

Warner-Lambert venture

Dentyne smile heads east

By EVAN SCHUMAN

Daily Record Business Writer

MORRIS PLAINS — Adhering to the Chinese proverb that a thousand-mile journey begins with a single step, Warner-Lambert Co. has made a cautious \$5 million investment into the sweet teeth and sore throats of more than a billion Chinese.

For the Morris Plains-based pharmaceutical and consumer products concern, yesterday's announcement of plans by the Harbin Warner-Lambert Confectionery Co. Ltd. to build a manufacturing plant in northeast China was its second move into the People's Republic. It began manufacturing hard gelatin capsules there in 1985.

The new facility — to be built in the city of Harbin in the province of Heilongjiang — is to employ 120 people and initially produce Dentyne chewing gum, Halls cough drops and Fruitfuls, a center-filled candy that is not distributed in the United States.

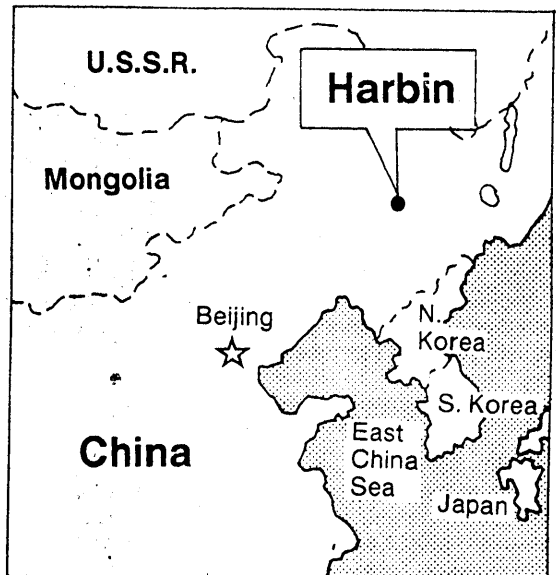
The Chinese consumer is expected to be very receptive to American candies and cough drops because most Chinese manufacturers use techniques decades behind American firms', according to experts on the Chinese economy.

"Quality controls are a real problem, as is product consistency," said David Richtor, a manager of the National Committee on U.S.-China Relations, a private, non-profit trade group based in Washington. "They are about 20 to 30 years behind the times. That's why it is such a good time to invest in China and to bring their level of industry up."

Rosemary Draper, an international economist on the China Desk at the U.S. Commerce Department, said American products in particular have caught the fancy of the Chinese consumer.

"There is a lot of respect there for American products," she said.

Richtor said, however, U.S. appliance makers have had trouble selling their products in China



because few Chinese can afford to buy them. "But American products now are very vogue, chic," he said. "And the price of those (Warner-Lambert) products are so low that even a Chinese peasant could buy a couple of sticks of gum or some candy."

Another Commerce Department expert on China said the gum and candy now manufactured in China is of such low quality that the American products should be an instant hit. "It's the difference between what you and I might make in our kitchen and what Wrigley puts out," he said.

But as the Chinese government loosens up economic rigidity in the marketplace, consumers there are finding themselves with more and more money.

The Chinese government is concerned with the weak reputation of its products and had planned to

Please see Dentyne on Page B10

Dentyne smile heads east

Continued from Page B6

publicly display some of China's shoddiest products, said Mary Greenwald, editor of China Industry Bulletin, a corporate newsletter on Chinese business.

"It was to embarrass the producers to encourage them to do a better job," she said of the aborted plan.

But doing business in China also has its downside, with extremely high tariffs (butter and

chocolate, for example, are at 70 percent) and a currency that is virtually impossible to exchange.

Warner-Lambert spokesman Marshall Molloy said his company is enthusiastic about the Chinese venture, but is not unrealistic about how long it will take to fully develop the Chinese market.

"Obviously, with a billion people in the People's Republic, it is an immense market," he said. "But it is the company's best judgment that its beginning should be a modest one. Our prudent course is to begin in a modest fashion and to build on that as the experience warrants."