

CASE STUDY 6 Mitsui Denman (Ireland) Ltd.

Irish Ayes

Gaining independence from the British Commonwealth in 1949, Ireland joined the European Community (EC) in January 1973 in a bid to develop into an industrial nation.

Ireland's entry into the EC happened by chance to pave the way for Mitsui Mining & Smelting Co. to build a plant in the country. Mitsui Denman (Ireland) would not have come into being had not EC membership promised to help Mitsui M&S overcome the tariff barriers to exports to EC nations.

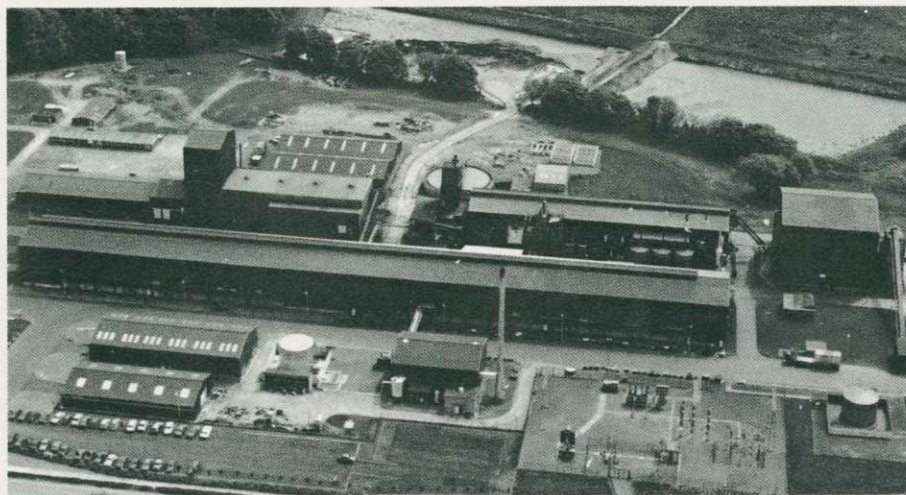
Electrolytic manganese dioxide, a principal material for dry cell batteries known for its high quality and ease of mass production, was one of Mitsui M&S's most vaunted products. The company already had an unshakable position in the export trade, but the time had come to expand into local production.

Mitsui M&S's hunt for a plant site overseas began in the early 1970s when it sent a survey mission on an extensive tour of the world. On the last leg of its journey, the survey team arrived in London, where Mitsui & Co.'s London Branch advised it to extend its itinerary a little farther and visit Ireland. The result? The team found Ireland ideal, and recommended the country for the planned joint venture.

Mitsui M&S had come to the right country at the right time. The Irish government, for instance, had adopted an aggressive foreign corporate inducement policy. Investing foreign corporations were exempted from the export income tax, and provided with cash and training grants until 1990.

Other factors also prompted Mitsui M&S to finally choose Ireland. For one, Britain and Ireland offered the company the wherewithal to raise long-term funds on favorable terms. Moreover, labor costs were reasonable, and it was easy to secure skilled manpower. Even the language, English, is one with which Japanese are familiar.

The recommended site of Cork also had numerous advantages. It provided favorable geographical conditions, such as cheap but spacious industrial locations, a port equipped to moor ore carriers, abun-



A combination of favorable conditions brought about the establishment of Mitsui Denman (Ireland).

dant electricity and water, an international airport, a university and convenient railway access to Dublin. The decisive factor was the excellent port. Mitsui M&S relied 100% on imports of manganese ore, brought up in big ore carriers from Ghana.

The production of electrolytic manganese dioxide involves extracting manganese from the ore with sulfuric acid, and removing the impurities. The impurities must then be safely disposed of. Ample space is needed for this, as is a spacious site where noise and smoke pose no safety problems.

Mitsui Denman (Ireland) finally came into being in August 1973. Located at Little Island, County Cork, it is capitalized at 8.8 million Irish pounds, 75% put in by Mitsui M&S, 20% by Mitsui & Co. and 5% by the Irish Development Agency (IDA). IDA enthusiastically lobbied Mitsui to build a plant in Ireland. The two Japanese partners have the highest appreciation of IDA's cooperation, without which, they say, they could not have gotten the venture off the ground.

Mitsui Denman's 130-man plant has an annual production capacity of about 12,000 tons, which is 100% for export. Its main markets include Western Europe, the Soviet Union, Eastern Europe, Africa, the Middle East and the United States. Although the recent weakness of the dollar has sent sales sliding, the com-

pany hopes to be back on the upswing once world economic stability returns.

Mitsui M&S's basic principle in investing overseas is to adapt its operations to the culture, lifestyle and social background of the host country. In Ireland, it did not have an easy start. Construction coincided with the first oil crunch, which cost the company more than it had anticipated. A strike by local construction workers also delayed completion. But that strike was the last. Since entering operation, the plant has enjoyed harmonious labor-management relations without losing a single day due to labor disputes.

As a Mitsui M&S executive puts it, Mitsui Denman was blessed with qualified, capable local management staff from its inception. "These people deserve the credit for the company's stable employment relations," he explains. Today there are only two Japanese at Mitsui Denman, the rest of the work force consisting entirely of Irish employees.

Mitsui Denman fully measures up to the expectations of its parent company, Mitsui M&S. In fact, notes one M&S executive, the joint venture has completely surpassed its parent company in the computer-controlled production of high-quality electrolytic manganese dioxide. ●

(By Michio Itoh, senior deputy general manager, Information & Research Division, Mitsui & Co., Ltd.)