

Firm ships entire plant to China

By Wayne Gooding

TORONTO-BASED United Tire & Rubber Co. will dismantle and ship to China the equipment from an entire plant as part of a joint-venture agreement.

Hard on the heels of Sarnia, Ont.-based petrochemical-maker Polysar, which has just signed for a 50% stake in Shanghai Gao Qiao-Polysar Co., United Tire is moving into the northeastern industrial and port city of Tianjin.

INTERNATIONAL

United will hold 20% of Tianjin/United Tire & Rubber International Co., which will manufacture off-road tires for the Chinese and export markets. Partners in the joint venture include: Tianjin Rubber Industrial Co.; Tianjin International Trust & Investment Co.; and Trinity Development Co. of Hong Kong, the trading house that was the go-between in the early stages of the deal.

United Tire will close its plant in Cobourg, Ont., and ship its equipment and technology to the new joint venture in Tianjin.

That's not what United had in mind when it first started negotiations on the joint venture 2½ years ago, says Robert Sherkin, vice-president of marketing, but the force of international competition dic-



tated a different strategy. "We tried to arrange to continue production in Cobourg, but the way the arrangement worked out, we concluded it would not be prudent to continue work there."

Under the new plan, United's Canadian manufacturing operations will be consolidated at its Rexdale plant in suburban Toronto and the Cobourg plant will close mid-September. Plant will be shipped to China by late this year or early next. It's expected that production in Tianjin will

begin in the fourth quarter of 1987. Of Cobourg's 150-strong work force, about a dozen managers or supervisors will be going to China, Sherkin adds. The rest will be laid off.

United gets US\$12 million from the sale of the Cobourg plant to the Chinese, of which US\$2 million will be used to finance its equity stake in the joint venture (total capitalization of the China joint venture is US\$10 million). Besides its equity involvement and the sale of technology and manufacturing equipment, United will be providing technical support in Tianjin and is the exclusive agent for sale of Tianjin United's production outside China.

Sherkin says the joint venture expects to ship a significant percentage of production for export markets, although this won't be until after the product has proven satisfactory in China's domestic market.

Purchase of a 'turn-key' operation is not new for the Chinese, who have been scouting in many countries to buy existing factory operations. Last year, for example, Tianjin Bicycle Industry Co. paid about \$7 million to buy the bankrupt Zuendapp Motorcycle Works from West Germany. (Last week, Pabst Brewing Co. of Milwaukee, Wis., announced it will start production in China; it has already dismantled one U.S. plant to set it up in Guangdong province, and plans to move a second plant to China next year.)

The United and Polysar joint ventures are the latest in a series of Canada-China deals that have been finalized in the past year. Gandalf Technologies Inc. of Ottawa has gone into partnership with Nanjing Radio Factory, for example, and Babcock & Wilcox of Cambridge, Ont., has set up with Beijing Boiler Works. Meanwhile, Noranda Inc. is well into a feasibility study with Tianjin NonFerrous Metals Industrial Co. for a copper-smelter and refinery joint venture.