

China Business Guide

中国商务指南 2009

(The Building Materials Industry)

China Council for the Promotion of International Trade

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Foreword

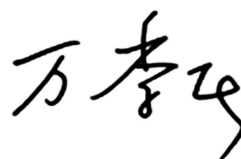
China is the largest developing country with a great popularity and a vast territory. During 30 years' reform and opening-up, China's economy has seen rapid and steady growth. In this process, the thriving of foreign trade, the tidal wave of foreign investment and introduction of advanced foreign technology played important roles.

As the largest promotion authority for foreign trade and investment, China Council for the Promotion of International Trade (CCPIT)/China Chamber of International Commerce (CCOIC) has always been dedicated to the development of Sino-foreign economy and trade. China Business Guide is one part of our promotion series. It is regularly edited and published to introduce China's foreign economy and trade as well as business environment to commercial and industrial circles at home and abroad. China Business Guide has won wide popularity since its first edition in 1996.

From 2008 on, we released five sub-volumes for China Business Guide including Machinery, Automobile, Textile, Electronics Information and Mining, which mainly presented their latest developments in China. In 2009, we added another five sub-volumes including Light Industry, Building Materials, Logistics, Energy and Aerospace about the latest situation of these five industries. We have so far introduced the developments of ten major industries in China's traditional industrial economy to the world in English version so that the global business circles can have a better understanding about the development of China and the great changes of its major industries and sectors.

China will gain more vitality in the transform. China means new opportunities to everybody who pays close attention to China's economy. I hope China Business Guide sub-volume series will further help business circles at home and abroad.

Wan Jifei

A handwritten signature in black ink, consisting of stylized Chinese characters '万孝飞' (Wan Jifei).

Chairman

China Council for the Promotion of International Trade

China Chamber of International Commerce

Preface

Mr. Sun Xiangyuan

Party Secretary and Standing Vice-Chairman of China Building

Materials Federation

Sept. 3rd, 2009

Published by China Council for the Promotion of International Trade and China Chamber of International Commerce, Building Material Volume of China Business Guide is an important approach to providing a systematic and all-round introduction of the development of China's building material industry at present, and it also helps business partners at home and abroad gain a wider knowledge of business environment and prospect of the industry. As one of the volumes of China Business Guide, Building Material Volume provides an overall introduction of China's building material industry in terms of achievement, development, international position and influence, and policies and regulations concerning investment and operation in the industry.

As an important part of China's industrial economy, building material industry is also basic industry for the development of economy and society of China. Besides providing various building materials for activities in economy and social life and meeting the constantly increasing demands of Chinese people, building material industry has also been playing an important role in the promotion and development of employment, farmers' income, international trade, related industries and regional economy. The vast population and rapid development of economy constitute long-term vigorous demand in China for building materials. Ever since 1985, the production of major products in the industry such as cement, plate glass and building ceramics as well as sanitary ceramics have ranked world No.1 in succession, which also makes China become "a big country for building material production and consumption". China's building material industry plays a vital role in the international market, and its continually strengthening international competitiveness brings about greater impact on the development of global building material industry. In view of these, Building Material Volume of China Business Guide is launched by China Council for the Promotion of International Trade to offer a complete introduction to building material industry—a key industry in China as well as in the whole world.

Based on objective, full and accurate data, Building Material Volume of China Business Guide makes an all-round analysis and introduction of the development of the industry, its role and position in the national economy, the development trend of the global building material industry and the global position of China's building material industry. Meanwhile, an analysis of the external development environment of China's building material industry is also made with the introduction of macro-economy in China, industry policies, technology development, the present situation and development of upstream and downstream industries including real estate, building and steel. Based on a large amount of data and diagrams, the Volume makes a detailed introduction to the general scope, distribution, production and sales, cost and expense, profit and production and sales in some specific regions of China's building material industry and the related sub-industries in 2008, which provides readers with a complete and profound knowledge of the latest development of the overall industry of related sub-industries. In accordance to the strategy of "Going Global" advocated by the State, the Volume also makes an introduction to the situation of export of China's building material industry, the situation and the trend of overseas investment. Furthermore, there is also an introduction to the leading enterprises and characteristic regions in the manufacturing of cement, glass, ceramics, paint and other new materials. On the whole, the content of this book is to bridge communication between practitioners of the field at home and from abroad.

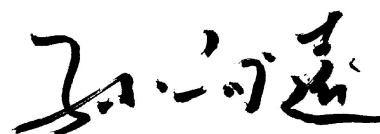
The publication of English version of the Volume provides a more convenient means for our international partners with a wider knowledge of our achievements in the optimization and upgrading of industrial structure focusing on independent innovation, energy-saving and emission-reduction with the continual implementation of the Scientific Outlook on Development, especially the achievements gained by China's building material industry in reinforcing eco-environment protection, in developing and promoting advanced and practical technology in the conservation, substitute and recycling of energy resource, and in boosting the utilization rate of energy resource. This book also points out the impact of the global financial crisis on China's building material industry and the active efforts taken by them.



Founded in 1985, China Building Materials Federation is a non-profitable nationwide association founded in 1985 voluntarily by enterprises, institutions, social organizations and individuals of various regions and departments. With a number of more than 1,500 members and more than 13,000 indirect members, the Federation is now the most representative large-size comprehensive social association in the fields of manufacturing, engineering, logistics, research and education in China's building material industry. The Federation administers 11 direct subsidiary institutions and 15 branches, and it also holds the fort of 23 associations. The key tasks of China Building Materials Federation are as follows: provide services to industries, enterprises and governments, safeguard the legal rights and interests of enterprises, strengthen self-discipline of the industry, maintain daily orders of the market, boost the development of advanced productivity, promote scientific advance as well as structure optimization, reinforce international cooperation, promote friendly exchanges, collaborate with governments in industry management, and enhance the healthy development of enterprises as well as the industry.

China Building Materials Federation will keep close cooperation with building material enterprises, continue to collaborate with governmental bodies in the implementation of industry policies, and exert to push the strategic adjustment of industrial structure as well as the transformation and upgrading of enterprises. Active efforts will also be made by China Building Materials Federation in the collaboration with governmental bodies to eliminate backward productivity, support transformation and upgrading of small medium-sized enterprises and thus accelerate the smooth withdrawal of backward productivity. Meanwhile, the Federation will continue to strive for support from the state on building material industry in both policy and the approval of projects, e.g. policy support in terms of export rebates, foreign trade expansion funds, and financial discount in industries such as cement, glass, glass fiber, ceramics and non-metal minerals. Moreover, the Federation will continue to keep concerned on energy-saving and emission-reduction in industries of cement, plate glass, building ceramics and sanitary ceramics, trace and guide the implementation of energy-saving and emission-reduction in key energy-consuming building material enterprises, make further efforts in pushing the implementation of the National Award Projects in Energy-Saving in the industry so as to make the key energy-saving model projects in building material industry play a more powerful role in being example and leader.

Faces both opportunities and challenges China Building Materials Federation hopes that more focus will be placed on China's building material industry for the realization of the significant transformation of the industry "From Large to Powerful"





Comments on the Development of Building Material Industry in China

Zhang Renwei Chairman of China Building Materials Federation

The past three decades witnessed three different stages of the development of China’s building material industry in 1980s’, 1990s’ and in the new century, during which the industry has been firmly sticking to the focus of development, exploring and innovating to new stage according to the practical situation of the industry..... I

The implementation of reform and opening up in the past three decades ends the history of China’s building material industry that characterized by inadequate products, backward techniques, old-fashioned equipment, monotonous structure and lack of vigor as well as meets the continually growing requirements of the development of national economy, construction in urban and rural areas, and people’s life. Glorious achievements have been realized in china’s building material industry in terms of both material civilization and moral civilization

The great achievements attained by china’s building material industry in the past three decades are worth thinking and concluding. According to the scientific outlook on development, we provide five points of comments that are of universal guiding significance on the development of the industry.

The past three decades witnessed tremendous changes and promotion of our country in politics, economy, culture and society and historic progress of the country with the implementation of reform and opening up, and it also saw the striking development of China’s building material industry. Guided by Deng Xiaoping’s Theories and the Important Thought of the Three Represents as well as with a thorough implementation of the Scientific Outlook on Development, the development of China’s building material industry has always been taking the responsibility of providing services to the construction of national economy and improving people’s living standards. Under the correct leadership of the Central Committee of CPC as well as governments at all levels, party committees of departments of the industry and Ministry of Building Materials, glorious achievements and historic leap have been attained under the continual efforts by more than 10 million cadres and employees of the industry, e.g. great development of advanced productivity, continually optimized industrial structure, continual innovation of the systems and the strengthened dynamics with the liberation of thought, aggressive reform and innovation.

The past three decades witnessed three different stages of the development of China’s building material industry in 1980s’, 1990s’ and in the new century, during which the industry has been firmly sticking to the focus of development, exploring and innovating to new stage according to the practical situation of the industry

To focus on the development of the industry to solve the conflict between greater demand and less supply to meet the requirements of the development of national economy during the 1980s’

The historic decision of implementing reform and opening up made during the third Plenary Session of the Eleventh Central Committee of CPC brought about a recovery of national economy as well as a brand-new situation of all-round development, which consequently produced tough demands for various kinds of building materials and hence an extreme shortage of major building material products. To cope with this situation, the State Council timely pointed out that the development of building material industry should be the priority in developing the national economy. Therefore, greater investment began to be put on building material industry to accelerate the expansion of productivity of the industry to solve the seriously imbalanced relationship between supply and demand.

By reinforcing leadership as well as making unified plan and rational distribution, the Party Groups of CPC of departments the Ministry of Building Materials accelerated the construction of state-invested key projects, and then accomplished the



construction of three introduced cement projects in Jidong of Hebei Province, Ningguo of Anhui Province and Huaihai of Jiangsu Province in the case of extreme tension of capitals.

However, the construction of state-invested projects could not meet the rapidly growing market demand. In 1985, National Program for the Development of Building material industry was promulgated by State Administration of Building Materials under the guidance of The Decisions on the Reform of Economic System by the Central Government, which aroused enthusiasm of investing in the building material industry and consequently solved the conflict between greater demand and short supply in the market of major products such as cement and glass.

Meanwhile, Luoyang Float Glass Technique, which was of independent knowledge property right, was verified and promoted; more than ten items of internationally advanced manufacturing techniques for the equipment used in new Dry Method Cement Producing were introduced to China; and innovation in wall painting materials was initiated, which laid the initial foundation for the development of China's building material industry into a new stage.

To Push Industrial Upgrading by Transforming Economic Growth Pattern in the 1990s'

The balance between supply and demand began to be realized in the 1990s' and an important transformation from the seller's market to buyer's market was being conceived. However, the parallel development of advanced productivity and backward productivity caused increasingly sharp conflict in the structure of the industry and the continually deepening conflict between industrial development and energy capacity. Therefore, the promotion of industrial upgrading became the top priority of the period.

To cope with the changes in the development of the industry, State Administration of Building Materials set "Structure, Energy Saving and Export" as the key task during the "Eighth Five-Year Plan", and then four key construction projects to push the technical progress of the whole industry, e.g. Jidong (East of Hebei Province) New Dry Method Cement Assembly Line with daily production of 4,000 tons, Tai'an 10,000-ton Tank Furnace Assembly Line for Glass Fibre. The cement development strategy along the rivers and seas entitled "T Shape" was also made to meet the requirements on cement brought about by the flourishing economic development in eastern regions of China.

In accordance to the requirement on two fundamental transformations promulgated by the Fifth Plenary Session of the Fourteenth Central Committee, the Party Group of State Administration of Building Materials put forward the development scheme for the new period on the basis of a careful analysis of the practical situation of China's building material industry: while approaching the new century, the focus for the development of China's building material industry should be transformed from production growth to the promotion of intensified production, techniques and equipment level, quality and auxiliary capacity, i.e. developing the industry into modern raw material and products industry of international competitiveness with the focus on improving economy operation quality and economic benefit. Under the direct guidance of leaders from the State Council, experts in and out of the industry as well as the vast members of employees in the industry collaborated to make a profound probe into the nature of "Large but not Powerful" of the China's building material industry, and then designed the century development strategy of "From Large to Powerful by Innovation" in 1995, which has become the outline for the development of the industry.

In the mid-1990s' and late-1990s', great efforts were taken on the development of advanced productivity in new method dry cement, float glass and new building materials, but meanwhile under the principle of "Control of the General Amount of Production and Restructuring", the policy of "Initiation of Large Project and Reform on Small Project" was implemented on cement industry, the policy of "To Limit, Eliminate, Innovate and Improve" was implemented on small cement projects, the target of "Striving out of Difficult Situation" for state-owned enterprises was initiated, and the battle of eliminating "Small Cement Project and Small Glass Project" was carried out. In order to break through the bottleneck of excessive investment in developing new-method dry cement projects, the nationwide cement designing institutes and cement enterprises were organized to make research, and finally "Low Investment and Localization" was realized in the new-method dry cement projects in Shanshui and Hailuo Baimashan (with a daily production of 2,000 tons). Meanwhile, new inorganic nonmetal materials and nonmetal mineral materials and products were set as the new economic growth point during this period. The designing and implementation of these policies and measures will play a significant role in boosting industrial upgrading and the transformation of economic growth pattern.