China complain of a chilling of what was once a warm welcome.

The American Chamber of Commerce released a report Monday showing a growing number of foreign businesses in China — 38 per cent of those surveyed — feel shut out under new government policies promoting homegrown technology.

The chamber's data, gathered earlier this year from 203 companies, portrays a steadily worsening environment for foreign companies in China over the past three years. Only 23 per cent said they felt unwelcome in the chamber's 2008 survey.

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