

Analyzing marketization of
investment&finance in area of
integration of forest and
papermaking

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- 1. the basic marketed environment for realizing integration of forest and papermaking industries is marketization of finance and investment.
- 2.the huge market opportunity for forest and papermaking industries.
- 3.the reform of financing and investing institution walks with difficulty.
- 4.eliminating institutional hindrance, accelerating the marketization of finance and investment, and promoting the sustainable development of industry integrated forest and papermaking

Ten years ago, the scheme on reforming investment and financing system pointed out:


Enterprises should be the principal parts for investing in competitive projects; investing and financing activities should run in markets, and through the markets, enterprises finance, construct and operate competitive projects

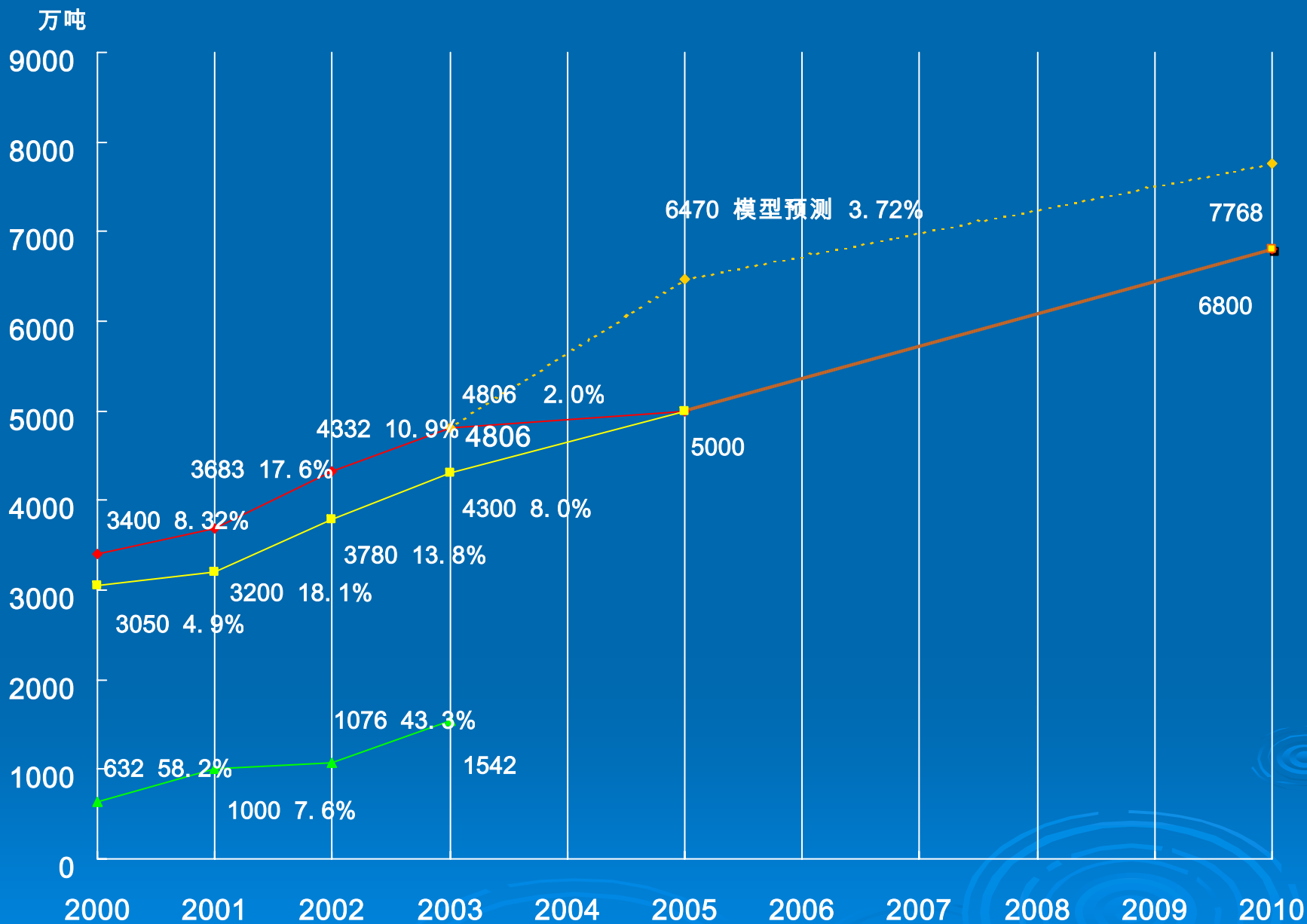
Forest and papermaking integration industry is competitive. Realizing the integration of forest and papermaking industries is a process of market allocation of resource, not a transformation of management pattern.



Capital integration is the transaction under a regulatory cap. In order to reduce transaction cost, it's necessary to establish the basic market economy environment ----Finance and investment marketization

Three aspects related to marketization in area of integration of forest and papermaking industries:

- 1. Principal investing parts of forest and papermaking industries should be operated as private business.
 - 2. Governments should quit from the finance and investment.
 - 3. Free, fair, ordered capital market and financing environment
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—●— 2000-2010纸和纸板消费量及其预测量
 —■— 2000-2010纸和纸板产量及其预测量
—▲— 2000-2003纸浆和废纸的进口量
 - - -◆- - - 模型预测的纸和纸板消费量

From 1999 to 2002

Domestic pulp: Wood pulp 17% → 21%

Total pulp: Domestic pulp 68% → 38%

Wood pulp 14.6% → 31%

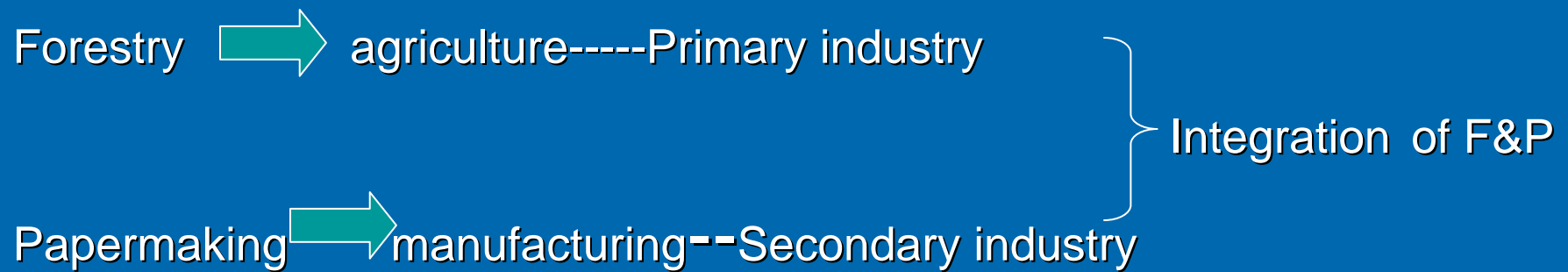
waste paper pulp 27.1% → 47%

Investment system reform

No step forward during the last ten years!

How about the next ten year?


Sanction system replaced examination and approval system----pulp projects having over 100 thousand tons of annual production should be sanctioned by the department of the State Council in charge of investment.



Papermaking industry is one of 30 manufacturing industries.

The share of China's manufacturing industries in the world's manufacturing industries would increase from 7% in 2002 to about 20% in 2020, and China would become a big manufacturing industrial country. The same will happen to the industry integrating forest and papermaking.

Eliminating main institutional hindrances for manufacturing industry

1. Abolishing examination and approval system and sanction system
 - 2. Associations change from “the secondary governments” into real non-governmental organizations
 - 3. Shaking off “path dependence” of implementing industrial policies
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The most important and difficult problem is the institutional hindrance for reforming forestry market

- 1. Separation of forestland tenure and harvesting right
- 2. Institutional hindrance of property right for industrial forest
- 3. Heavy tax burden
- 4. High risk and low liquidity of forestry

Summary

Forest&papermaking integration industry is one of big manufacturing industries and has a good prospect of market. As a competitive industry, fair and complete competition is the basic characteristic and innovation drive. Therefore, realizing the integration of forest&papermaking industries needs an institutional environment adapting to modern market economy, which kernel is to investment and finance marketization.

The process of eliminating hindrances of idea and institution constantly, is strategic orientation of forest&papermaking integration----the direction of adopting the principle of market economy, institutional innovation and right position of governments.

Thanks!

