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MINNESOTA MINING IN CHINA PACT

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China will permit an American corporation, the Minnesota Mining and Manufacturing Company, to establish a wholly owned operation there, it was announced yesterday. Previously, China has restricted foreign investment to a joint venture basis.

"Of course, this is something of an experiment both for China and for 3M," said Lewis W. Lehr, chairman and chief executive officer of Minnesota Mining.

Under the agreement, which was announced by the company, Minnesota Mining will operate a small plant in Shanghai. The products will be primarily for the expansion and modernization of China's telecommunications and electrical power systems, both national priorities.

Amount Not Disclosed

The facility will occupy 12,000 square feet in a building owned by the Shanghai Electrical Machinery Corporation and will have about 30 employees. They will be Chinese, except for the plant manager who will come from the company's home office, said Gary D. Pint, vice president of the electrical products group. He said that company policy precluded him from disclosing the dollar amount of the investment.

Mr. Pint, in an interview from Minneapolis, described the operation as "fairly humble" but emphasized that the company had "positive growth expectations" in China. The Chinese were interested in a "wide variety" of 3M products, he said, adding that 3M envisioned a "growth for other products and markets" there.

3M has subsidiary operations in 52 principal locations, the two most recent ones being Uruguay and Zimbabwe. In 1982, 40 percent of the company's worldwide sales of \$6.60 billion were by its foreign subsidiaries.

Years of Negotiations

"It was a long, involved, very exciting process," Mr. Pint said about the negotiations that preceded the agreement with the Chinese. Discussions began three and a half years ago, and 3M's director of China affairs, John Marshall, made some 50 trips to the country during the course of the discussions.

Allowing 3M to operate a wholly-owned subsidiary in China appears to be another step, however small, in opening China to Western capitalism. The United States embargoed trade with China from 1952 until 1972. On China's part, while Mao Tse-tung ruled, the society was tightly closed to outside influence. Since Mao's death in 1976, China has displayed more flexibility in economic matters.

A Chinese Government official in Washington, who asked not to be identified, said his Government was engaged in discussions with other foreign companies about both wholly owned and joint venture possibilities. He declined to be more specific.

For a foreign company, an opening to China provides access to a large consumer market that is basically untapped. China, for its part, sees benefits in the products and the technology.

The Shanghai facility is expected to be operating in the middle of next year, the company said.

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