

*IMnI 27<sup>th</sup> ANNUAL CONFERENCE 2002*

## Prerequisites for Foreign Companies Investing in China

*June 5-8 , 2002*



Nippon Denko Co., Ltd.

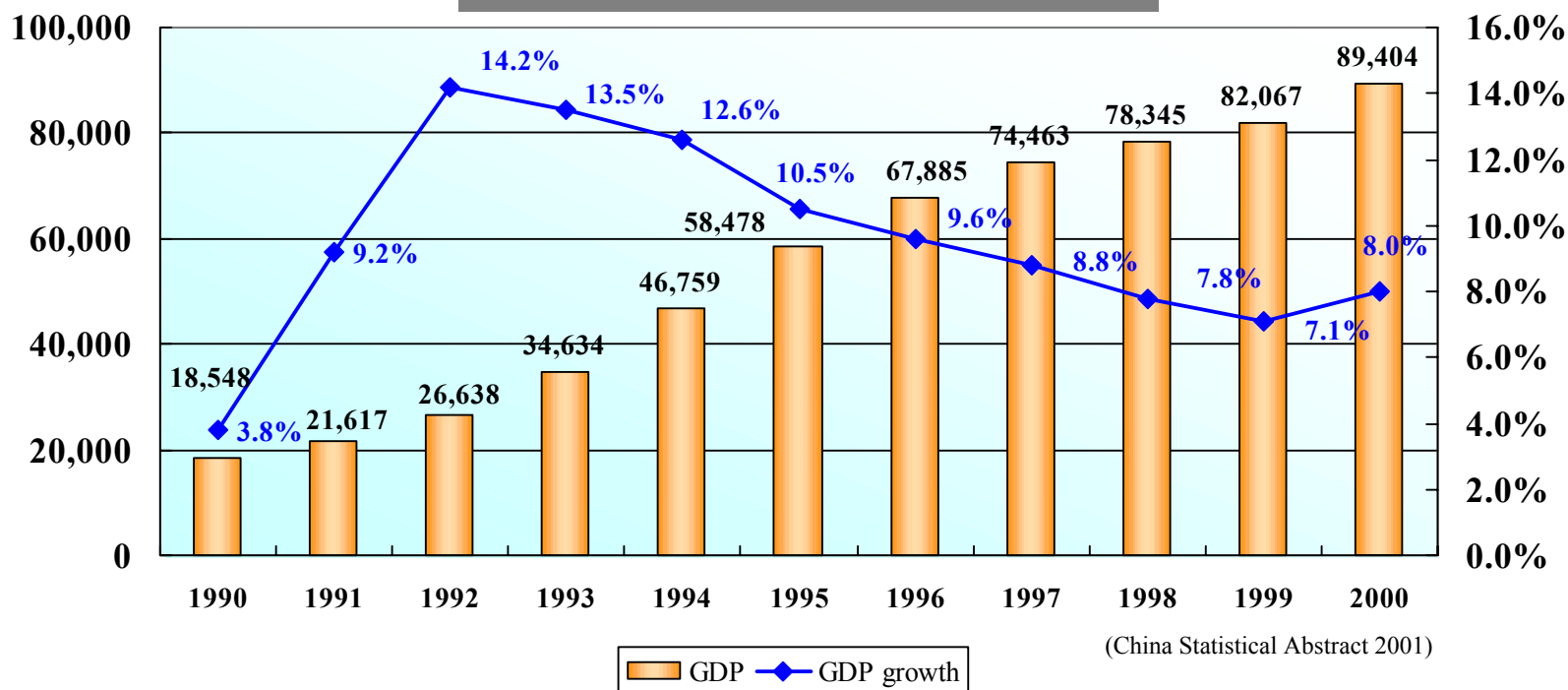
President Keigo Takahashi

# ★ Economic index of China

■ Population	1,265,830,000	(2000)
■ GDP per person	\$ 855 (RMB 7,078)	(2000)
■ Ex. Rate	\$1 = RMB 8.2785 (average through 2000)	

## Economic growth of China

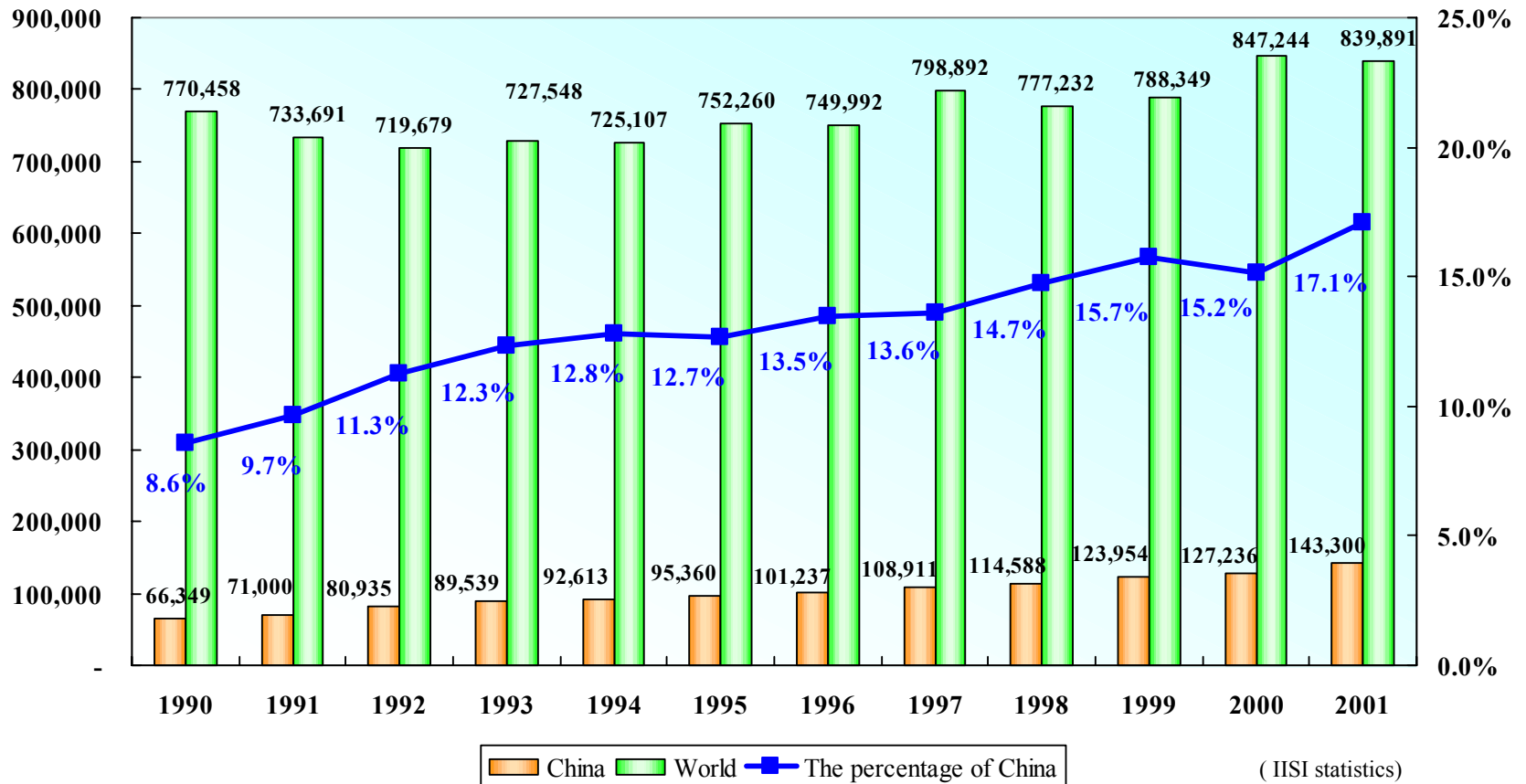
(RMB100,000,000)



# ★ China increasing crude steel production

## Crude steel production of the world and China

(1,000MT)

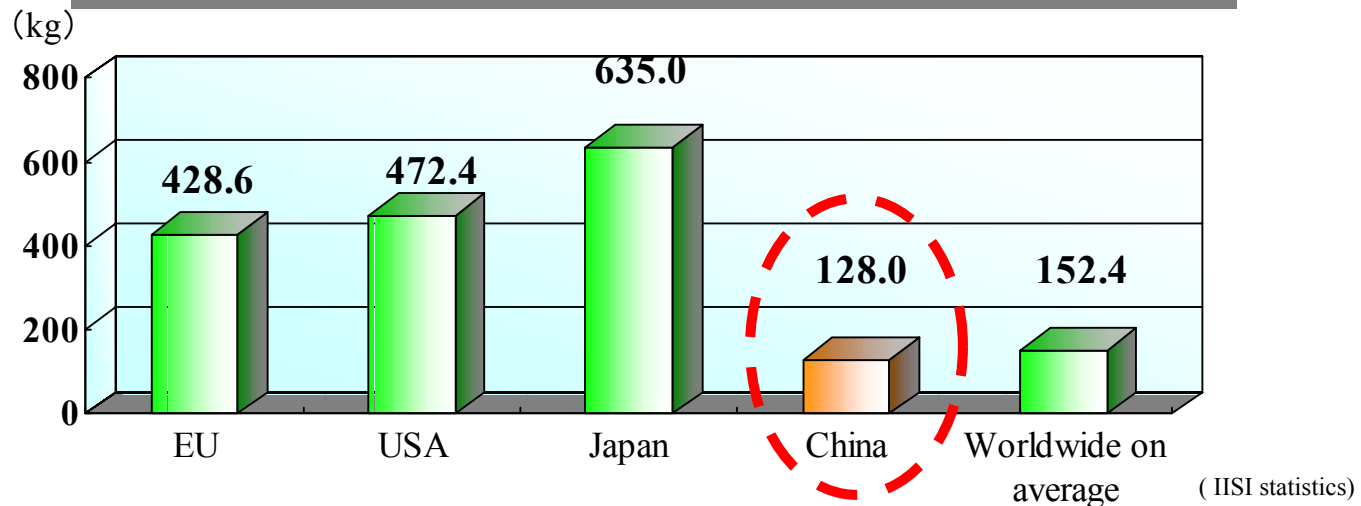


\*Preliminary figures for 2001

# ★ Demand of manganese increasing due to expansion of steel demand

1. Expected to increase greatly !

Crude steel consumption per person in 2000 (Apparent)

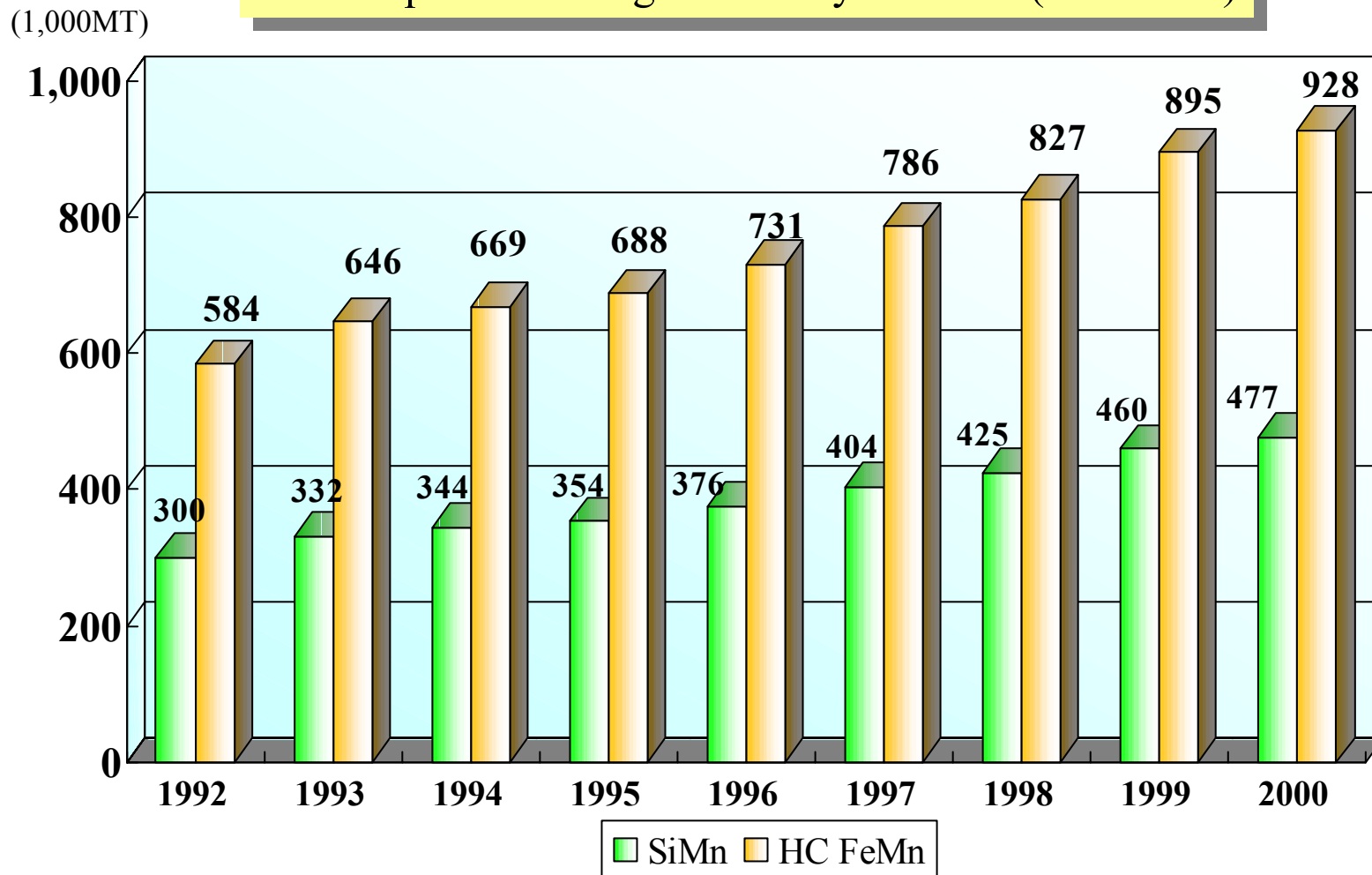


2. Increasing demand in line with planned international projects !

The Beijing Olympic Games in 2008  
Shanghai EXPO in 2010

# ★ Consumption of manganese alloy expected to increase in China

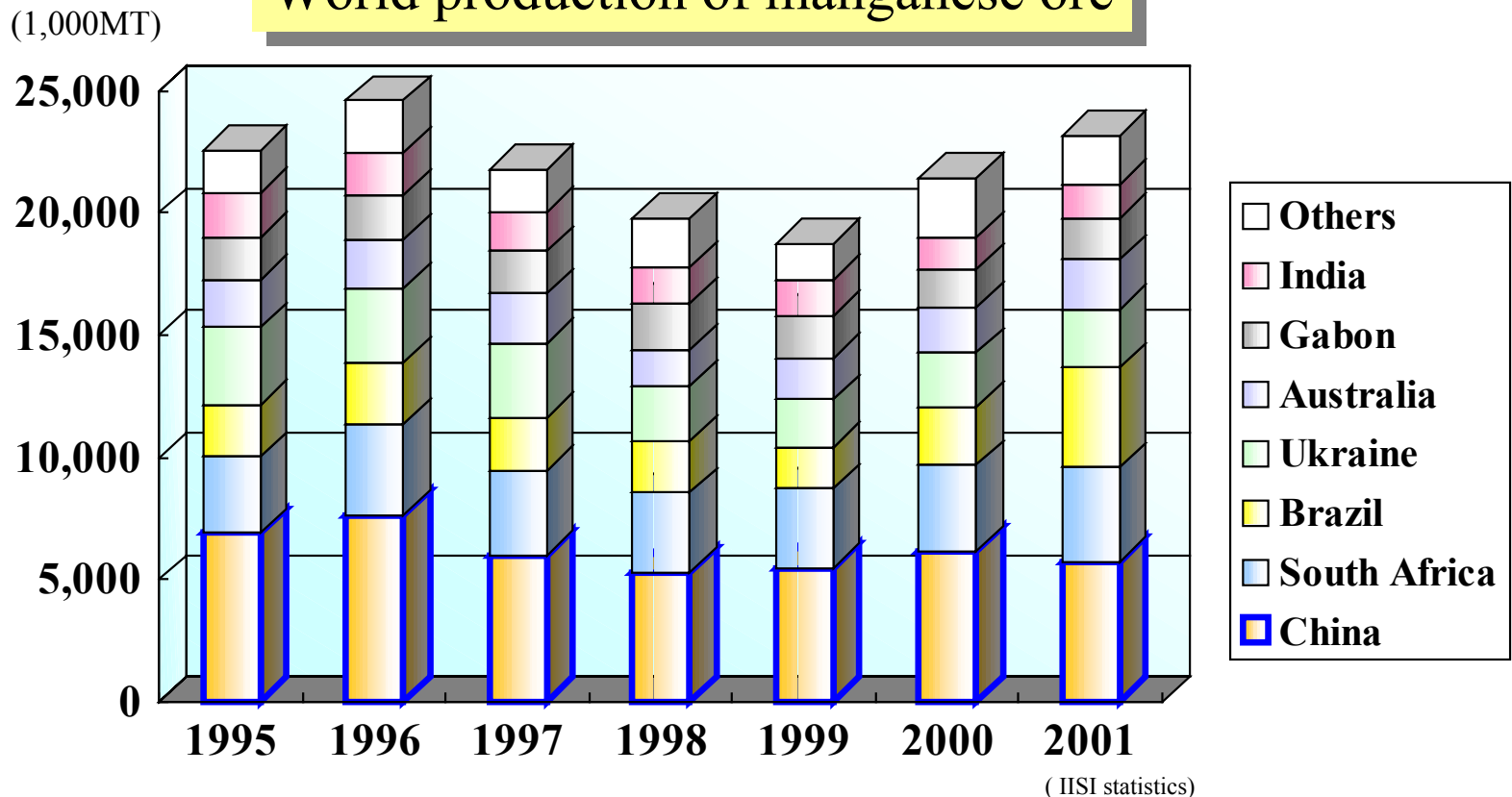
Consumption of manganese alloy in China (Estimated)



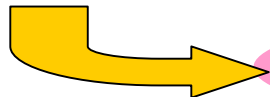
(Referred to China Steel Yearbook & China Export statistics)

# ★ China is the largest producer of manganese ore

World production of manganese ore



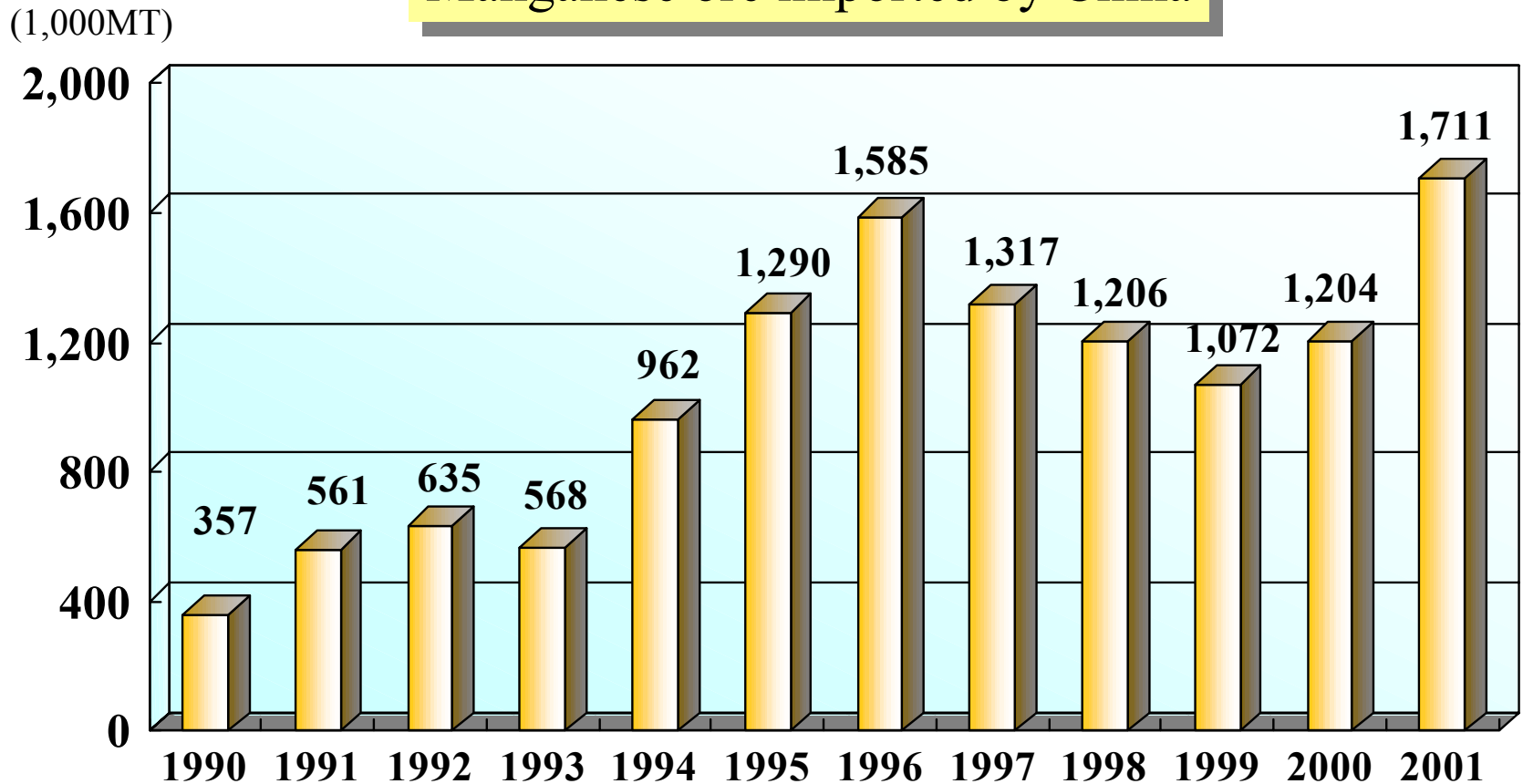
China produces low grade ore



Import high grade ore

# ★ China is the largest importer of manganese ore

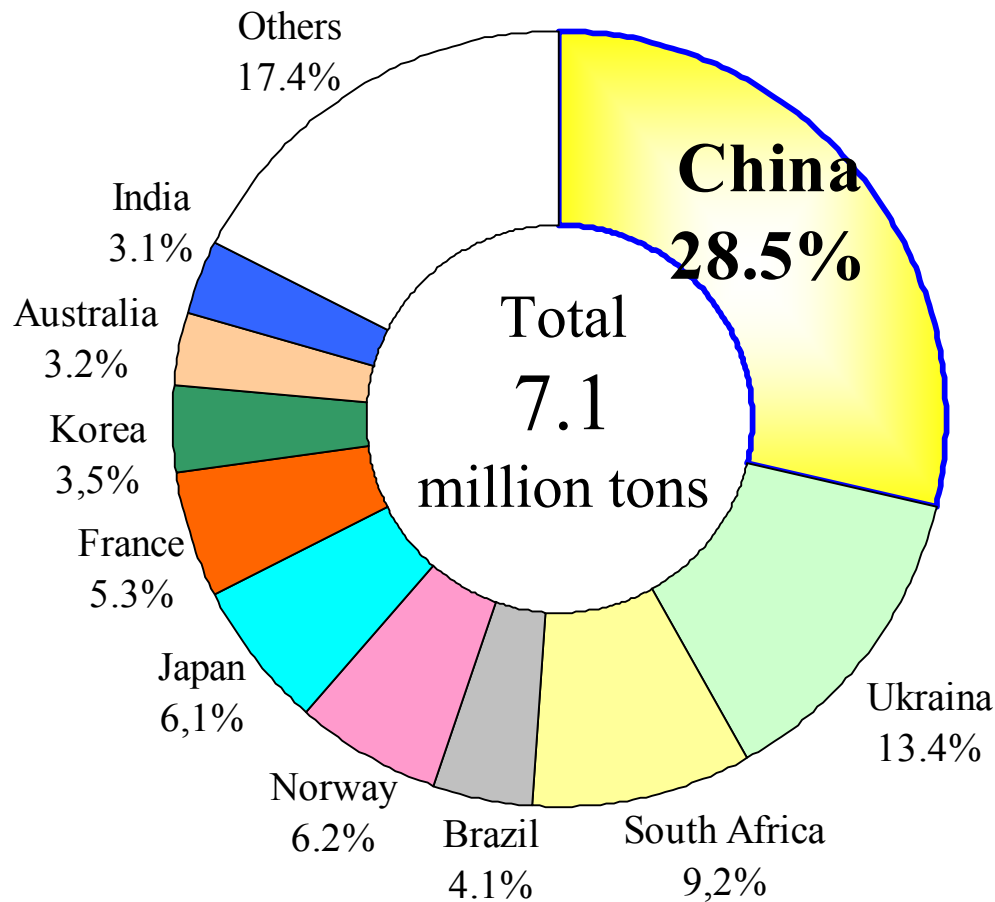
Manganese ore imported by China



(China export statistics)

# ★ China is the largest producer of manganese alloy

## World production of manganese alloy in 2001





# ★ Chinese ferroalloys producers have the following problems

## 1. Excessive number of producers

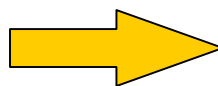
**Number of companies : about 2,000**  
( including 19 state-owned firms )

## 2. Excessive production capacity

**Production capacity 5,550,000 tons as of 1995**

Blast furnaces	m3	<49	50~99	100~224	≥225	(average)	106m3
	Nos. of units	3	9	14	4	(Total)	30
	Ratio of capacity	1%	20%	45%	34%	(Total)	100%
Electric furnaces	kVA	<1500	1500~2999	3000~4999	≥5000	(average)	3,100kVA
	Nos. of units	218	498	171	179	(Total)	1,066
	Ratio of capacity	5%	28%	17%	50%	(Total)	100% (Data as of 1995)

Domestic production in 2000  
4,030,000 tons



Domestic demand in 2000  
2,600,000 - 2,800,000 tons

**Results in necessitating of export !**

(China Steel Yearbook)

## 3. Excessive competition

**Worsening of profitability**

( 10 of 19 state-owned firms are in red )

Causing depressed international markets  
Frequent complains against AD



- Waste of resource and energy
- Worsening of profitability for the ferroalloys industry
- Causing conflicts of trade

# ★ Coping with solutions

## ■ Solutions ■

1. Excessive number of producers
2. Excessive production capacity
3. Excessive competition

## ● Structural adjustment by Chinese Government ●

### **1. Disposal of small and outmoded facilities**

Dispose electric furnaces with a capacity of less than 3,200kVA and blast furnaces with a capacity of less than 100M3

### **2. Suspension of new operations**

Suspend the construction of new plants for 5 years from 1999

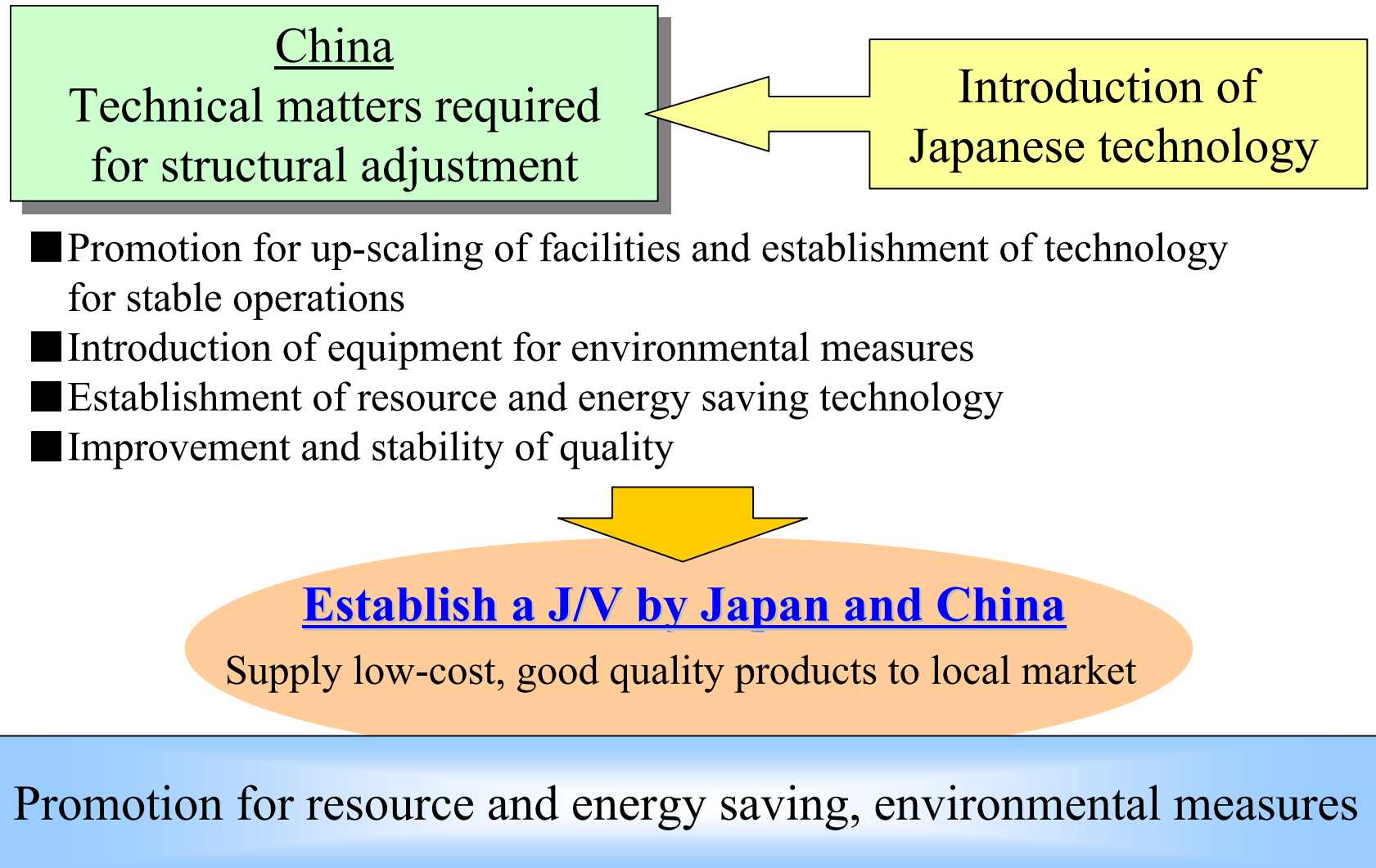
### **3. Environmental measures**

Regulate the emission standards of soot and smoke and shut down facilities that do not comply with the standards

### **4. Promotion of technological innovation**

### **5. Promotion for reducing the number of producers and those up-sizing through integration, liquidation etc.**

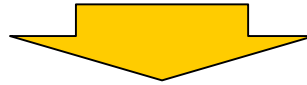
# ★ Cooperation for Chinese ferroalloys industry



# ★ Prerequisites for investment

## Essential condition...

- J/V preserves sufficient profits
- J/V secures reasonable return on investment in capital and technology



## **1. Promotion of structural adjustment**

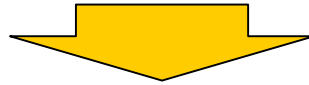
Establish an efficient supply structure to meet domestic demand

## **2. Elimination of legal risks and protection of the right to profit-gain**

- 1) Transparency and consistency in applications of the law and regulations are required
- 2) Protection of IPR (Intellectual Property Rights) is required
- 3) Collection of accounts-receivable to be ensured

★ Thank You...

Promotion for establishing of fair, transparent business rules  
in light of accession to WTO



**Business expansion with foreign countries will contribute  
not only to the Chinese economy but also to the global economy!**

*I sincerely look forward to ...*

- Further strengthening friendship and the cooperative relationship between Japan and China
- Contributing to the development of China's ferroalloys industry