Chinese logistics group Gansu Yuzhen Logistics Group Co. Ltd. has been having a lot of firsts. As China’s first company to invest in the silicon metal industry overseas, it has chosen Korea as its first silicon metal market.

Gansu Yuzhen is also helping pioneer this industry in Korea, as the country has imported all of its silicon metal until now. But with the establishment of Yuzhen International Korea last year and investments to build a USD 30 million metal silicon production facility in Pohang, the company plans to start meeting Korea’s annual demand for 70,000 tons of silicon metal.

China has historically had a competitive edge in the manufacturing of silicon metal, which is used to make solar cells. Korea, meanwhile, didn’t have the necessary manufacturing technology.

As such, Yuzhen International Korea’s production here is expected to boost the import substitution effect by meeting domestic demand, especially due to profitable supply and demand from the Jangsu mines in Jeolla Province.

Interview

MAKING HISTORY WITH METALS

Yuzhen International Korea aims to be a pioneer in Korea’s silicon metal industry and meet widespread demand.
Making History With Metals (cont.)

The groundbreaking ceremony for Yuzhen International Korea’s silicon metal production facility was held in November. The company last fall also signed a memorandum of understanding to establish a USD 20 million titanium production facility, also in Pohang.

Additionally, Gansu Yuzhen Logistics Group last fall established another subsidiary in Korea – Yuzhen Mining Ltd. – in North Jeolla Province for the purpose of obtaining quartzite, the main raw material for silicon metal.

Yuzhen International Korea will export some of the metal it produces here, which will mean benefits for overseas buyers, including Japanese buyers.

“Japanese buyers also prefer Korean products,” said Jin Yong, president of Yuzhen International Korea. “Quality control is easier in Korea with the added benefit of the ‘Made in Korea’ premium.”

Jin added that Japanese buyers can enjoy the benefits of the Korea-EU free trade agreement by importing raw materials from Korea. A 27 percent anti-dumping tariff levy is imposed when exporting from China, which isn’t the case with Korea. Yuzhen can expect stable sales because corporations including OCI, KCC and Hanwha have secure clients. In fact, Yuzhen expects Korea to produce an annual total of 25,000 tons.

Titanium, also to be produced by Yuzhen International Korea, is another item completely imported to Korea from countries like China, Russia and Ukraine. But because titanium oxidizes when shipped overseas for more than 10 days, Yuzhen International Korea Co., Ltd. plans to roll, seal and editionalize it with an ingot imported from China. Securing the raw material supply won’t be a problem because the company has a smelting factory in China. Due to environmental problems in the initial titanium refining process, the ingot must be imported in pieces and assembled in Korea. The Korean market demands 8,000 tons of it a year, and Yuzhen International Korea Co., Ltd. expects to produce 4,000 tons, with expected revenues of KRW 1.2 trillion (USD 1.03 billion).

As pioneers in Korea’s silicon metal industry, Chinese experts have found it difficult to seek out an industry sector that is available in China but not in Korea — and even more difficult to invest in an item not available at headquarters, as Gansu Yuzhen Logistics Group does not manufacture silicon metal.

“Our headquarters in China conducted careful market surveys since we started having trade transactions with POSCO five years ago,” said Jin. “I analyzed the demands of Korea and Japan and measured 70 some factors that may have an impact on production, such as the quality of groundwater, climate, wind direction, etc.”

Yuzhen International Korea chose Pohang, an industrial and coastal city of Korea best known for being home to the Korean steelmaker POSCO and renowned physical sciences university POSTECH, due to the advantages the area offers when it comes to producing silicon metal. Foreign-invested businesses can use land free of charge for 50 years. Also, sludge discharged during silicon metal production, which usually incurs fees elsewhere, can be sold to POSCO and recycled. This sludge prevents the sulfur smoke produced by processing steel, while POSCO steel mills provide the liquefied carbon dioxide and oxygen necessary for manufacturing silicon metal. Other factors include Pohang’s proximity to the port, the fact that retired POSCO employees make for highly skilled workers and Pohang’s optimal environment for silicon metal manufacturing, which is greatly affected by wind direction, wind speed per second, climate and other factors.

Advice for potential Chinese investors

To investors in China looking at the Korean market, Jin offers the following:

KS Certification: “It is easy to receive KS certification [Korea Industrial Standard Mark] if Chinese companies establish subsidiaries in Korea, which is the biggest advantage of investing in Korea. Because the KS certificate is accepted around the world, one can surpass export barriers. Unfortunately, many Chinese companies do not know this.”

Loan Passages: “Korean loan passages are open and interests rates are much cheaper than they are in China.”

“Chinese companies these days have capital for and interest in overseas investment, but do not know the actual situation abroad,” said Jin, who has done business with Korea since the 1990s and sees niche markets others may not. “I want to become a bridge for the companies of both countries with my experience in and knowledge of Korea.”

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Did you know?

- Gansu Yuzhen Logistics Group Co. Ltd. is a private enterprise in Gansu, China that does business in a variety of sectors including logistics, mining, hydroelectric power, real estate and trade. It is one of the largest logistics companies in Gansu.