

THE MAGAZINE OF THE NATIONAL COUNCIL FOR US-CHINA TRADE JULY-AUG. 1974



NO. 4 VOL. 1

# U.S. CHINA

*To BOB YAESER  
LP*

# BUSINESS REVIEW

T.M.



# TRANSLATION SERVICES OF THE NATIONAL COUNCIL

The National Council provides translation services for member companies and other firms wishing to have material translated into modern, simplified Chinese characters.

In all business contacts with the People's Republic of China, having correspondence, brochures, and other information translated into the script presently used in China facilitates communications with China's trade organizations. This is because China has limited translation resources: information received in China in Chinese can be disseminated and responded to much faster than if the correspondence is in English.

It is very important for the Chinese characters used in correspondence with Chinese trade authorities to be clear, fluid and, well-drawn. It is important to recognize that present terminology and style of business correspondence used among overseas Chinese differ considerably from that now in use in the People's Republic of China.

## *Services Offered*

The National Council offers a translation service, with strict quality control, for all companies involved in business with China for translation of:

- Correspondence
- Business Cards
- Brochures and Pamphlets
- Summary of Technical Data
- Advertisements
- Catalogues
- Any other form of communication required

These services also include review, revision and correction of translations, both written and oral, made via other agencies in the U. S. and

elsewhere, and referral to printing houses possessing modern Chinese ideographic forms.

As information that companies wish to convey to the Chinese normally includes technical terms, the Council's services also include a reference system of leading Chinese-speaking authorities in the U.S. in all major technical fields. These include those of applied mathematics, physics, biochemistry, civil engineering, construction, electrical engineering, medical technology, metallurgy, statistics, computer sciences, heavy engineering, textile machinery, electronics and petroleum technology.

The Council also has an extensive set of reference works available including specialized dictionaries, atlases, and recent literature from China.

In the preparation of Chinese script, the following processes are involved: initial translation, research for technical terms, reference to specialized dictionaries, calligraphic copying, and final checking of contents.

To insure strict quality control, the translators used by the Council have been screened by authorities on modern Chinese usage. The services made available by the Council are also often recommended by the Washington Liaison Office of the People's Republic of China.

## *Charges*

The terms of translation for Council members are at cost, as follows: \$30 per hour for all translation services, plus additional fees where translation consultations with specialists are involved. For non-members the charge is \$45 per hour, plus additional fees.

Any material a company wishes to have translated should be sent to the National Council to the attention of Translation Services. All services are provided in strictest confidence.

# U.S. CHINA BUSINESS REVIEW™



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**Front Cover:** Christopher H. Phillips, President of the National Council (far left) D. C. Burnham, Chairman, pose with His Excellency Huang Chen, Chief of the Liaison Office of the People's Republic of China, Nancy Kissinger and The Honorable Henry A. Kissinger, Secretary of State, Han Hsu, Deputy Head of the Liaison Office, and Chi Chao-chu, Counselor at the PRCLC, prior to the joint reception and banquet concluding the National Council's Annual Meeting, June 3, 1974.

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The National Council for United States-China Trade is grateful to His Excellency Huang Chen, Chief of the Liaison Office of The People's Republic of China in Washington, for the calligraphy on the front cover of the U.S. China Business Review.

# COUNCIL CALENDAR

## WASHINGTON, DC, July 10

National Council staff were privileged to receive invitations from the Chinese Liaison Office for a special preview performance of China's famous Wushu Troupe at the Kennedy Center in Washington. The group, which displays traditional Chinese sports and acrobatics, concluded its tour in the nation's capital after earlier stops in Honolulu, San Francisco and New York.

## NEW YORK, August 2

President Phillips will keynote a conference on "Trading with the PRC" sponsored by the American Management Association.

## NEW YORK, AUGUST 3

Vice-President Theroux will address American Management Association Seminar on the "Canton Fair."

## NEW YORK, (Fall-dates to be announced)

The Fall importers program.

## KWANGCHOW, October 15-November 15

The 36th Chinese Export Commodities Fair.

## CHICAGO, October 20

V-P Theroux will address a national meeting of the Scientific Apparatus Makers Association.

## BUSINESS ADVISORY SERVICES OF THE NATIONAL COUNCIL

In addition to a well-stocked library of commercial information on China's economy and foreign trade, the National Council has a professional, experienced staff to assist member firms in developing their commercial interests relative to the People's Republic of China.

### Evaluation of Prospects

As a large, developing country, China is, of course, interested in a wide range of products. Likewise, many American firms offer a broad spectrum of goods and services. Given the resource constraints on both sides, the Council helps member firms to evaluate realistically the China market regarding their best prospects based on extensive in-house economic and trade data.

### Approach to Market

The China market presents a relatively unique challenge to most American firms and an adequate appreciation of the difficulties in doing business with China is essential to success. Council staff members have considerable experience in helping firms to formulate long-term strategies that maximize the effectiveness of a firm's approach, while avoiding the many pitfalls awaiting less informed companies.

### Negotiations

The Chinese have a well deserved reputation as tough, skillful negotiators. The Council's business advisors can be particularly useful in helping firms

to acquire a realistic perspective regarding negotiations with the Chinese; the extensive experience of many member firms is also brought to bear on the question.

### Representations

When it is impractical or impossible for member firms, the Council can make representations to Chinese and US Government agencies on their behalf, both in Washington and in China. For example the Council has effectively communicated member firms' interests regarding such wide-ranging matters as export control problems, import requirements and the renegotiation of contracts.

### Ancillary Services

The Council assists member firms in all aspects of their commercial relations with China, including advice on contracts, shipping, translations, participation in the Kwangchow Fair, processing of visas and appointments with officials of the Chinese Liaison Office.

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Firms are encouraged to make full use of the extensive business services available to them as members of the National Council. Inquiries should be addressed to George Driscoll, Director, Business Advisory Services.

# How to Start EXPORTS TO CHINA

**Many companies obtain orders from China, few make sales to China. Nevertheless, a considerable amount can be done to improve a company's chances of obtaining orders from the PRC. Some guidelines are given in the following article.**

All China's import purchases are handled by China's eight Foreign Trade Corporations, which are legally responsible for signing China's trade contracts. To initiate sales to China, a US firm must write direct to whichever of these Foreign Trade Corporations handles the product line it is interested in exporting.

Exporters, in their initial approach to China, should remember that due to the long hiatus in economic relations between our two countries, there may be a lack of information on the Chinese side about your company and its products. There is also a lack of knowledge on both sides concerning each other's business and negotiating practices.

Three basic rules of politeness, persistence, and patience are always worth bearing in mind.

In addition, a company should be aware that, in dealing with the Chinese, it will be faced by sophisticated counterparts and a unique business climate. There is a stress on the Chinese side of mutual trust. Companies should also remember that China's Foreign Trade Corporations have a relatively small, very hard-working staff.

There follows a step-by-step check list which the Council hopes will be a practical help to firms interested in selling to the PRC.

## **How to Find Out What China is Interested in Buying**

China publishes no details of its five-year plans or trade statistics. The only way a company can discern what China's general areas of interest are, regarding its future imports, is by analysis of scattered data and trade statistics of China's leading trade partners, such as Japan, the US, and European countries. For day-to-day purposes, this information can only hint at China's future trade needs.

Generally speaking, the best clues can be obtained from the pattern of China's purchases from individual companies world-wide. A better source of information is that of the exhibitors in trade shows held by different countries in Peking. The Chinese give a clear indication of the particular product areas they are interested in having at these exhibitions.

On a rule of thumb basis, nevertheless, your firm can assume that China may be interested in any industrial product with a high technology content, or any product area China has recently bought, or enquired about, from other countries. China is not interested in buying consumer products from the US at the moment. Plant, equipment, technology or agricultural items, such as grain and raw cotton, have been the principal purchases China has made from the US to



Preparing to sign a \$130 million contract with Techimport for export of five US ammonia plants, in Peking: M. W. Kellogg's J. Taylor and James A. Petrie (seated). The contract, signed November 8, 1973, was one of the largest export contracts signed by any US firm in 1973.

date and these are what China will probably concentrate on buying from the US in future.

### How to Find Out if China is Interested in Your Firm's Product Line

The only way to find out is to write directly to the Foreign Trade Corporation (FTC) that handles your products.

For instance, if you deal in transportation equipment or electronic measuring instruments, you must write to the China National Machinery Import and Export Corporation, known as MACHIMPEX. If your company is interested in selling plant and technology to China, you should write to the China National Technical Import Corporation, known as TECH-IMPORT.

Having initially decided that your company's product line, e.g., railroad, petroleum, petrochemical, electronic, mining, scientific, or other equipment, is of potential interest to the Chinese, the way you can find out is by writing a letter direct.

### How to Find Out Which FTC Deals in the Products Your Firms Wish to Export

A list of products handled by each FTC is given in the box accompanying this article. A more detailed list of the FTC's, and all their regional

branches, is given in a booklet freely available to members from the National Council.

### Why You Need an Export Strategy for China

Think in terms of establishing a business relationship with China that could last for many years. In addition, consider China as a "market" that you would wish to develop in the same way you would any other major market, such as Japan or Germany. In other words, plan for the long run and prepare your approach thoroughly.

This is the way many US firms have already successfully approached business with China. It is also the kind of approach the Chinese themselves appreciate. As one Chinese trade official has told the Council, China is only interested in companies seriously wanting to do business. It is not interested in commercial tourists, i.e., those businessmen who want to visit Peking because that is the "in thing" to do.

China is a very competitive market. The FTC's in Peking are known for the thoroughness by which they compare one firm and its products with the competition on a worldwide basis. It is also true that in a growing number of areas, US firms themselves are making fast headway in the sophistication by which they approach China, so that a company in any given product area that has not already moved to contact Peking may find that it is well behind the other firms

## EXPORTING TO CHINA TWO EXAMPLES OF TIMING BOEING AND CLARK EQUIPMENT

In the three years that American companies have been dealing directly with China's eight Foreign Trade corporations (FTCs) some contracts have been negotiated within the space of several weeks while others have required many months of detailed discussion. There is no easy answer to the question of how long it takes to conclude a deal with one of the PRC's FTCs. The Chinese are among the world's shrewdest bargainers, meticulous in their requests for technical detail but sometimes eager to consummate a transaction rapidly. The contrasting experiences of two American firms that have sold to China—Boeing Company and Clark Equipment are described here.

### Boeing—170 Days

The sale of ten Boeing 707 passenger airplanes to the China National Machinery Import and Export Corp. (Machimpex) represents the second largest export of goods to China an American firm has made to date. Negotiations took almost six months to complete; the total time between initial contact and the delivery of the last aircraft in May 1974 amounted to more than 25 months.

Boeing opened correspondence with Machimpex by letter shortly after President Nixon's trip to China, on March 23, 1972. Thirteen days later, on April 5, the Chinese responded by telex with an invitation to the Kwangchow Export Commodities Fair and afterwards, Peking. This first Boeing trip to Peking began a lengthy series of negotiations which were divided into four phases.

The first phase was introductory, enabling each side to get to know each other. Boeing's delegation consisted of four men from sales and engineering who presented Machimpex officials with general information on the company and its products. This process took approximately two and a half weeks and at its conclusion Boeing had no idea if the Chinese were interested in making any purchases.

The second phase of the discussions began on May 18. During this period the Chinese indicated that they were seriously considering the purchase of equipment from Boeing, specifically 707 aircraft. Boeing's team was then enlarged to nine, to include contracts, spares, engineering and sales people. Three men from the first phase remained in Peking. The negotiations at this stage involved technical questions and specifications.

The third phase dealt with contractual principles. On June 16, 1972 eight of the nine members of the Boeing team returned to Seattle (one sales person remained in Peking) to obtain contract data and arrange for an export license from the U.S. Department of Commerce. The team arrived back in Peking on July 9, augmented by two additional staff people to discuss the components of the final con-

tract, including matters relating to payment, delivery, excusable delay, guarantees and inspections.

The last phase of negotiations involved the finalization of the contract. Discussion of contractual principles had ironed out all the major questions concerning the contract's framework. Boeing's team was pared down to three with the departure of the technical people.

After repeated review of contractual language the \$125 million contract for ten 707s was signed on September 9, 1972, 170 days after Boeing had first contacted Machimpex. Payment was made in cash through a correspondent of the Bank of China and the First National City Bank in New York. Delivery was spaced out over a period of ten months at the rate of one a month, beginning in August 1973, ending May 1974. In all cases, final delivery acceptance has been carried out in Shanghai.

### Clark Equipment—65 Days

On April 24, 1973 Clark Equipment Co. of Buchanan, Michigan finalized a contract with Machimpex for the sale of 20 towing tractors suitable for hauling airport baggage and freight carts. The deal, worth about \$150,000, took little more than two months from initial inquiry to contract signing and was conducted entirely by mail and cable.

In the wake of major airplane purchases from Boeing and British Aircraft, Machimpex cabled Clark in the U.S. on February 19, asking for information relating to CIF or C&F delivery for a single unit of Clark's model CT 50E towing tractor. Clark responded immediately with a price and asked if Shanghai would be acceptable as a port of delivery.

Machimpex then wired back, confirming the acceptability of Shanghai and requested a discounted price for 20 tractors. On March 30, 1973, Clark sent an answer by cable and asked Machimpex to send a letter confirming the sale. One reason for the month long delay between the initial flurry of correspondence and Clark's 20 unit price quote was the difficulty in finding a ship that could provide delivery of the tractors.

On April 2 Machimpex sent confirmation of their purchase by cable, adding that written approval, necessary to begin processing the order, would be forthcoming. There was some confusion surrounding freight charges but this was cleared up via cable within twenty-four hours.

Machimpex's letter of confirmation was sent on April 13 and received in Michigan 11 days later. On August 24 the tractors were put on board a Japanese freighter and shipped to Shanghai. Machimpex had ordered \$150,000 worth of equipment without ever having met representatives of the seller face to face.

in its field in developing and putting its China strategy into action.

## A Note of Caution

For some firms, the need to develop a strategy for China may not seem necessary, because China has already been in contact with them regarding a particular type of technology, perhaps in connection with a sale of plant or equipment to be made by a third country, such as Japan or France. Some companies have visited Peking for short periods to negotiate the sale of technology for a particular plant. Your firm should not sit around to let this happen, however.

In cases where sales have been made as a result of a concerted marketing effort, the US company concerned has often done a great deal of basic preparation prior to contacting Peking.

## Strategy

Assume China knows nothing about your company or its products (which may or may not be the case). Your first task must be to let the Chinese know about your firm and its product lines. This educational process has several aspects. After you have paved the way for approaching the Chinese by informing them who you are, then you go direct in a thoroughly prepared presentation.

The overall aim of your approach should be to obtain an invitation to Peking to discuss your company's product areas, to hold technical seminars and presentations in Peking, to participate in exhibitions in Peking, to host the Chinese at your facilities in the US, and generally to initiate a long-term ongoing business relationship.

## How to Inform the Chinese About Your Products

To do this, you must face the questions "Which Chinese do I Want to Inform?" and "Who Makes the Decisions about Buying Products in China?"

The answer to these questions is that the people who will eventually be using your product in China—the end users—are those people you want to reach. While Foreign Trade Corporations do the negotiating, they act as intermediaries in transactions between the Chinese end users and the foreign firm.

During negotiations in Peking, end users will often appear, especially if the talks concern major and complex purchases in China.

But, as a whole, exposure to end users has so far been minimal for US firms. The question is then, how to contact these end users?

## Contacting End Users

There are four major ways by which a company can reach China's technical personnel. It is recommended that any company wishing to approach the Chinese should first take one or more of the following

avenues to get company information to China. The steps taken can be phased over, say, six months or a year to insure that by the time you are ready to send your proposal to the Chinese they will be aware of your firm and its product lines.

### *Product Libraries in Peking*

Send fifteen copies of all your product literature to each of China's two documentation centers for new foreign products and technology. These libraries are a basic reference center for China's technical personnel and are a must for your company's ongoing mailing list.

They are:

China Center for Literature  
Concerning New Foreign Products  
P.O.Box 615  
Peking, People's Republic of China

Department of Documentation Service  
Institute of Scientific and  
Technical Information  
P.O. Box 615  
Peking, People's Republic of China

A brief covering letter should be sent with this information. This letter, and all other correspondence with China, should be addressed to the People's Republic of China, or it may well be returned.

### *The American Industrial Report*

The American Industrial Report is published in modern simplified Chinese by a member firm of the National Council, with offices in Washington, D.C.:

China Consultants International  
3286 M Street, N.W.,  
Washington, D.C. 20007  
Telephone: (202) 338-2388

This bimonthly magazine is filled with articles and advertisements describing US products, mostly technological products. American Industrial Report, the only one of its kind featuring solely US products, has a circulation in China of 14,000 and a pass-along readership claimed at 250,000, composed primarily of technical personnel.

### *Other Western Publications Circulating in China*

China keeps abreast of the world's technical developments by reading a large number of the world's leading professional and technical journals. Some publications have a good proportion of their total print read in China. The principal of these is Far East Trade and Development, published in London by Laurence French:

Laurence French Publications  
3 Belsize Cres.,  
London, NW3 5 QZ, England



which has 2,000 subscribers in China, 20 percent of its circulation. A number of US firms have already advertised in this magazine, including AMAX, Rockwell International, UOP, and White Motors. Ads in this publication are sometimes partly in Chinese.

The Sino-British Trade Council, the equivalent of the National Council for U.S.-China Trade in Britain, publishes a magazine in Chinese circulated only in China, whose pages are available, at a cost, to any British company wishing to place information in it. Your firm may have a British subsidiary wishing to make use of this service.

#### *Direct Mailing*

Your company may also put the Foreign Trade Corporation concerned with your products and all its regional branches, on your regular mailing list for product promotion. This may be done without enclosing a cover letter or by whatever is your normal mailing procedure. If, for instance, your firm manufactures equipment that could be used in China's ports, the port city branches of MACH-IMPEX are a logical place to send product literature.

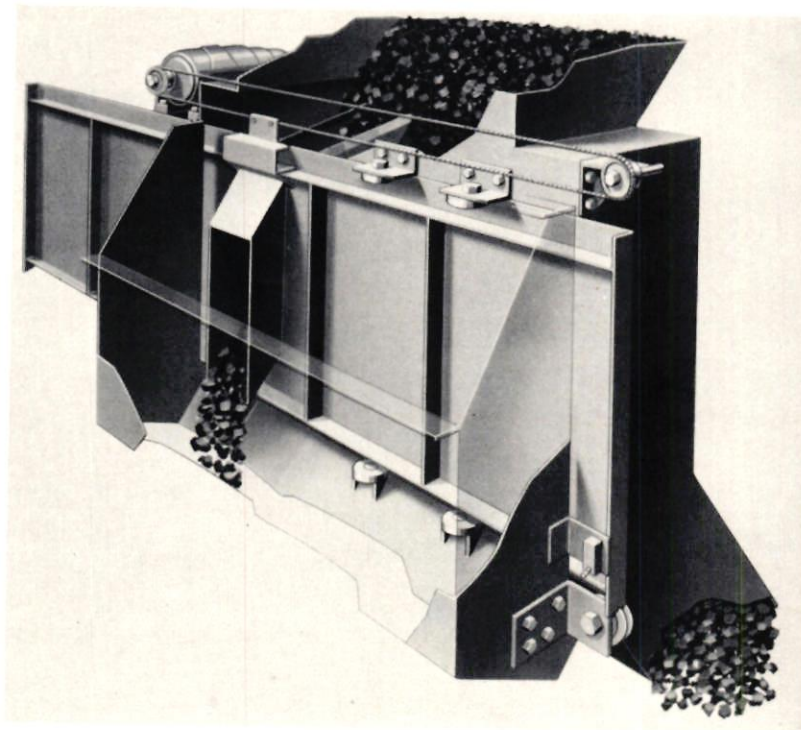
### **Other Avenues**

In this early stage in Sino-US trade relations, the level of sophistication in techniques available for reaching China's end users is very limited. There are no readily available lists of Chinese technical personnel as have been developed in European countries and Japan over a period of many years. Nor has other information been developed to assist US firms in establishing lists of Chinese end users.

Not having sophisticated aids in reaching end users has been no hindrance to date in commercial intercourse between the US and China to date, nevertheless, and there is no real need for US companies to dig too deeply into China's administrative structure in order to sell goods to China at this time.

### **Bulk Transmittal of Technical Data to China**

For some years the British have had a program, arranged under the auspices of the Sino-British Trade Council and the China Council for the Promotion of International Trade (CCPIT), to ship loads of technical data to China in a scheme known as "Operation Avalanche". Each load sent is usually from a particular industry such as machine tools or electronics, etc. The National Council eventually hopes to embark on a similar kind of program. When this is possible, US firms will then have another means of sending information direct to China. The CCPIT sees to the distribution of this data among relevant end users.



Artwork showing one of the 6348-1000Q McNally Plate Coal Samplers sold the PRC in March 1974 by McNally Pittsburg of Kansas.

### **Direct Approach**

Having made reasonably sure the Chinese know about your firm and its products, in one way or another, you should then concentrate on preparing a letter to whichever foreign trade corporation is relevant. In addition, you should be thinking beyond that to how to prepare for a possible presentation by your company in Peking. The initial letter and its attachments are of major importance since they may be the first impression you will be making on the Chinese.

There is a saying in China that, "You cannot thaw three feet of ice on a single day," which may well apply to your firm's relationship with China. In thawing the ice, be prepared to go step-by-step. Do not expect anything to happen overnight.

### **The Form and Content of Your Letter**

Your letter to the FTC should begin by saying that you are interested in doing business with China and give a brief summary of your company's history, volume of sales, and those areas of business in which your firm specializes. You should then list the product areas in more detail, including your company's entire range of manufactures and areas of technology. This list can be in the form of headings with a brief sentence about each area. The last part of your letter should say that you would be interested in visiting China to discuss these product areas. The names of key executives should be listed, though the size of the group should be left open. The people listed

## CHINA'S FOREIGN TRADE CORPORATIONS RESPONSIBLE FOR IMPORTING

### **China National Chemicals Import and Export Corporation** Erligou, Xijiao, Peking

Rubber, rubber tires, and other rubber products, petroleum and petroleum products, chemical fertilizers, insecticides, fungicides, pharmaceuticals, medical apparatus, chemical raw materials, dyestuffs, and pigments.

### **China National Native Produce and Animal By-Products Corporation** 82 Donganmen Street Peking

### **China National Light Industrial Products Import and Export Corporation** 82 Donganmen Street Peking

### **China National Textiles Import and Export Corporation** 82 Donganmen Street Peking

Cotton, cotton yarns, filatures, wool tops, rayon fibers, synthetic and manmade fibers.

### **China National Cereals, Oils and Foodstuffs Import and Export Corporation** 82 Donganmen Street Peking

Cereals, edible vegetables and animal oils and fats, vegetable and animal oils and fats for industrial use, oil seeds, seeds, oil cakes, feedingstuffs, salt edible livestock and poultry, meat and meat products, eggs and egg products.

### **China National Machinery Import and Export Corporation** Erligou, Xijiao, Peking

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport machinery (motor vehicles) and parts thereof, vessels, etc., agriculture machinery and implements, printing machines, knitting machines, building machin-

ery, machinery for other light industries, ball and roller bearings, tungsten carbide, electric machinery and equipment, telecommunications equipment, electric and electronic measuring instruments, and scientific instruments.

### **China National Metals and Minerals Import and Export Corporation** Erligou, Xijiao, Peking

Steel plates, sheets and pipes, steel sections, steel tubes, special steel railway materials, metallic products, pig iron, ferroalloys, nonferrous metals, precious rare metals, ferrous mineral ores, nonferrous mineral ores, nonmetal minerals and products thereof, coal, cement and hardware.

### **China National Technical Import Corporation** Erligou, Xijiao, Peking

Import of complete plant, equipment and technology.

should be those who, should an invitation be forthcoming, will be able to negotiate directly with the Chinese. (Add "USA" to your letterhead to avoid confusion as to source.)

Accompanying the letter should be 6-12 copies of your latest Annual Report, your firm's latest catalogues, and biographies of the people mentioned in the letter. Multiple copies should be sent because the information, when received by the Chinese, must be disseminated to a number of people. To insure the widest dissemination, as many as 15-20 copies may be sent in the initial approach.

The best way to make this presentation may be to organize it in a ring binder with tabs for different sections, the letter at the top, and articles from technical journals or other sources included among the product information to add further dimension to your firm's capabilities. For maximum effect the letter, and some of the product catalogues should be translated into modern, simplified Chinese. (Your letter will be

automatically forwarded to the appropriate FTC if, by chance, you address it to the wrong one.)

### **Copies of Letter to . . .**

Copies of the letter should be sent, for reference purposes, to the Economic Commercial Section, the Liaison Office of the United States, Peking, People's Republic of China; and to the Commercial Section of the Liaison Office of the People's Republic of China at 2300 Connecticut Avenue, Washington, D.C. 20008. Copies of all correspondence should be sent to these offices to keep them up to date on the progress your firm is making.

### **Translation**

While it is unpredictable how fast China may respond to your initial letter, it is clear that your message will be gotten across much faster if your materials are translated into modern, simplified Chinese, or, at least, summarized in Chinese. This could be in a general summary booklet, or a précis introducing each product area. European and Japanese compan-

ies have done this for many years and an increasing number of major US firms have been also preparing materials in Chinese. (The National Council has services at cost for members and has prepared many brochures for companies, including those in the petroleum, pharmaceutical and electronics fields).

An illustration of what happens when a proposal is received by China is as follows: The Chinese received a letter from a major US company in April 1972, and were interested enough to immediately set six people to work on the proposal. These six included two technical translators, senior and junior, two FTC engineers and two end users. The team worked on the product area, comparing it worldwide and investigating it for itself. In May 1973, the company heard via Chinese commercial officials, that more information was required. Prior to that no word had been received by the US firm. By the fall of 1973 correspondence by cable and letter was under way with the Chinese Foreign Trade Corporation, and a meeting was arranged between the US firm's executives and the Chinese representative in a third country by the end of 1973.

The amount of time between the initial approach and the first apparent response from Peking might well have been shortened had the initial proposal been in Chinese. The pressure on China's trade corporation's translating facilities has always been heavy (although TECHIMPORT is known to have a large staff, perhaps 200 strong, of language specialists).

### **What If Your Company Has Diverse Product Lines?**

For an increasing number of US firms, selling to China has become an initiative at the corporate level and the problem of coordinating many different product lines, as well as potential imports from China, is complex. Beyond China's eight FTC's there is no coordinating agency to channel proposals to different FTC's and reply to a company vis-a-vis all segments of a diverse proposal. The CCPIT is quite independent of the FTC's in this respect. Trade promotion, not negotiation or contracts, is the bailiwick of the CCPIT.

The answer is that each individual product area must be dealt with separately, and each FTC concerned must be written to independently. In many cases the major focus of a company's approach is either MACHIMPEX or TECHIMPORT, which are located at the same address. For some US firms, only MACHIMPEX is the focus of attention. It is best to orient your letter to this one FTC, but to mention in the letter that you are also writing to one or more of the other FTC's.

Include a copy of the letter, or letters, (with a carbon copy noted in each case) with the correspondence so that the FTC you are dealing with knows that you are also in touch with other Chinese trade agencies. It may then be possible, when and

if response has come from the major FTC with which your firm is concerned, for that agency to coordinate visits to other Chinese trade corporations with divisions of your firm which have also been in contact, when you arrive in Peking.

### **Your Proposal**

The letter you send the Chinese should be open-ended and introductory to your company. In formulating your general scheme of approach, however, it is important for your company, having presented its products and technology, to have a clear idea as to the possible response by the Chinese. Try to assess what may be acceptable to the Chinese.

You should be aware that, for negotiations to take place, a solid reason for them must be justified on the Chinese side. For example, China will not accept foreign investment, joint equity ventures, co-production arrangements, and rarely purchase of pure technology without a product involved, so proposals should not mention these. China has agreed to various arrangements involving parallel buying and selling contracts, use of foreign technology in return for supply product to a limited extent, proposals by groups of companies in the same country, as well as straight purchases. US firms have been active in proposing these kinds of arrangements.

### **Keep Your Objectives Solid**

If your company is invited to China, you should be prepared to be both flexible and solid in your presentation. Bear this in mind while you are preparing your initial letter. The solid things around which your eventual presentation can focus should include one or more of the following possibilities:

*Sales or Presentations*—Assess and prepare proposals for what you may be able to sell to and buy from China. Be as definite as possible.

*Missions*—Consider what the most practical reciprocal exchange of missions may be possible. For example, after ascertaining as far as possible where China's interests lie, suggest that they send a mission to your company's facilities in the United States. If your company is a member of an active industry association, you may prefer working through them, as many associations are actively preparing potential programs involving reciprocal missions with China. These programs are being coordinated by the National Council. Consult the National Council as to the best manner to go about proposing missions. As a rule of thumb, the National Council recommends that any industry group from China visiting the U.S. under the auspices of the Council will want to visit a number of U.S. firms, and focus its visits on a symposium or exhibition in the U.S. concerning their product area.

*Exhibitions*—Indicate your interest to the

Chinese of taking part in an exhibition in China, either as part of a national U.S. exhibition, a specialized US industry show, or possibly even as a solo company exhibit. The National Council is the agreed upon contact point for arranging such exhibitions. Although having U.S. exhibit in China may not be possible for several years hence, it is important that the Chinese be aware of your company's interest.

*Other Arrangements*—Assess the possibilities of cooperation arrangements by which your firm could provide China with technology or equipment in return for which China would supply products. Assess to what extent your company can buy from China as well as sell to China, which is of increasing concern to both US and China since the Sino-US trade imbalance is heavily in favor of the US at the moment. A number of US firms have already explored to what extent purchases can be made from China as part of their export strategies. The National Council encourages any efforts by member firms to expand China's exports to the US, via buy-back arrangements.

### **What if there is no reply?**

You may receive a reply in a matter of weeks, or, as in the example mentioned above, your firm may not hear anything for over a year. Do not despair: the Chinese may be examining your proposal in detail. It is very difficult to predict, however, from one case to the next.

If there is no response within three months, send a follow-up letter, mentioning the previous communication. Send further letters every few months thereafter. All new product literature should be sent automatically as it comes out, ten sets at a time to the FTC concerned. The number of unpredictable factors involved, perhaps including political ones, in any given business relationship with China is impossible to fathom. It may be simply that China is just not ready for your company yet! Persist: those initial efforts may bear fruit unexpectedly in the years to come.

### **Reciprocity**

The Chinese are particularly interested in learning about the nature and working of the US market in all its complexity. They are also interested in forging trusty links with individuals and companies in the US that can be expected to last for many years. Helping China understand the US market is one way in which the Chinese will appreciate your help.

### **Should You Go Direct?**

If you have subsidiaries in other countries which have been doing business with China, you may wonder whether it is best to coordinate worldwide

activities for China trade, or go direct only from US corporate headquarters. As a US firm, it is recommended that you focus all your efforts for your US manufacturing facilities on direct contact from the US. You can obviously encourage your subsidiaries in other countries to make their best efforts, too, on an individual basis and perhaps provide them with some help in developing their own strategies. But your main emphasis as a US firm, should be from the US and direct.

### **If you obtain an invitation to the Canton Fair . . .**

The Canton Fair is where many long-term business relationships are initiated with China, sometimes leading to an invitation to extend the trip to talk in Peking. Some US firms have given extensive technical presentations in Canton as the first step in developing contacts with China's FTCs. Remember, though, that the Fair's purpose is the sale of Chinese goods to foreign buyers, so do not be discouraged if your firm does not receive an invitation.

### **What Not To Do**

Do not write to the Ministry of Foreign Trade (MOFT) or the China Council for the Promotion of International Trade (CCPIT). Letters sent to these organizations will only be forwarded to the relevant Foreign Trade Corporation or they may be returned, with instructions as to which FTC to contact.

### **The National Council**

The National Council can help your company as a member firm, in a number of ways, including introductions to the Commercial staff of Peking's Liaison Office in Washington, advice on translation services, detailed information about aspects of China's ways of doing business and other factors affecting your business relationship with China. As the official counterpart of the CCPIT in the US, the Council is the contact point for arranging, in the future, reciprocal exhibits, missions, and exchanges of commercial information. The Council also has a number of publications for members which provide insight and specialized knowledge of aspects of doing business with China. Do not hesitate to contact the Council if it can be of any assistance to your firm in initiating your business relationship with China.

In addition the State Department's China desk, (202) 632-2656/7, provides commercial counselling services, and the Commerce Department's China desk, (202) 967-2420, is available for consultation.

### **If at First You Don't Succeed . . .**

Keep trying. Patience and persistence are the most important ingredients in developing business relationships with China. Don't expect anything to happen overnight; think in terms of many years. 完

# AMERICAN INDUSTRIAL REPORT

The *American Industrial Report* is a bi-monthly magazine whose purpose is to disseminate information about US products and companies in the People's Republic of China in Chinese. Since the magazine is distributed solely in China, to Chinese foreign trade agencies, end-users and technicians, it is a good way for US firms—both exporters and importers—to convey information to the Chinese. The magazine has a glossy format, over 30 pages, in black and white and full-color, and illustrated text type-set entirely in modern simplified Chinese characters.

The magazine is published by Chinese Consultants International, a member firm, in cooperation with the National Council for U.S.-China Trade. It is distributed in China with the permission of the Chinese trade corporations, and early editions have received comments from the CCPIT in Peking, China Resources in Hong Kong and the Chinese Liaison Office in Washington, D.C.

Distribution is throughout China, initially to the national trade corporations and provincial branches.

These agencies then distribute copies to end-users. End-users, as described by Chinese authorities, are engineers, teachers, commune leaders, factory managers and workers in a position to place requirements on the foreign trade corporations.

Current distribution in China is more than 15,000 copies, and officials in China estimate that *American Industrial Report* has a potential readership of a quarter million end-users. Direct mailings are now made to principal medical universities, hospitals and medical associations in China.

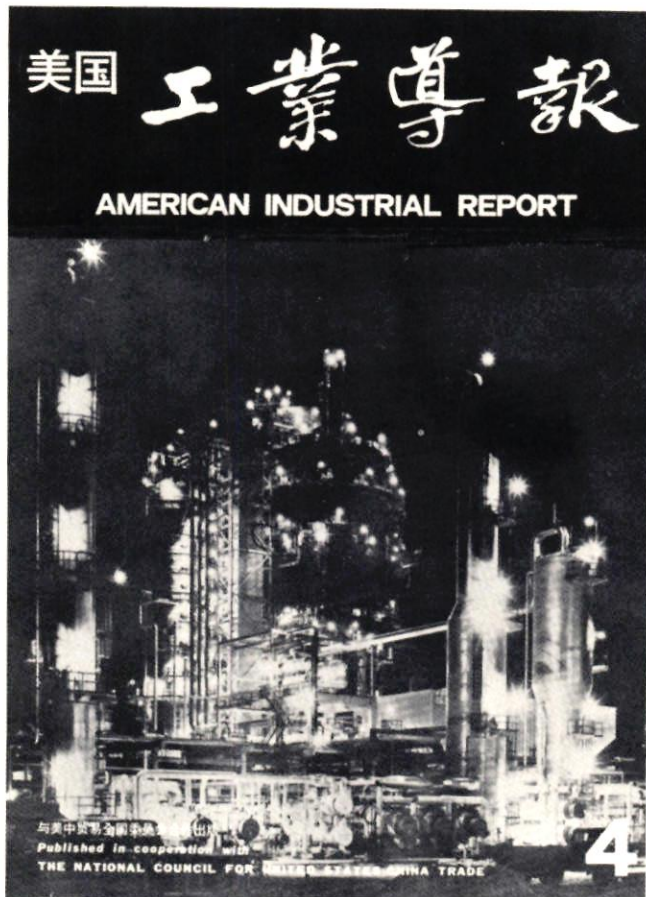
Chinese officials have also approved the insertion of this statement in the magazine, "Inquiries concerning any of the articles and advertisements contained in the Publication may be directed to the Editor through China's Foreign Trade Organizations," which is for the purpose of obtaining reader reactions.

*American Industrial Report* includes a special importers section in which American importers can identify themselves and their import requirements. Chinese officials in Canton, Swatow, Shanghai and Peking have expressed verbal and written acceptance and approval of the publication and Chinese officials in Washington and in China review each issue, often recommending technical topics they would like to see covered in future issues.

The publishers of *American Industrial Report* are Mr. Chou Tsai-fei, a Peking born and educated executive, and Mr. William E. Donnett, a retired American Foreign Service officer who spent more than 20 years abroad as a China specialist. The publishers write technical articles accompanied with glossy prints and diagrams on new subjects of interest to the Chinese. Advertising in the magazine is available to American firms interested in determining the export market for their goods. Advertising by US importers of Chinese products is particularly welcome.

Advertising rates are modest, the magazine's translations are technically competent and the Chinese are likely to look to the *American Industrial Report* as an effective and helpful medium to identify American products, technology, and services. The National Council recommends consideration by member firms of use of the *American Industrial Report* as one of the mechanisms for reaching Chinese end-users.

For ad rates, publication dates and other information, members should contact China Consultants International, Ltd., at 3286 "M" Street, N.W., Washington, D.C. 20007, phone (202) 338-2388; or China Consultants Ltd., Hong Kong at 53 Printing House, Ice House Street, Hong Kong, phone HK 227501 or HK 246515. 完



# The Products of THE CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS EXPORT AND IMPORT CORPORATION

This product list is from export catalogues available to members of the National Council at the Council's Library in Washington, D.C. Correspondence regarding products should be directed to the Corporation itself in Peking or branches listed. Figures in brackets indicate the number of pages in each catalogue.

Products	Branch	Products	Branch
<b>FURNITURE</b>		Globes, Terrestrial Celestial (3)	Tientsin
Carved Wooden Furniture	Shanghai	"Industry" Air Rifles and "Industry" Lead Pellets	Shanghai
<b>GENERAL</b>		Industry Brand Taylor Scissors	Peking
List of Commodities (12) (Arts and Crafts)	Peking	Mt. Tai Brand Pipes	Peking
List of Commodities	Peking	Padlocks (10)	Shanghai
Light Industrial Products (20) (General Merchandise, Toys, Photo- graphic Supplies, Household Appli- ances, Etc.)	Peking	Paper Samples (30)	Shanghai
List of Commodities (8) (Stationaries, Building Materials, Sport- ing Goods, Musical Instruments, Leather Products, Etc.)	Peking	'Shield' Grip Developer	Shantung
List of Export Commodities (15)	Kwangchow	Chest Expander (3)	
<b>HOUSEHOLD GOODS</b>		'Tien Tan'	Peking
Aluminum Ware	Shanghai	Plastic Self-Adhesive Tape	
"Three Fives", "Four Bright" (Heavy Cooking Pots, Sauce Pots, Kettles, Etc.)		Wing Sung Fountain Pen	Shanghai
Automatic Electric Iron	Shanghai	<b>JEWELRY</b>	
Chinese Ceramics for Daily Use (60)	Kwangtung	Chinese Enamelware (64)	Tientsin
Glass Wares (28)	Tientsin	Chinese Enamelware (42)	Shanghai
Jasmine Shampoo	Peking	Cloisonneware (56)	Peking
Jasmine Toilet Soap	Peking	Jewelry Cabinets and Boxes (4)	Shanghai
Wheel Brand Economy Cooking Stove (3)	Shanghai	Peking Gold Jewelry (Pins, Rings, Cuff-Links, Etc.)	Peking
Willow Products (12) (Straw Baskets)	Tientsin	Peking Jewelry (Necklaces, Inlaid Ware, Bracelets, Pendants, Rings, Etc.)	Peking
<b>MISCELLANEOUS</b>		<b>MUSICAL INSTRUMENTS</b>	
Battery Flashlights (3)	Shanghai	Hsinghai Brand Wind Instruments (22)	Peking
Cameras	Kwangchow	"Hsinghai" Pianos and "Hsinghai" Wind Instruments	Peking
"Double Rhomb" Alarm Clock	Peking	Lark String Instruments (13)	Shanghai
Foam Plastic Sandals (5)	Peking	Lark Wind Instruments (3)	Shanghai
Golden Star Fountain Pen (8)	Peking	Musical Instruments	Kwangtung
		Kapok Brand Guitar, Kapok Brand Violin, Skylark Brand Slide Trombones, & Clarinets, Etc.	
		Parrot Brand Wind Instruments (28)	Tientsin
		Pearl River Modern Upright Piano (9)	Kwangchow

Products	Branch	Products	Branch
Skylark Brand Trumpets	Kwangtung	"Champion" & "Sin Wah"	Kwangtung
Skylark Brand Ukulele		Volley Balls	
Skylark Brand Viola		"Champion" "Sin Wah"	Kwangchow
Skylark Brand Violin		Water Polo Balls	
Tambourines		"Champion" Table Tennis Balls	Kwangtung
2-Tone Wooden Block & Mallet		"Champion" Table Tennis Post	Kwangtung
Wooden Drum		Pincer Type	
<b>SPORTING GOODS</b>		"Champion" Whistle & Ball Pump	Kwangchow
Aeroplane Tennis Balls and	Shantung	Gold Cup Brand Gymnastic	Tientsin
Pioneer Tennis Balls		Apparatus (35)	
Aeroplane Tennis Rackets	Shantung	"Health" Basketball Rubber,	Kwangtung
Badminton Rackets Shuttlecocks (3)	Shanghai	Volley Ball Rubber	
Bicycles (15)	Shanghai	Table Tennis Goods	Kwangtung
Bicycles and Bicycle Spare Parts (34)	Shanghai	Universal Leather Balls	Shanghai
"Champion" Ball Nets	Kwangtung	(Gummed)	
"Champion" & "Nanfang Table	Kwangtung	Universal Leather Balls	Shanghai
Tennis Bats		Hand-Sewn	
"Champion" "Nimble"	Kwangchow	<b>TOYS</b>	
Badminton Racket		Chinese Toys (40)	Shanghai
Badminton Racket Bag		(Battery Operated, Clockwork,	
Badminton Shuttlecock		Friction Types)	
"Champion" "Nimble"	Kwangtung	Red Flower Chinese	Shanghai
Badminton Shuttlecocks		Children's Vehicles (14)	
"Champion" Skipping Rope &	Kwangtung	<b>VACUUM FLASKS (THERMOS)</b>	
Student Rope		Crystal Vacuum Flasks	Dairen
"Champion" "Sin Wah"	Kwangtung		
Hand-Balls		Crystal Vacuum Flasks	Shanghai
"Champion" "Sin Wah"	Kwangtung	"Min River" and "Seagull"	Peking
Hand-Balls		Vacuum Flasks (7)	
"Champion" "Sin Wah"	Kwangtung	Vacuum Flasks (4)	Tientsin
Leather Basketballs			
"Champion" & "Sin Wah"	Kwangchow		
Leather Footballs			

**HEAD OFFICE**  
82, Donganmen Street, Peking  
Cable: INDUSTRY PEKING

**BRANCHES**  
**PEKING BRANCH**  
40, Jou Shih, Chien-men, Peking  
Cable: INDUSBRANCH PEKING

**PEKING ARTS AND CRAFTS BRANCH**  
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Cable: PEKARTCO PEKING

**PEKING JEWELRY BRANCH**  
115, Chu Shih Kou Street, W., Peking  
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**TIENTSIN ARTS AND CRAFTS BRANCH**  
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Cable: ARTS TIENTSIN

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Cable: CERAMICO KWANGCHOW

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**SHANTUNG ARTS AND CRAFTS BRANCH**  
12-16, Paoting Road, Tsingtao  
Cable: NAPERY

**FUKIEN BRANCH**  
Foreign Trade Building,  
East Road, Foochow  
Cable: INDUSTRY FOOCHOW

**FUKIEN ARTS AND CRAFTS BRANCH**  
195, 817 Road, N., Foochow  
Cable: ARTCRAFT FOOCHOW

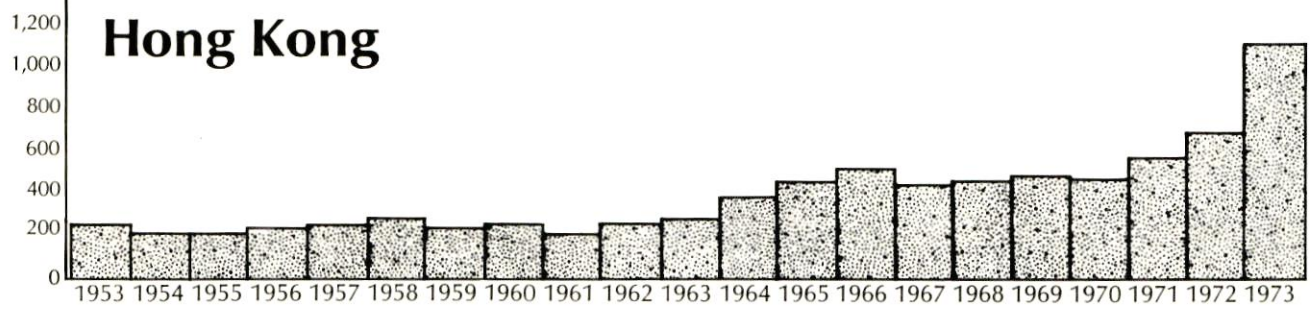
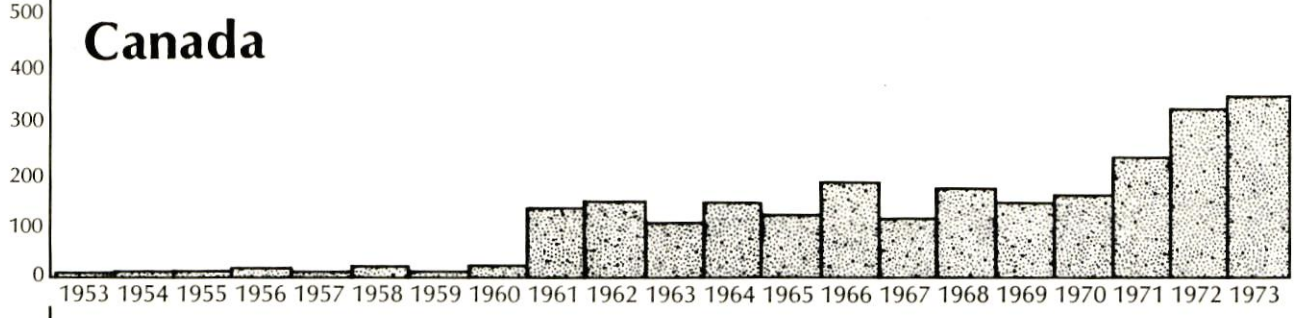
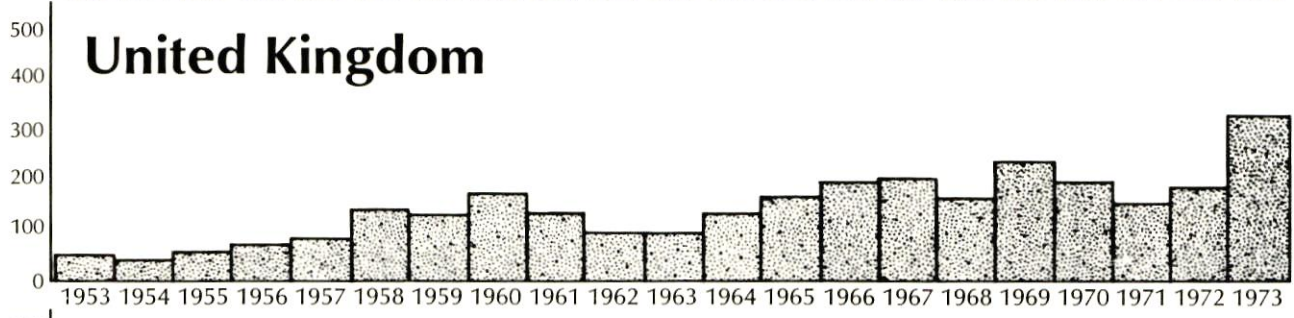
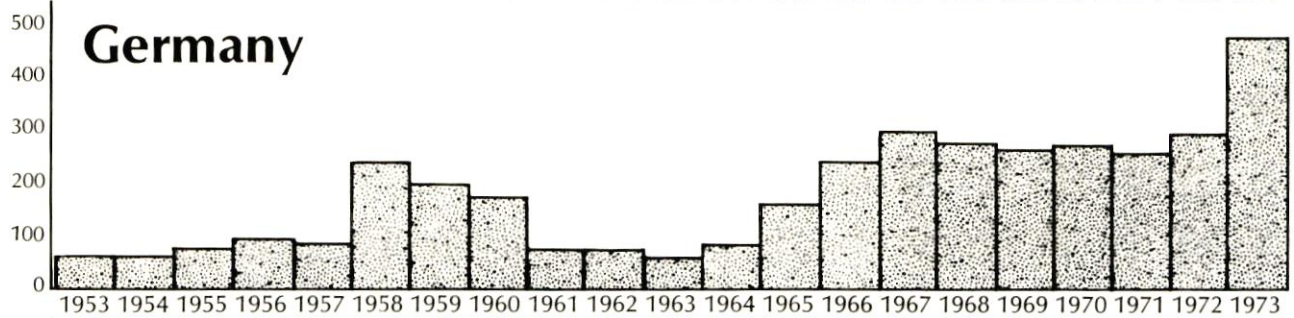
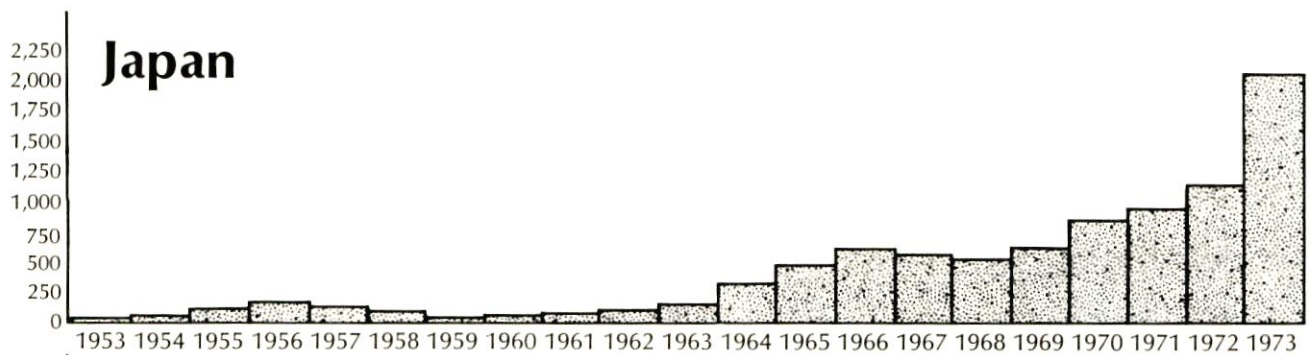
**HUNAN NATIVE PRODUCE BRANCH**  
2, Wu Yih Road, E., Changsha  
Cable: 0960 CHANGSHA

**HUPEH BRANCH**  
75, Shengli Street, Hankow  
Cable: 1666 HANKOW

**KWANGSI CHUANG AUTONOMOUS REGION ARTS AND CRAFTS BRANCH**  
13, Chinan Road, Nanning  
Cable: PRONANNING NANNING

# China's Trade With Five Countries 1953-1973

Total Trade (US \$ millions)



Sources: Official Trade Statistics of each country; *Battle Act Report*; IMF; UN; US Government. Conversion Rates: Prevailing Official Rates quoted by the IMF. Hong Kong figures include re-exports. All figures based on exports f.o.b. and imports c.i.f., except Canada where imports are f.o.b.





At Loyang Ball Bearing Plant (UPI)

# CHINA'S ECONOMIC GROWTH AND FOREIGN TRADE

Alexander Eckstein

Two key characteristics stand out in the evolution of China's foreign trade and growth since 1949. Foreign trade has always been a small but, from a development point of view, very crucial sector in the Chinese economy. At the same time, growth and trade exhibited marked cyclical fluctuations and sharply contrasting trends in the 1950's as compared to the 1960's.

Foreign trade has been relatively small because in a large continental economy most transactions tend to be necessarily internal rather than external. Thus not only China, but India, the United States and the Soviet Union tend to have small foreign trade ratios in relation to GNP (two to six percent for imports or exports). This is in marked contrast to

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*Alexander Eckstein, Professor of Economics at the University of Michigan, has long specialized in Sino-US trade and economic relations. Among the books and papers he has written on the subject are "Economic Development Prospects and Problems in China (The Annals, July 1972), China Trade Prospects and Policy (ed., Praeger 1971), and "Sino-American Trade Prospects and US Policy" (The American Economic Review, Papers and Proceedings, May 1974). The opinions expressed in this article do not necessarily reflect those of the National Council.*

smaller countries and island economies such as Belgium or the United Kingdom.

However, this relatively small foreign trade sector is crucial since it provides a highway for the importation of advanced technology, know-how and capital goods often vital in the process of industrialization. This is most clearly illustrated by the fact that imported machinery and equipment constitute a sizeable component of domestic capital formation in China. Therefore, this small import sector vitally affects the character and pattern of investment, and through it the pace of advance in the Chinese economy as a whole.

The markedly contrasting performance of the economy is clearly evidenced in the volume, geographic direction and commodity composition of China's trade in the 1950's as compared to the 1960's. Foreign trade volume (imports and exports combined) rose at an average annual rate of close to 15 percent between 1952 and 1959—that is from the time of economic recovery to the peak levels of economic activity during the Great Leap. This is an unusually rapid rate of expansion, so much so that China's exports and imports grew more rapidly than those of most other countries and than world trade as a whole. As a result, foreign trade growth outpaced GNP by a large margin (160 percent as compared to 70 percent) during this period. In a sense, foreign

**Table 1**  
**CHINA'S FOREIGN TRADE, 1952-1972**  
in million of U.S. dollars

Year	In Current Prices		Trade Deflator		In Constant Prices	
	Exports f.o.b.	Imports c.i.f.	Exports	Imports	Exports	Imports
			1963=100			
1952	841.2	931.0	110.1	101.0	764.0	922.0
1953	1,001.3	1,158.2	104.3	97.0	960.3	1,194.4
1954	1,083.1	1,319.6	113.8	95.8	951.8	1,377.5
1955	1,298.9	1,380.2	106.1	96.7	1,224.2	1,427.3
1956	1,564.7	1,540.5	104.8	100.4	1,493.0	1,534.4
1957	1,563.2	1,488.8	105.5	104.3	1,481.7	1,427.4
1958	1,861.7	2,004.7	100.0	100.0	1,861.7	2,004.7
1959	2,159.1	2,119.9	96.4	98.8	2,239.7	2,145.7
1960	1,950.4	2,049.8	102.2	98.0	1,908.4	2,091.6
1961	1,544.3	1,513.4	99.2	97.9	1,556.8	1,545.9
1962	1,557.1	1,207.5	96.1	97.5	1,620.3	1,238.5
1963	1,611.8	1,230.7	100.0	100.0	1,611.8	1,230.7
1964	1,811.7	1,489.9	104.0	102.5	1,742.0	1,453.6
1965	1,984.0	1,941.9	101.6	103.3	1,952.8	1,879.9
1966	2,199.0	2,070.7	102.6	106.3	2,143.3	1,948.0
1967	1,962.5	1,995.9	100.8	106.0	1,946.9	1,882.9
1968	1,916.1	1,800.3	101.2	104.9	1,893.4	1,716.2
1969	2,004.6	1,837.6	105.7	108.2	1,896.5	1,698.3
1970	2,011.9	2,819.5	109.9	118.4	1,830.7	1,849.2
1971	2,314.9	2,253.1	110.7	122.6	2,091.2	1,837.8
1972	2,885.1	2,769.1	120.0	134.0	2,404.3	2,066.5
1973*	4,000.0	4,500.0	166.3	173.4	2,405.3	2,595.2

\* preliminary and tentative

Source: For 1952 to 1972, A. Eckstein and B. Reynolds, "Sino-American Trade Prospects and U.S. Policy," *The American Economic Review, Papers and Proceedings*, May 1974.

1973 trade figures based on Vol. 1, No. 2 issue of this Review, p. 33. 1973 deflator derived from the *U.N. Monthly Bulletin of Statistics*, March 1974, Specials Table C and D.

trade led domestic economic growth, so that the Chinese economy was gradually becoming more open, more internationally oriented and relatively less autarkic.

Precisely the opposite trend is evidenced in the following decade. Trade not only stopped growing, but actually declined so that in 1969, China's import and export volume combined was close to 20 percent below the 1959 level (See Table 1). At the same time, GNP rose by about 40 percent. This meant that in the 1960's, trade lagged behind domestic economic growth. The Chinese economy was becoming less foreign trade oriented, more closed-in and more self-sufficient.

### Cyclical Fluctuations in Trade and Growth

How can these contrasting patterns of economic behavior be explained? They are undoubtedly rooted in the marked cyclical fluctuations in domestic economic activity, the general slowing down in the rate of economic growth, and in the marked structural transformation in the Chinese economy. The cyclical fluctuations are quite apparent in Table 1.

For instance, the growth in exports and imports was briefly interrupted in 1957 when there was a slight decline due to a cutback in domestic investment

that year. The pace of industrial expansion and investment was greatly accelerated in 1956. Strains, shortages and supply bottlenecks resulting therefrom required some retrenchment and consolidation in 1957 and this was reflected in the foreign trade sector as well.

Rapid economic expansion was resumed once more under the impact of the Great Leap Forward in 1958 and with an attendant rise in the rate of GNP and foreign trade growth in 1958 and 1959. However, the strains, breakdowns and planning errors associated with all-out economic mobilization of the Great Leap combined with poor weather led to a sharp contraction in farm production. The effects of these harvest failures then spilled over into the rest of the economy, producing a pervasive crisis and depression. This shows up in a 30 percent decline in foreign trade between 1959 and 1961. While exports began to recover the following year, imports fell by another 20 percent between 1961 and 1963.

By 1963 agriculture began to recover from this sharp setback and the rest of the economy too resumed its expansionary path, but from a much lower point than it had attained in 1959. Nevertheless, by 1965 and 1966, both agricultural and industrial production exceeded earlier peak levels. Foreign

trade was rising as well, but more slowly, so that by 1966 it had not yet attained the 1959 record level.

This post-depression recovery and expansion was interrupted once more by the Cultural Revolution, which led to some disruption in industrial production, transport and shipping. This in turn affected foreign trade as well, so that once more exports and imports declined after 1966, resuming their growth in real terms (in constant dollars) only in 1970 or 1971.

### **Import Trends in Relation to National Product and Investment**

This brief survey brings out clearly the close relationship between trends in China's foreign trade and the course of its domestic output. It also indicates that in the 1950's when GNP grew at an average rate of 8 percent, foreign trade greatly outpaced domestic economic expansion. In contrast, when GNP growth was sluggish and rose only at an average rate of about 3 percent a year between 1959 and 1969, foreign trade stagnated.

To explain these trends we must look to the relationships between domestic levels of economic activity and imports. Chinese foreign trade policy seems to be focused on imports as a means of breaking domestic supply bottlenecks and of overcoming barriers to technological progress. Imports are thus designed to remove obstacles in the path of economic growth and thereby speed it up beyond the rates that would prevail if a fully autarkic policy were pursued. The primary function of exports then is to finance the imports necessary to maintain the desired or planned rate of economic growth.

However, economic growth is intimately related to and dependent upon how rapidly the capital stock is growing. In the 1950's, investment in fixed capital, that is in plant, equipment and construction was rising much faster than GNP. It increased from an estimated 8 billion yuan in 1952 to 43 billion in 1959. That is, the level of investment was expanding at an annual rate of 27 percent.

To sustain this pace of expansion required the importation of many types of machinery and equipment, including complete plants or turnkey projects, that could not yet be manufactured in China or for which the production costs were prohibitively high. The import dependence of domestic investment can be gauged by the fact that about 20 to 40 percent (it was between 15 to 20 percent at one set of exchange rates and 35 to 50 percent at another) of total machinery and equipment installed in the 1950's had to be obtained abroad.

In effect, what I am suggesting is that imports were "investment-pulled" in the 1950's as evidenced by the fact that GNP rose by 70 percent (1952-1959), but investment more than quintupled;

as a result, machinery and equipment imports almost quintupled, too, while total imports more than doubled. Imports outpaced GNP growth largely because machinery imports increased so rapidly in response to steeply rising investments.

Why was this pattern reversed in the 1960's, so that foreign trade lagged behind GNP? One of the crucial reasons was that investment lagged behind GNP. While GNP rose close to 40 percent between 1959 and 1969, the level of investment declined by about 20 percent. A lower rate of investment was required to sustain a substantially reduced rate of economic growth in the 1960's. Therefore, even if the import component of investment had remained unchanged between the 1950's and the 1960's, machinery and equipment imports would have declined somewhat.

However, all indications suggest that the import component of investment declined substantially between 1959 and 1969 under the impact of the "self-reliance" policy. As a result, imports of machinery and equipment declined from \$980 million in 1959 to \$240 million in 1969. This then necessarily was a major factor in arresting import growth.

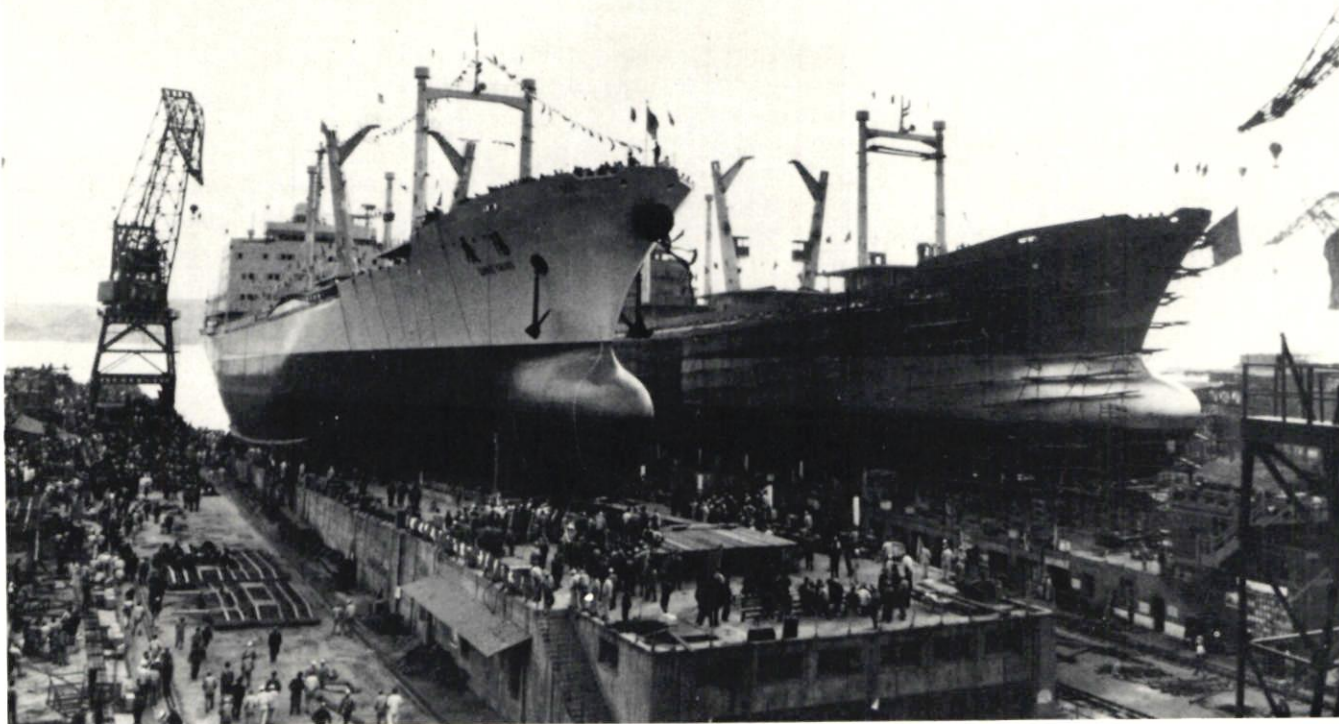
The "self-reliance" or import substitution policy of the 1960's was motivated by several considerations. Having imported a large share of their total machinery and equipment requirements in 1959—primarily from the Soviet Union and Eastern Europe—Chinese policy-makers were acutely conscious of their dependence on foreign sources of supply in a sector which was most strategic, from both an economic development and military point of view. The Sino-Soviet break dramatized the disadvantages of such import dependence.

On the other hand, precisely due to the most rapid investment expansion of the 1950's, China's machinery producing capacity was greatly augmented. Completion of many turnkey projects had to be postponed when Soviet technicians and advisors were abruptly withdrawn in the early fall of 1960. Once this plant became operational in the early 1960's, China was much better placed to satisfy a larger portion of her total machinery requirements, particularly since investment activity was not very brisk at the time.

One of the consequences of this import substitution policy was a rising demand for high quality and specialty steels by a rapidly expanding domestic machine-building industry. Thus, while machinery imports declined from \$980 million to \$240 million, steel imports increased from about \$250 million to \$330 million.

### **Recent Foreign Trade Trends**

Following the Cultural Revolution, the Chinese economy experienced a new upswing and another



Freighters under construction at the century-old Chiangnan Shipyard by the Whangpoo River. (Wide World Photos)

wave of expansion. This was also reflected in the foreign trade figures from 1970 on. In terms of reported values, both exports and imports rose most rapidly indeed, more so than during any preceding period. Thus at first sight, it would seem that foreign trade doubled between 1970 and 1973 (see Table 1). However, these figures are misleading since they reflect the combined effects of dollar devaluation and world inflation. It would seem that gauged in terms of constant prices, the pace of trade expansion was much more gradual. Yet the deflators in Table 1, particularly for 1973, may overstate price rises and thereby understate the growth in actual trade volume.

This new wave of trade expansion not only reflects brisk domestic economic activity but also some modifications in China's international economic policy. The concept of self-reliance has been reinterpreted so that it provides for a more open international economic posture. While continuing emphasis is being placed on China's economic independence, this does not necessarily mean the pursuit of self-sufficiency. China is determined to avoid any form of financial dependence on foreign countries or exclusive dependence on single sources of supply.

At the same time, it is clearly recognized that China's economic progress can be fostered by importation of capital goods, foreign technology and

technical know-how. This is evidenced by the reactivation of a Technical Import Corporation in late 1972 and the very large number of complete plant purchases in 1973, listed in a preceding issue of this Review (Vol. 1, No. 1, pp. 36-37).

The new policy is also illustrated by a probable deficit in China's 1973 trade. As shown by the figures in Table 1, China's imports exceeded exports through 1955, with these deficits financed by the USSR. However, since 1956 China has maintained an export surplus during most years. This was sustained even during the deep depression years of the early 1960's. These export surpluses served as a means of repaying Soviet credits, which were fully amortized by 1965, and of extending foreign aid to less developed countries.

China became in effect a net exporter of capital, a most anomalous situation for an underdeveloped country. Viewed in these terms, the 1973 trade deficit may be a purely temporary phenomenon; alternatively, it may reflect the new policy orientation which allows for import financing using intermediate commercial terms.

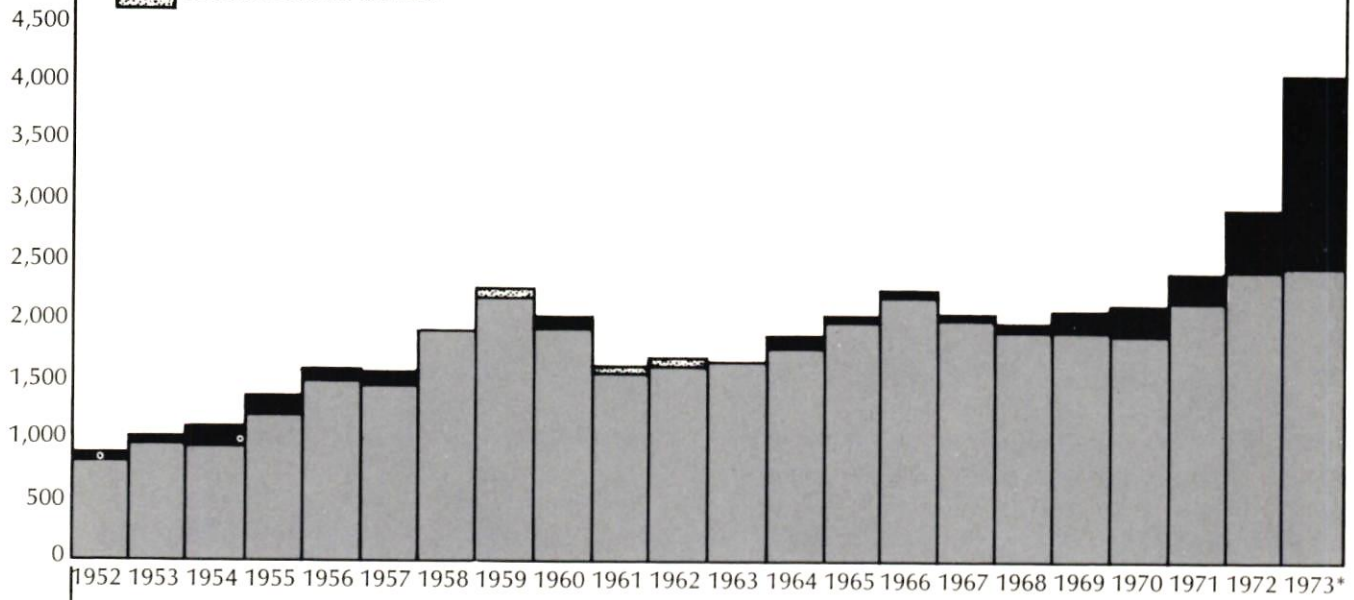
It would seem that self-reliance may have been reinterpreted in another sense as well. Agricultural imports were stepped up very appreciably in 1973, and contractual commitments made would

# China's Foreign Trade 1952-1972

Current and constant US dollar millions

## Exports FOB

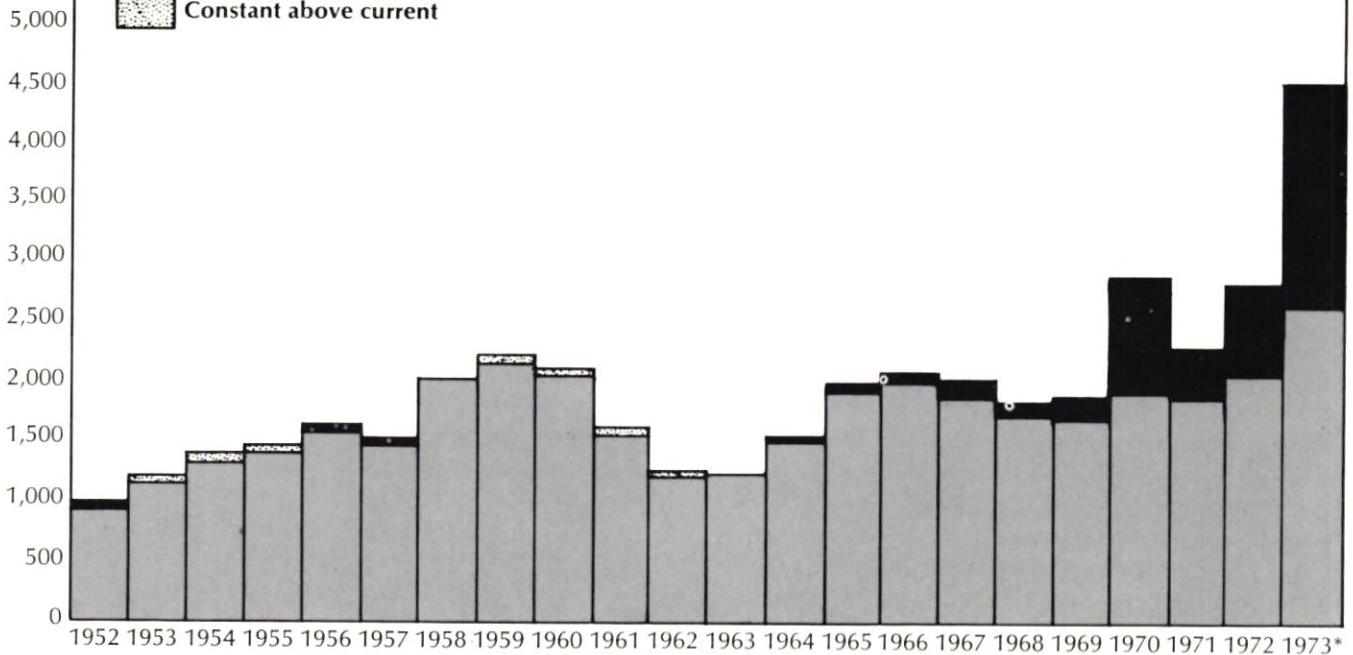
Current above constant  
 Constant above current



Except where indicated, the upper level in both graphs represents trade figures in current terms, the lower in constant terms.

## Imports CIF

Current above constant  
 Constant above current



Source: Eckstein \*Preliminary and tentative

suggest that they will stay at a high level in 1974. In part, this reflects the shortfall in the 1972 harvest. However, it may also be increasingly recognized that imports of foodstuffs and agricultural raw materials can serve as a long-term means of relieving the pressure on Chinese agriculture. Agricultural imports can reduce the competition for land and other resources, as between grain and industrial crops on the one hand, and agricultural vs. industrial development requirements on the other.

## Changes in Trade Direction and Policy Implications

The marked contrast in China's foreign trade trends of the 1950's as compared to the 1960's is paralleled by drastic shifts in the geographic direction of imports and exports. In the 1950's, about 40 to 55 percent of China's trade was with the Soviet Union, 20 to 25 percent with other communist countries, and 25 to 35 percent with the non-communist world.

The deterioration in Sino-Soviet relations led to a complete reversal in this situation. Between 1960 and 1970, the Soviet share in China's trade declined continuously from about 40 percent to a negligible 1 percent. During the same period the non-communist world's share rose from 35 to 80 percent. Following the Sino-Soviet border clashes of 1969 and the start of border talks, trade relations have recovered somewhat from their low point in 1970.

Equally dramatic has been the rapid rise in Sino-American trade. All trade and payments were embargoed by the U.S. until mid-1971. Some minimal trade started in the second half of 1971; this then rose to about \$60 million of US exports to China and \$32 million of imports in 1972. By last year, next to Japan, the US became China's largest supplier of goods with exports of about \$740 million and imports of about \$60 million. Thus within two and a half years, the US moved from a position of zero trade with China to becoming the third largest trading partner of the People's Republic.

Sino-American trade is clearly unbalanced. The imbalance grew from a 2:1 ratio in 1972 to more than an 12:1 ratio in 1973. China finances this deficit in trade with the US through surpluses earned principally in Hongkong and Southeast Asia. Foreign exchange accumulated through large surpluses in trade with these countries is supplemented by remittances to families sent by overseas Chinese and through a variety of miscellaneous payments by Hongkong to the People's Republic of China. However, these foreign exchange earnings are needed not only to cover trade deficits with the US, but also with Canada, Australia, Japan and Western Europe.

It is quite clear that contrary to rather widely held beliefs, China does not attempt to balance her

trade bilaterally, but is prepared to incur deficits with some countries and surpluses with others. Thus, her pattern of trade is essentially multilateral and in this respect, does not differ drastically from that of non-communist countries. At the same time the gaping deficits in trade with the US must place some strains on China's foreign exchange earnings.

As China's import demand rises in response to her food supply and development needs, the ability to import will necessarily be limited by export capacity. This export capacity is, in turn, limited by supply constraints and by certain institutional barriers to the movement of Chinese goods into foreign markets. These obstacles are partly rooted in Chinese marketing practices; but in part, they represent barriers on the importing side.

In the US case, I am referring primarily to the MFN and the frozen assets and claims problems. While it is unlikely that tariff reductions based on granting most-favored-nation status would even come near to eliminating the surplus in our trade with China, it would certainly raise our imports from the People's Republic, at least to some extent. Perhaps even more importantly, it would constitute an important forward step in the process of normalizing our relations with the PRC. Similarly, the mutual settlement of claims for assets frozen or confiscated in 1950, by the US and the PRC respectively would greatly foster the full unfolding of commercial and financial relations between the two countries.

In addition to these steps, it is essential that our importers assume increasing responsibilities and interest in developing markets for a wide range of Chinese products in the US. They could possibly also play a significant role in working with Chinese suppliers so as to package and market their goods in ways which will have a maximum appeal in US markets.

As one surveys the economic history of the People's Republic of China, it is quite clear that economic and political considerations are closely intertwined. When Sino-Soviet relations were close in the 1950's, trade relations were close too. As these relations deteriorated, trade between these two countries was shrinking. Conversely, during the Cold War period when we were locked into mutual suspicion and hostility in our relations with China, we embargoed all trade and payments with the PRC. As both sides embarked on a process of normalizing relations, our trade with China developed very rapidly.

It would, however, be a grave error to take this for granted. Until further steps are taken such as the granting of MFN, and the settlement of claims and, even more importantly, until we establish full diplomatic relations with the People's Republic of China, the process of normalization will be necessarily precarious. 完

# THE FUYANG REGION (ANWHEI PROVINCE) WORKS TO EXPAND EXPORTS

## From China's News Reports

Source: FBIS June 1974

### Anhui Provincial Radio May 30, 1974

In the movement to criticize Lin Piao and Confucius, the masses of workers and staff members of foreign trade departments in Fuyang Region have resolutely implemented the great policy of grasping revolution and promoting production, relied on party organizations at all levels and the broad revolutionary masses, taken a firm hold on production, grasped production bases well, increased sources of goods, expanded exports, and made marked achievements.

By the end of April they had already fulfilled 35.7 percent of the whole year's export plans, an increase of 120 percent over the same period last year. The year's export plans have already been overfulfilled for some raw materials such as goat leather, horsehair and horsetail and items such as hairnets. The year's export plans have been fulfilled by 40 to 70 percent for dried sweet potato, sausage casings, hog bristles, weasel skin, rabbit hair and feathers. Units directed under the region and Fuyang and Kuoyang counties have fulfilled 40 to 50 percent of their annual export plans.

Since the beginning of this year, both the Production Command Group and the Commerce Bureau of the region have held foreign trade work conferences, attended by departments concerned, to convey the goals of central authorities and the provincial foreign trade planning conference. The masses of workers and staff workers have vehemently criticized Lin Piao's reactionary program of "restrain oneself and restore the rites" and the crimes of Lin Piao and company in attempting restoration and retrogression on the foreign trade front and undermining socialist revolution and construction.

They have come to understand that at present, the Third World is awakening more and more and growing stronger everyday. The two hegemonic powers, the United States and the Soviet Union, are beset by difficulties at home and abroad. Under the guidance of Chairman Mao's revolutionary line in foreign relations, our country's international prestige is continuously rising. Our foreign trade must expand by a rather large margin to meet the new situation.

On the basis of increased understanding, the masses of workers and staff members have implemented plans on annual exports and on production bases for export commodities. The regional and county foreign trade departments have lost no time in grasping the procurement and delivery work of bulk export commodities. They have sent some of their worker-cadres to the basic-level procurement centers and networks in major producing areas to make sure that procurement and transportation work is done well. This has speeded up procurement and export.

The regional and county food departments have also placed export work on their agenda, insisted on high-quality standards and strict compliance with requirements, and undertaken the export task seriously. As of the end of April, they had already fulfilled 71 percent of the year's export plans.

The foreign trade department of Po and Chiehshou counties, together with technical personnel from export companies in Shanghai, have gone to the leather and hair factories in these two counties. Together with the workers, they have vehemently criticized the idealist conception of history that "the highest are the wise and the lowest are the stupid" preached by Lin Piao and Confucius, done away with fetishes and superstitions, emancipated their minds, and innovated boldly. They have successfully produced fine handicraft products including large-size leather and feather works.

While firmly grasping procurement, the foreign trade departments at all levels in Fuyang Region have also conscientiously implemented the general policy of developing the economy and insuring supplies, taken a firm hold on production, and built up sources of commodities. Thus, the foundation has been laid for a continuous and more rapid expansion of foreign trade. This year they have developed some 20,000 mou of land for growing such export crops as hot pepper, mint, potatoes, small red beans, black beans, and walnuts. In the past year or so, they also have introduced large numbers of superior breed goats, sheep, long-hair rabbits and rare animals such as mink from Sinkiang, Inner Mongolia, Kiangsu, Chekiang and other places, thus expanding the sources of export commodities, increasing income for the communes and production brigades, and developing foreign trade. 完

# INTERNATIONAL CHINA NOTES

## China Buying Reports

**Steel Complex** In the largest Sino-Japanese deal to date, Techimport has purchased a \$231 million hot steel rolling mill from Nippon Steel and other Japanese manufacturers. Technical services will cost \$17 million more. The mill, to be constructed near Wuhan, has an annual capacity of 3 million tons of hot rolled steel plus 70,000 tons of silicon steel plate. Before its completion in early 1977, 350 Japanese technicians will visit China to provide installation guidance and 200 Chinese technicians will train in Japan.

**Construction Machinery** Machimpex has purchased \$4.8 million worth of heavy construction machinery from Volvo, including 10 BM 1641 loaders, the largest model the Swedish manufacturer produces.

**Communications Equipment** Canada's Northern Electric has sold another \$150,000 worth of multiplex radio equipment to Machimpex, bringing its total China sales to over the \$500,000 mark in the last two years.

**Aluminum** China has reportedly decided to buy 5,000 tons of aluminum worth \$5.5 million from Bahrain, about 40% of Bahrain's annual output.

**Monitoring Equipment** The UK's Scama Ltd. has contracted to sell China \$52,800 worth of alarm annunciation equipment to monitor urea plants being built in the PRC by Kellogg-Continental.

**Wheat** Canada has sold the PRC 74.6 million bushels of wheat valued at \$350 million, bringing China's total purchases of Canadian wheat in 1974 to 112 million bushels.

**Furnaces** Birlec, of the UK's GEC Group, has seen their 50-man representation at last year's British Industrial Exhibition pay off with the sale to China of three furnaces for carburising and carbonitriding automobile transmission parts, valued at \$300,000.

**Textiles** Toray of Japan will supply China with 12.8 million metres of synthetic textiles (6.8 million metres polyester, 6 million nylon) for delivery by September.

**Sugar** Guyana has sold China 30,000 tons of sugar at an undisclosed price thought to be higher than world market rates.

## China Selling Reports

**Rice** Malaysia has purchased 85,000 tons of rice from the PRC valued at approximately \$21 million, over half of Kuala Lumpur's rice imports in 1974.

**Coal** Japan has made its first purchase of broiler coal from abroad since 1961, contracting with the China National Minerals and Metals Import and Export Corporation for 3,000 metric tons at \$19.50 a ton.

**Jeeps** Reiss Bradley and Co. in Hong Kong, subsidiary of Hutchinson International, has ordered the first of what is expected to be a number of jeeps, from Machimpex. The five-seater "Peking" brand jeep will be marketed in Hong Kong at prices 20% below those of comparable makes.

**Optical Glass** Faced with a worldwide supply shortage,

Kodak is looking towards China for the supply of optical glass used in camera lenses. The Rochester company obtained samples from China Resources in Hong Kong and, after tests, may purchase the glass in bulk.

**Oil** According to Hong Kong's *Ta Kung Bao* Japanese officials have revealed that next year's imports of crude oil from the PRC will include shipments from Shantung Province's Shengli field, as well as the Taching field in the Northeast. At the same time the Japanese indicated that Tokyo's total purchases of Chinese crude in 1974 would amount to 4 million tons. With the additional Shengli output, Japan can be expected to press for additional shipments in 1975.

**Barter?** Peking and Karachi have signed a trade agreement which provides for the PRC to ship chrome steel smelters to Pakistan in exchange for lacquer ware and cotton textiles.

**Fuel Oil** China is now moving about 10,000 tons of fuel oil a month to Hong Kong, and of the 800,000 long tons the Colony is importing between May and October, the PRC is expected to furnish more than 50,000 tons. The first shipment was reportedly more viscous than the recommended level and had to be returned to China, but PRC authorities have assured Hong Kong that future consignments will be of acceptable quality.

**Antimony** China, with a large share of the world's antimony reserves has shown a marked reluctance to sell in the last several months. As a partial result world market prices have climbed more than 75% since the first of the year, to about \$5,200 per ton.

## Air and Sea

**CP Air** Canadian Pacific's scheduled service from Vancouver to Peking and Shanghai is evidently still up in the air. Chinese authorities have notified the carrier that minor technical difficulties are still preventing the inauguration of the weekly flight, which will provide the first direct air link between North America and the PRC in over 20 years. Meanwhile, JAL will probably begin its Tokyo-Peking service on September 29, the second anniversary of Japan-PRC diplomatic relations.

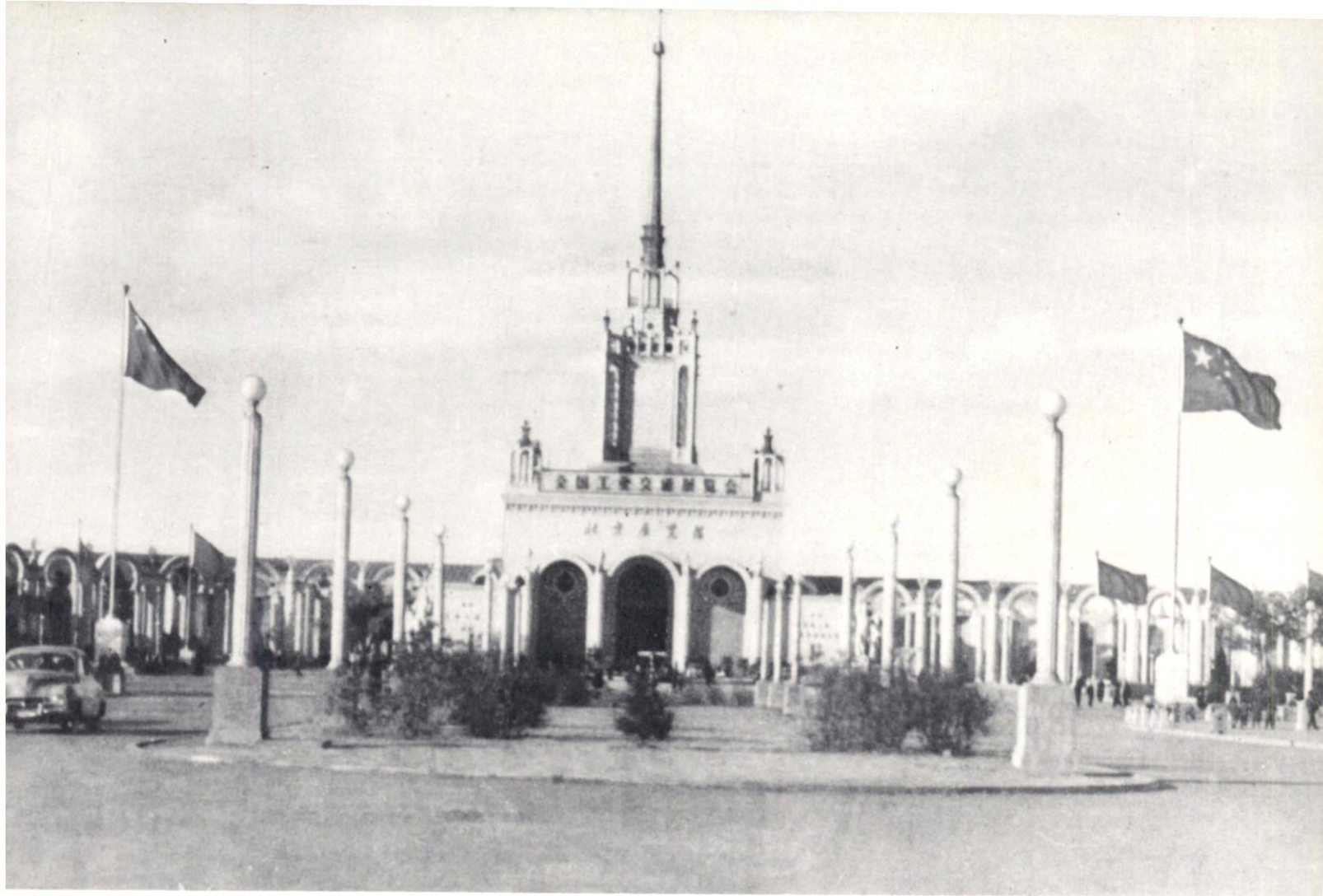
**AF** Air France and the Civil Aviation Administration of China (CAAC) have signed an agreement which puts the French Airlines telecommunications facilities at CAAC's disposal outside of China. In exchange Air France has received an assurance from the Chinese that necessary communication facilities will be available in the PRC.

**Cargo** The first air cargo shipment from the PRC to Japan recently arrived in Tokyo from Shanghai. On board were 1 1/2 slippery tons of live eels.

**Telecommunications** China's delegation has returned home after attending The World Maritime Administration Radio Conference in Geneva.

**Law of the Seas** The PRC's delegation to the Law of the Seas Conference in Caracas left Peking recently. Led by Vice-Minister of Foreign Trade, Chai Su-fan, the Chinese can be expected to push vigorously for adaption of a 200 miles territorial limit. 完





The Peking Exhibition Center

# An Introduction to EXHIBITING IN CHINA

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Each issue of the UCBR contains a sectoral report on an area of major significance concerning Sino-US trade relations. In this issue exhibiting in China is the subject of the report.

*The day will come when US firms are able to exhibit in China. When they are able to do so it is likely the kind of exhibitions in which they will participate will follow the pattern already established in the PRC by shows from other countries. The following survey will give US companies a glimpse of what to expect.*

\* \* \*

Two questions are of immediate interest to American firms: When will they be allowed to exhibit in China, and how? Another question may also be raised—Why exhibit in China?

No timetable has been set for exchange of exhibitions between China and the US.

The logistics of planning and booking a big exhibition in either country are considerable, requiring up to two years preparation. After the Chinese have staged their exhibition in the US, a reciprocal show by the US in Peking should then be possible. It is possible that specialized industry exhibits by US firms in China will be taking place in addition to, and perhaps before, these major events.

The mechanism via which such reciprocal exhibitions will be handled was stated in the text of a statement released by the National Council on November 16, 1973, following the Council's visit to Peking for discussions with the China Council for the Promotion of International Trade (the CCPIT): The China Council and the National Council have agreed, in principle, to exchange trade exhibitions and act as contact points for arrangements. Details of the exhibits, including dates, will be worked out between the two sides. To date, there have been no exhibits arranged by either side in each other's country, and the commercial exhibits planned by the China Council and the National Council will be the first such events.

The Council has encouraged industry associations in the US interested in mounting specialized exhibitions in China to provide it with details of proposals to be presented to the CCPIT. (Further information concerning potential proposals may be obtained from the Council.) In addition, invitations

### CHINA'S PERMANENT EXHIBIT IN SHANGHAI

Visitors to Shanghai have a chance to see Chinese products on display at the permanent Shanghai Industrial Exhibition. Established in the wake of the Cultural Revolution, the Exhibition Center has more than 8,000 square metres of floor space divided into eight separate halls for machine building and electric machinery, metallurgy, chemicals, instrumentation and telecommunications, light industry, textiles, handicrafts and a miscellaneous category. In all, about five thousand items are exhibited.

Displays recently reported run the gamut from consumer goods to computers. In the transportation field there are mock-ups of ocean-going freighters, mud-drainage breakers as well as trucks and passenger vehicles. Agricultural equipment includes rice planters and combines. An extensive medical section demonstrates Chinese advances in the manufacture of synthetic insulin, replantation of severed limbs and burn treatment.

Among items of special interest in the machine building hall are a 300,000kw fully-cooled turbo generator, a digital process control spark cutting tool, a 12,000 ton hydraulic free forging press and a laser automatic dynamic balance machine. The electronics hall has items ranging from video tape recorders to a double focusing solid analyzed mass spectrograph with detection limits for impurities as low as several parts per million.

for Chinese visits to or participation in exhibitions in the US by industry groups have been endorsed and encouraged by the Council.

### Why exhibit in China?

The cost of mounting an exhibition in China, especially at the national level, is steep and the potential reward to individual firms may be small. A certain disappointment has been registered by participants in the exhibitions of other countries in China that the outlay and executive time involved is not warranted by the limited sales made at and following the show.

But most firms think in the long term: An exhibition in China is a first contact with end-users on the spot, the first chance China's technicians may have had to inspect a firm's products and technology. There is the opportunity to forge personal links, distribute company literature in the PRC, and give technical presentations to China's technical personnel. There is the possibility that a company may learn something about China's needs in its particular line of business. There is also the element of prestige and goodwill.

Some firms that have shown their wares in China have felt, nevertheless, that the experience has been one sided, that China has learnt from presentations without giving anything in return—beyond perhaps a discounted single sale. These companies feel that China has obtained, without cost to itself, a kind of technical symposium where company representatives are lecturers and Chinese end-users students—rather than purchasing agents.

There has also been an occasional suspicion that the products on display are to be bought for reverse engineering and the technology used to make goods that may later appear as competition in other foreign markets.

Whatever the case, it is worth pointing out that China sent an observer group to the Second Plenary Session of the World Intellectual Property Rights Convention organized by the World Intellectual Property Organization (WIPO) in November 1973. (WIPO later published China's trademark laws, in January 1974.) These are indications that China is taking the question of international industrial property rights seriously.

A number of other state trading nations are members of WIPO, as of January 1, 1974, including Bulgaria, Czechoslovakia, East Germany, Hungary, Romania, the USSR and Yugoslavia. In addition, Cuba and Poland have associate Article 21 (2) membership enabling them to exercise WIPO rights until April 26, 1975.

### The Most Important Reason to Exhibit

Probably the most important reason for a company to exhibit in China, beyond that of

initiating and establishing a business relationship with Chinese counterparts, is to meet Chinese end-users. This initial contact cannot be overemphasized. Normally it is difficult to meet China's technicians, certainly not an easy task outside of China.

These technical personnel make the decisions about China's purchases, compare your products with those of your competitors worldwide, and may choose which products suit China's needs best. They are not the principal negotiators—negotiations are the responsibility of China's foreign trade corporations. But the end-users are the people who will be directly involved in using your product day-to-day in China—if they have a preference for your technology. And the more exhibitions held in China, the more your products can be compared with others.

### Different Types of Exhibitions

Following this is a description of the three types of exhibitions that have been held in China by other nations—the solo, the specialized, and the national. For US firms the specialized industry exhibit may be the most attractive, although individual companies may be interested in mounting displays on their own at some time in the future. The specialized exhibit is being encouraged by the National Council as an objective for US firms in highly technological product areas.

### Present Trends

Present features of China's exhibition policies include—

- a trend toward specialized industry exhibits;
- a continuing policy by China to hold exhibitions on a country-by-country basis;
- increased use of facilities in cities other than Peking, including Shanghai and Tientsin;
- "travelling shows" from one Chinese city to another;
- widespread holding of technical seminars in conjunction with exhibitions;
- follow-up sessions in Peking to discuss business in detail;
- extensive printing of catalogues in modern Chinese by individual exhibitors;
- increased facilitation of exhibitions on the Chinese side, including translation and printing of show catalogues by Machimpex (for the Austrian exhibition March 29-April 11, 1974 in Peking; and the Canadian electronics and scientific instruments exhibition April 16-26, 1974 in Shanghai, for example).

### Fairs Abroad

In addition, China has been broadening its participation in international and national exhibitions

abroad. It has recently displayed or will exhibit at various shows, including consumer-oriented exhibitions, in Britain, France and Italy. A list of fairs attended by China 1970 through the present accompanies this article, showing the expansion of China's activities in this field.

It is a feature of some of these Chinese exhibits abroad that foreign trade corporation officials are available for company executives to visit and talk business with. A number attended China's show in Canada, for instance. But, while business was discussed, negotiations for contracts did not take place.

Nevertheless, China's increased interest in participating in foreign fairs and the apparently increased ability of its foreign trade officials stationed abroad to sign contracts suggests that concrete negotiations may become a positive feature of China's foreign exhibits.

Another positive feature of China's exhibits abroad for US firms is that they provide a point of contact. If a US company happens to have a stand down the way from the Chinese, contact may be made that may be useful. This has happened to several US firms and to at least one US industrial association.

Future articles will describe how an exhibition is mounted in China and the ways in which the organization of exhibitions may be arranged from the US end.

## TYPES OF EXHIBITIONS IN CHINA

Three types of product exhibitions—solo, national, and specialized—all conducted on an individual country basis, are held in China. On the Chinese side, exhibitions are handled by the Department of Foreign Exhibitions of the China Council for Promotion of International Trade (CCPIT), and the Exhibition Center concerned, while foreign sponsorship may involve private trading companies, industry associations, government agencies, or a mix.

### Solo Exhibits

Solo exhibits, defined here as exhibitions by individual companies, have seldom been held in China. The last solo exhibition in the PRC was held in Peking March, 1973, by the state-owned Kongsberg Vapenfabrikk, a Norwegian gas turbine and industrial electronics manufacturer. The Kongsberg delegation, including export manager, three engineers, and service personnel, ran a combination exhibition/seminar for five days at the National Agricultural Exhibition Hall in Peking, taking up about 700 square meters for which they were charged RMB 0.31

*Continued on page 28*

## FOREIGN EXHIBITIONS IN CHINA

Country	Type of Exhibition	Place	Date (# of Days)	Comments
<b>1971</b>				
Hungary	Medical Instruments/ Medicine	Peking	8/8-14 (7)	
Romania	Industrial	Peking	10/11-24 (14)	10,000 square metres, attendance 400,000
Yugoslavia	Industrial	Peking	12/15-29 (15)	Attendance 200,000
<b>1972</b>				
Japan	Electronic Measuring Instruments	Tientsin	1/16-31 (16)	Specialized, sponsored by JITPA. Participants were TSK International and Takeda Riken.
Bulgaria	Medicine	Peking	2/4-11 (8)	
Denmark	Industrial	Peking	3/6-17 (17)	Attendance 100,000. More than 50 companies participated. Sponsored by Danish Dept. of Trade and Industry.
Japan	Machine Tools	Shanghai	3/16-28 (13)	Specialized, 13 companies participated. JITPA sponsored.
Sweden	Industrial	Peking	4/3-13 (11)	Attendance 200,000. 11,200 square metres, 10% of which reserved by Volvo. Sponsored by Swedish Export Association.
Japan	Construction Machinery	Tientsin	4/10-23 (14)	Specialized, 8 companies participated. JITPA sponsored.
Hungary	Machinery/Vehicles	Tientsin	8/7-17 (11)	
Canada	Industrial	Peking	8/21-9/2 (14)	Attendance 250,000; eight major sections including farm machinery, aircraft, electrical equipment, heavy transport, chemicals, forestry products, pharmaceuticals and mining equipment. Sponsored by Canada's Dept. of Trade, Industry and Commerce.
Italy	Industrial	Peking	10/10-22 (13)	Sponsored by Italian Ministry of Foreign Trade
France	Scientific/Technical	Peking & Shanghai	11/25-12/9 (15) 1/15/73-1/30 (16)	16,000 square metres. 50,000 attendance. This was the first "traveling" exhibition held by a foreign country in the PRC.
Poland	Building & Mining Machinery/Engines	Peking	12/5-18 (14)	Attendance 50,000.
<b>1973</b>				
Norway	Kongsberg Exhibition/Seminar	Peking	3/19-23 (5)	The only "solo" mounted in the PRC since the Cultural Revolution.
Britain	Industrial	Peking	3/26-4/7 (13)	Attendance 200,000. Larger than the Canadian Exhibition held the previous August; \$20 million worth of business reported to have stemmed directly and indirectly from the exhibition. More than 340 companies participated, renting 14,000 square metres at the Peking Exhibition Center. Department of Trade and Industry and Sino-British Trade Council were co-sponsors.
Finland	Metex Corporation Technical Symposium	Peking	5/17-24 (8)	While not an exhibition in the true sense, this symposium attracted considerable interests among Chinese technicians.

## FOREIGN EXHIBITIONS IN CHINA

Country	Type of Exhibition	Place	Date (# of Days)	Comments
<b>1973</b>				
East Germany	Machine Tools	Shanghai	6/6-16 (10)	Attendance 30,000.
Japan	Automatic Electronic and Medical Equipment	Peking	6/19-7/3 (15)	Attendance 100,000 Sponsored by JITPA.
France	Measuring & Scientific Instruments	Peking	10/9-19 (11)	Attendance at this Specialized Exhibition was 20,000. 29 French firms were represented. Sponsored by C.E.F.A.R.
Netherlands	Industrial	Peking	11/20-12/2 (13)	More than 380 exhibits occupied 3,600 square metres at the Peking Exhibition Center. Government sponsored.
<b>1974</b>				
Austria	Industrial	Peking	3/29-4/11 (14)	8,000 square metres, sponsored by Austrian Federal Chamber of Commerce; this is the largest Austrian exhibition ever held abroad.
Hungary	Electrical Instruments	Peking	4/15-23 (9)	300 square metres. Electrical lamps, instruments, thermocontainers and enameling equipment.
Canada	Electronics/Scientific Equipment	Shanghai	4/16-26 (11)	Specialized; The Canadian Department of Trade Industry and Commerce sponsored this exhibition which involved 36 companies utilizing 2,000 square metres.
France	Industrial	Peking	5/22-6/16 (16)	Very large; occupied entire first floor space of Peking Exhibition Center plus 3,000 square metres outside. Sponsored by Ministry of Finance and National Center of External Trade.

## FOREIGN EXHIBITIONS IN CHINA PLANNED

<b>1974</b>				
Switzerland	Machine Tool/Watch	Peking	8/7-18 (12)	12,000 square metres, 192 firms, sponsored by the Switzerland Trade Office.
Denmark	Electronics/ Medical Instruments	Shanghai Peking	August (10) September (10)	10 firms, 1,400 square metres.
Mexico		Peking	9/14-30 (17)	7,000 square metres, 75 firms. Sponsor Mexican Institute for Foreign Trade.
Poland	Mining Equipment	Tientsin	9/15-30 (16)	Specialized; 2,300 square metres.
Australia	Industrial	Peking	10/11-23 (13)	9,000 square metres of Peking Exhibition Center, sponsored by the Dept. of Overseas Trade.
Japan	Agricultural Machinery/ Fertilizers	Peking	November (14)	JITPA JITPA
Japan	Printing and Packaging	Tientsin	November (14)	
East Germany	Agricultural Machinery	Shenyang		
<b>1975</b>				
Britain	Machine Tools/ Scientific Instruments	Shanghai	April-May (12)	6,000 square metres, co-sponsored by Machine Tool Trades Association, Scientific Instrument Manufacturers Assoc. in conjunction with Sino-British Trade Council.
Belgium	Industrial	Peking	Spring	70 firms, 3,500 square metres.
West Germany	Industrial	Peking	9/5-18 (14)	22,000 square metres.
Hungary	Machinery	Peking		
Argentina	Industrial	Peking		4,000 square metres.
Japan	Industrial Technology	Peking	November (14)	4-500 companies; sponsored by JETRO

## PRC PARTICIPATION IN INTERNATIONAL TRADE FAIRS

COUNTRY	PLACE	DATE	COUNTRY	PLACE	DATE
<b>1970</b>					
Syria	Damascus	August	Bulgaria	Plovdiv	September
Yugoslavia	Zagreb	September	Romania	Bucharest	October
Romania	Bucharest	October	<b>1973</b>		
<b>1971</b>					
Egypt	Cairo	March	E. Germany	Leipzig	March
Hungary	Budapest	May	Italy	Milan	April
Tanzania	Tanzania	July	W. Germany	Hanover	April
Algeria	Algiers	August	Morocco	Casablanca	April
Yugoslavia	Zagreb	September	Tunisia	Tunis	May
Chile	Santiago	October	Hungary	Budapest	May
<b>1972</b>					
Egypt	Cairo	March	Zaire	Kinshasa	June
France	Paris	April	Malta	Malta	July
Czechoslovakia	Brno	April	Syria	Damascus	July
Hungary	Budapest	May	Cyprus	Nicosia	August
Poland	Poznan	June	Kenya	Nairobi	August
Syria	Damascus	August	Turkey	Izmir	August
Iraq	Baghdad	September	Algeria	Algiers	August
Algeria	Algiers	September	Austria	Vienna	September
Sweden	Stockholm	September	Iran	Teheran	September
<b>1974</b>					
Egypt	Cairo	March	Egypt	Cairo	March
Czechoslovakia	Brno	March	Czechoslovakia	Brno	March
Italy	Milan	April	Italy	Milan	April
Spain	Barcelona	May-June	Spain	Barcelona	May-June

The Chinese pavilion, visited by an estimated two million people, at Toronto's 1972 Canadian National Exhibition (see box opposite).



per square metre per day, or a total equivalent of approximately \$555 a day.

All invitations to the exhibit were issued by the CCPIT. About 500 Chinese technicians attended the technical seminars conducted by Kongsberg engineers in a round hall adjacent to the main exhibition area. In addition, 2300 Chinese technicians viewed the product displays.

Though Kongsberg's China exhibition was short—foreign exhibitions in the PRC average 12-14 days—the Norwegian firm sold all products on display, \$508,000 worth, at the end of the five day show.

In other ways as well, the exhibition was a success for Kongsberg. Not only did the company strengthen its personal contacts with representatives of China's foreign trade apparatus, but they exposed Kongsberg products to a large number of technically influential end-users. Before leaving the PRC, Kongsberg signed a letter of understanding with the Chinese which provided for Kongsberg training of Chinese technicians. Ultimately, Kongsberg hopes,

the Chinese will be manufacturing the firm's gas turbines and electronics equipment under license.

### National Exhibitions

National exhibitions provide for display of a wide range of products from a single country, usually conducted with the sponsorship of the government's foreign trade bureau (e.g. the Department of Trade and Industry in the United Kingdom), and organized by a private trade development group.

Floor space is usually limited (at last fall's Netherlands Industrial Exhibition 380 exhibits contended for 3,600 square meters at the Peking Exhibition Center) but the opportunity to make inroads with representatives of China's Foreign Trade Corporations is good.

### Specialized Exhibitions

Specialized shows are defined here as those exhibitions given over to an individual industry or product area involving relatively few companies from a country.

The Japanese have mounted four specialized exhibitions since January 1972, not only in Peking, but in Shanghai and Tientsin. In addition, Japan has arranged for at least four future specialized exhibitions through 1975. In all cases to date the Japanese exhibitions have been sponsored by a non-governmental trade promotion group, the Association for the Promotion of International Trade-Japan (JITPA).

The most recent show—an exhibition of electronic instruments and medical apparatus—attracted more than 100,000 viewers during its 2½ week Peking run in June and July, 1973. Goods on display reportedly included computers and industrial robots. Other Japanese specialized exhibitions have shown construction equipment (Tientsin, April 1972), Machine Tools (Shanghai, March 1972) and Precision Machinery (Tientsin, January, 1972).

In October, 1973, 29 French firms, under the sponsorship of the CEFAR, part of the National Federation of Electronic Industry, mounted an exhibition in Peking featuring measuring and scientific instruments. The companies involved had some 300 exhibits on display, including nuclear instruments, radio-controlled measuring equipment, analytical instruments and cine-cameras. The attendance of 20,000 was limited in comparison to larger scale national exhibitions, but the technical ability of those viewing the displays was thought to be very high. The level of exposure given participating companies in the concentrated atmosphere of the specialized exhibition is a key selling point.

Further details of these exhibitions, including floor plans and information about catalogues, will be given in future issues.

## THE BIGGEST YET— GERMANY IN PEKING SEPTEMBER 1975

Though still more than a year away, over 700 firms have already booked out West Germany's September 1975 industrial exhibition in Peking. The entire 22,000 square meters of the Peking Exhibition Center have been leased, making this the largest foreign exhibition ever planned for China.

The show's organizers, IMAG of Munich, have indicated that large and small companies alike will take part. IMAG's President, Dr. Joachim Hietzig, completed arrangements for the exhibition during a ten day visit to Peking in late 1973. The negotiations followed by a year an agreement in principle between Chou En-lai and FRG Foreign Minister Scheel to hold a German exhibition in China.

During discussions in China, representatives of China's Council for the Promotion of International Trade impressed on Dr. Hietzig their desire that the exhibition be long on information and technique, and short on show. As a result, the Germans have decided that the symphony orchestra usually accompanying similar exhibitions abroad, will "stay home." 完

### CHINA'S EXHIBIT IN TORONTO— 1972

The PRC's first ever industrial exhibition in North America was held in the summer of 1972 as part of Toronto's annual Canadian National Exhibition. Li Yung-ting, Vice President of the China Council for the Promotion of International Trade (CCPIT) led the 40-member Chinese delegation which included representatives from Peking's Foreign Trade Corporations (FTCs).

China rented 5,855 square metres on the CNE grounds at a cost of \$45,000. Goods on hand were about equally divided among agricultural products, consumer items and heavy equipment, though sophisticated electronic gear, including oscilloscopes and portable X-Ray units were prominently displayed. Scale model mock-ups of a nitrogen factory and the famous Yangtze River Bridge at Nanking also attracted considerable interest.

China's entry was the largest foreign exhibit at the 1972 CNE and was viewed by about two-thirds of the exhibition's three-million visitors.



A Chinese silk mill worker: China is adapting and expanding silk production for the Japanese market.

# How China is Adapting to the Japanese Market

Alistair Wrightman

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Politically, Japan's once-deplorable relations with China are steadily improving month by month, yet not nearly as swiftly as the two countries' economic relations, now strikingly cordial. The major reason is not the increasing visits to Peking of winter-weary Japanese business executives, but rather the drastic changes in China's trading policies which have gradually occurred over the past two years.

Peking's approach to trade with Japan and, in fact, most other important trading nations began to show signs of a decided turnaround in 1972. Until then, China had flatly rejected whatever new ideas were presented by her trading partners in the interest of expanding the volume of exports and imports.

The surprised Japanese that year found their Chinese hosts at last beginning to listen to some of their more modest proposals. Admittedly, the process was a slow one at first, with the merits of each new scheme being closely examined on its own merits.

## "Significant Changes in the Wind"

"An excellent example of one of the first solid indications that there were significant changes in the wind," according to a top official of the Japan External Trade Organization (JETRO), "was the agreement by the Chinese to import American raw cotton through Japanese trading houses." Since then there have been similar instances of Japan's trading firms arranging business between China and the United States.

China's change of heart—or at least recognition that there are a number of other ways to promote trade than those they have used in the past—has appeared to produce sound economic advantages. It is now estimated that China's total foreign trade is about \$8.5 billion and rising rapidly, a favorable situation which might not otherwise have developed.

China's exports and imports currently are more or less balanced, but the increase in imports is slightly faster than that of exports. Peking's trade policies are clearly aimed at stepping up industrialization. To do this China must earn foreign exchange to pay for imports of plants and equipment.

This objective most probably will be attained through increased exports of primary products and light industrial goods, which are labor-intensive. Increased emphasis is to be placed on the latter, of course, to produce more added value. Yet the sharp increase in the prices of primary products, such as raw silk and soybeans, is helping China a great deal. At the same time, China is trying to improve textile production techniques in the area of silk, cotton, and synthetic textiles and other fields.

In cotton textile production, China already has attained a high level of modern techniques, especially in sewing skills, but her dyeing and design techniques still leave much to be desired. Western



countries, especially Italy and France, have long years of experience. It is proving difficult for the Chinese to catch up within a short period of time, particularly because in China itself designs are not yet considered very important by the masses.

### **Intensifying Competition**

Japanese trade sources believe increased imports of Chinese textiles, foodstuffs, and other light industrial goods eventually may intensify competition with Japan's own locally-produced goods, although there have so far been no instances of marked conflict. Moreover, competition between Chinese and Japanese products, such as textiles, certainly will increase in Hong Kong and other trade centers in Southeast Asia.

The two countries once competed in the field of cotton textiles, but then the Japanese textile industry switched to synthetic textiles and gained a virtual monopoly in this field in the Asian region. Now, however, the Chinese are coming up in synthetic textiles and may start competing with Japan once again. Meanwhile, however, Japanese textile makers are now engaged in turning to production of knowledge-intensive goods, such as high fashion products.

Some locations in Asia are producing synthetic textiles from raw materials and intermediates supplied by Japan. It will be these places that really feel the impact of increased trade competition from China in this area, although the Japanese textile industry itself also obviously will be affected.

### **China Adapting to Market Trends**

In the meantime, China has been adapting products to market trends with increasing success. Daiei K.K., a leading supermarket operator, had been placing stress on expanding trade with Communist countries, although its basic policy is to import superior goods from all over the world. The Daiei President, Isao Nakauchi, was a pioneer in importing daily necessities from China. His firm began participating in the Canton trade fair (held twice a year—spring and autumn) since 1969, purchasing about \$3 million worth of Chinese goods each time.

Some of the Chinese commodities are sold under Daiei's own brand names. And the Chinese appear to have no objection. For instance, Chinese bicycles imported by Daiei on a trial basis during late last year were sold under the brand name "Flying" which was selected by Daiei. The arrangement worked out with the Chinese manufacturer was the firm would not export the same type of bicycle to other Japanese importers.

Daiei also imports Chinese pajamas, lady's underwear, glassware and porcelain, and china. None of Daiei's own brand names are attached

to these goods, however. But they usually are sold at the same counter with similar Japanese goods. Occasionally, a small sales campaign is conducted to push Chinese goods. Usually they only carry small tags indicating the country of origin.

Daiei's purchasing experts travel to China to select goods suitable for the Japanese market. Specifications for canned food include application of Japanese labels, quality control and other adjustments by the Chinese. Peking seems eager to adapt some of the products to match the Japanese taste with the object of promoting exports.

Some types of Chinese textiles and other similar goods, however, are not fit for the Japanese climate and environment. For this reason, Japanese consumers often reject some types of Chinese products. On the other hand, certain Chinese goods, such as pottery, are sought by Japanese consumers for their folk color and there is no need to change the characteristics of the original Chinese items.

In trying to shift emphasis of exports from raw materials and other very primary products to manufactured goods, the Chinese probably will double their efforts to sell more and more daily necessities to Japan, especially in the fields of textiles and food products.

### **More Fashion-Conscious**

One shortcoming of Chinese textiles has been that they are not so fashionable as products of other countries. Yet this point is being improved, both because China is becoming more export-conscious and because in China itself consumers are showing interest in new designs.

Japanese companies plan to expand trade with China, a country with huge potentialities both for exports and imports. For the time being, however, the main attraction of Chinese goods for Japanese firms is that prices are relatively low. On the other hand, unfortunately, their quality and finish are sometimes overly coarse. For example, Daiei tried some years ago to import a Chinese camera called "Haifeng" (Sea Phoenix), but the model was too out of date—of a type produced in Japan about 20 years ago. The plan had to be abandoned.

Some Chinese bicycles still have large platforms over the rear wheels like the ones which used to be employed by Japanese youths to carry ice in summers before World War II. They are not a type fit for import into Japan. But the Chinese are beginning to improve, eliminating these shortcomings and developing their own marketing techniques and more modern styles.

Traders in Japan must, under Japanese regulations, indicate the country of origin of all imported goods. Supermarkets find this regulation somewhat expensive to comply with.

## Canned Goods

At Chinese food corners of supermarkets operated by Meidi-ya Co., a leading Japanese food distributor, some Chinese foods are sold in the original cans or packages produced by China, while others are re-packed after arrival in Japan. The former use Chinese brands; the latter employ Japanese labels in an effort to make them much more attractive and familiar to Japanese consumers.

Canned longans (*euphoria longana*), a unique Chinese fruit, sold in Japan, carry the original Chinese "Narcissus" brand accompanied by the English description "Longans in Syrup", the German description "Longan-Freuchte. Chinesische Fruchtkonservex", and the French description "Longan au sirop".

No Japanese brand name is added, except for a small tag pasted to the can giving the name of the product in Japanese, net weight, the date of importation, the name of the Chinese producer, and the name and address of the Japanese importer. The 1 lb., 4oz. net weight cans are packed by the China National Cereals, Oils, and Foodstuffs Import and Export Corporation, Fukien Branch, the Chinese People's Republic.

Similarly, canned Chinese pressed duck (with sauce) carry the Chinese "Great Wall" trademark and are packed by the same corporation in Peking. Chinese Lungchow vermicelli, packed in thin polyethylene in China, only carries an extremely simple explanation in English, which reads in part: "Chinese Lungchow vermicelli is nutritious, wholesome, famous at home and abroad. It is a good food, easy to cook with meat or vegetables and can be used in all seasons." The commodity carries no explanation in Japanese. Chinese rice vermicelli, similarly packed, carries the English "Egret" as a brand name, with "Hsinhua" (New China) in brackets. Similar packaging is applied to Chinese pickles and shrimp, shrimp in sauce and dried shrimp for use in soups or other dishes.

## Repacking in Japan

But a large number of Chinese foods now are being repacked in Japan and given Japanese brand names. For example, Chinese dried jellyfish carry the registered trademark of the Japanese importer, Nichiryō Bussan K.K. ("Nichiryō"). Although the package explains that the product is a "Chinese Speciality" and a small label in Chinese is attached to it, giving the trademark of the "Pagoda" brand, the remainder is all in Japanese.

A detailed explanation included for cooking purposes says the "Nichiryō" brand dried jellyfish is a high-quality product using only raw materials directly imported from China and subject to strict quality selection. It explains how to prepare the dried

jellyfish and emphasizes it is fit for Japanese cuisine as well as for Chinese and Western type dishes. It recommends the use of dried jellyfish for Japanese dishes.

Similarly, the "Nichiryō" brand is used for Chinese dried prawns, water melon seeds, pumpkin seeds, pine seeds, pepper, cinnamon, bay leaves, garlic flakes, onion flakes, powdered livers, dried bamboo shoots, and other Chinese cooking materials.

Chinese wines and liquors also have become unusually popular in Japan since Prime Minister Kakuei Tanaka exchanged toasts in mao tai wine with Chinese Premier Chou En-lai in Peking when the two nations restored formal diplomatic relations in September, 1972. Apparently due to presently limited quantities available in China, these wines and liquors have become rather expensive in Japan.

Chinese liquors now on sale in Japan include Kweichow mao tai ("Sunflower" trademark), Yuanyuichiew or mud turtle wine ("Great Wall" trademark), Hong mi jiu ("Sunflower" trademark), Hsing Hua Chun, a speciality of Shanshi Province ("Great Wall" trademark), Gengsanlujiu ("Hsing Yuan" brand), Chu yeh chiu ("Great Wall" trademark), Wu chia pi chiew ("Golden Star" brand), and Mei kwei lu chiew ("Golden Star" brand).

## Chinese Food Fairs

Supermarkets and department stores in Japan frequently stage small Chinese food fairs where most of the canned and other packaged Chinese foods and wines and liquors, are displayed, including honey and taobanshang (soybean paste seasoned with pepper), and dried garlic. Most have original Chinese packaging and trademarks: pickled cabbage ("Maling" trademark), walnut and apple jam ("Hung mei" trademark), strawberry jam ("Great Wall" trademark), braised bamboo shoots ("Maling" trademark) and long-tailed anchovy ("Maling" trademark).

Nichiryō Bussan, like most Japanese importers of Chinese, imported foodstuffs, finds Peking's goods mainly packaged with brand names or explanations in English or other foreign languages as well as Chinese when they are packed in China before export shipments to Japan. Their quality and other points are regularly checked at Japanese customs, but there have been a few cases in which some doubts have been raised about these imports. For instance, it was found that imported Chinese jellyfish contained some boric acid preservative. In another case, fluorescent pigments, which are banned in Japan, were found on Chinese packaging. These problems, however, have not been eliminated.

Chinese vermicelli is washed and repacked in small polyethylene bags when imported into Japan. This is necessary because vermicelli loses a small amount of weight during transportation. A 500-gram

bag contains only about 480 grams upon arrival in Japan.

Many other imported Chinese foodstuffs which appear on counters with Japanese trademarks and Japanese-language descriptions are re-packed in Japan after importation. Canned Chinese foods are all canned in China. They usually do not carry Japanese-language content explanations except those required by law.

Imported Chinese foodstuffs have been selling very well, yet recently the Chinese have raised their prices to match ordinary Japanese market levels and sales are not as extensive as only a year ago.

### Adapting Silk

Japanese silk importers, on the other hand, report China is best able to adapt its silk fabrics to suit the requirements of the Japanese markets in much the same manner as weavers in Korea. Korean weaving mills are now able to produce top class silk fabrics such as those used for production of the costly traditional Japanese style kimonos.

China, with the assistance of Japanese trading firms, are planning to weave narrowcloth (about 36 centimeters) silk fabrics used in Japan for production of kimonos. So far, however, China has been producing only broadcloth (about 75 centimeters)

fit for making quilts, Western style dresses, etc. Since most weaving machines in China at present are broad ware looms, the Chinese are developing a method of weaving the fabric in such a way as will make it possible to cut the broadcloth in the middle into two narrowcloth fabrics

The Chinese so far have been producing mainly plain and twill habotai cloth, but they may also enter the field of crepe and other sophisticated fabrics. This trend may be advanced if the Japanese silk industry succeeds in pressing the Tokyo Government for a raise in the support price for raw silk. If this is achieved a fairly large volume of raw silk may be sold to a semi-official raw silk holding company supplied with funds from the Japanese Government. This would prevent a decline in raw silk prices in Japan.

In that event, the Japanese Government naturally would want to restrict imports of raw silk, as it would not want to spend a lot of money mainly to subsidize foreign raw silk producers, of which China is the largest. This clearly would drive the Chinese to make greater efforts to expand production of the silk fabrics for export to Japan, instead of shipping raw silk—a trend which already became evident last year as part of China's policy to switch to products with more added value. 完

## IMPORTERS NOTES

- US importers should note the existence of China's newly formed National Foreign Trade Packaging Corporation, a delegation from which attended the International Packaging Exhibition in London this past June and visited several UK packaging companies.
- At the request of importer members, the National Council has met with Chinese Liaison Office officials to urge China's FTCs to comply with new FDA requirements, including completion of FDA's Forms FD-2541-A,B,C, concerning registration of canned food producers. The new measures, which apply to all nations exporting to the US, are aimed at eliminating potential health hazards, such as botulism.
- Importers are reminded that the American Industrial Report (see page 11) has a specially-priced importers section by which they can make themselves widely known in China.
- The National Council's Importers Committee is currently planning its program of activities for the coming Fall and Spring. Included are regularly scheduled luncheons featuring appropriate speakers on issues important to importer

members and a special Council meeting to discuss the ways in which relevant issues can be most effectively conveyed to Chinese officials. Program suggestions from member firms are most welcome. David Cookson of the ICD Group of New York has become a member of the Importers Steering Committee.

### Situations Wanted

- An American businessman, fluent in Chinese, and with 22 years of consumer goods marketing and sales experience, seeks an opportunity with a firm having business interests in the PRC and the Far East. Has attended Canton Trade Fairs, and is willing to travel and relocate.
  - Young woman graduate of Columbia School of Journalism with fluency in several Chinese dialects including Mandarin, seeks position with US business firm interested in doing business with China. Extensive Hong Kong experience in research, writing and translation.
- Firms interested in reviewing resumes of these individuals or meeting them should contact the National Council.*

# LOWER TARIFFS for China Traders?

Importers on the edge of despair that the Congress might not this year permit the President to extend nondiscriminatory tariff treatment to China in the near future were buoyed in early April by Senate Majority Leader Mansfield's introduction of S.3285, a bill to empower the President to make China a "most-favored" trading partner of the United States.

At this writing, the Trade Reform Act, HR 10710, passed by the House, is pending before the Senate Finance Committee. Hearings have been completed but, though some markup of a bill has occurred, consideration has been regularly interrupted by other matters requiring Finance Committee attention.

## Section 402

As cleared by the House, the bill contains, in Section 402, the restrictive Vanik Amendment which would bar the President from extending nondiscriminatory tariffs, as well as credits, to any country unless he certifies in advance that the country in question denies its citizens the right or opportunity to emigrate. The provision is intended to force policy changes in emigration and human rights policies in the Soviet Union.

The Ways and Means Committee report explains that the provision applies to any country "which in theory accords the right to emigrate, but in practice makes the exercise of that right impossible or extremely onerous."

Senator Henry Jackson (D.-Wash.) has secured the support of more than two-thirds of the Senate for an amendment, the intended effect of which is identical. It thus falls to the Senate Finance Committee to decide whether or not to report a bill which contains a provision similar to the Jackson-Vanik language.

Even without such a restriction in the Committee's bill, it is likely that such would be added in debate on the Senate floor—unless Senator Jackson and his supporters relax their objections to the unfettered power of the President to include US tariff and credit concessions in trade accords with the USSR.

Even if the Senate cleared a bill without any Jacksonian restrictions—an unlikely eventuality—the

Senate version would, in a House-Senate Conference Committee, have to be reconciled with the bill passed by the House of Representatives. This process necessarily involves compromise and thus, even if the Trade Reform Act is passed this year, the President's latitude in trade negotiation is likely to remain somewhat circumscribed.

## Excising the USSR

There is some possibility that the Senate bill would be written to apply to all nonmarket countries except the Soviet Union. This would excise the one country which is the prime object of concern to the Congress. This was a likely subject of discussion during Senator Jackson's recent trip to Peking.

Should this occur, the House in Conference could reasonably be expected to agree to the Senate version but, as sent to the White House for enactment, it would present the President with the troubling alternative of veto on the one hand or acceding to a slap at the Soviet Union on the other.

All of this would be of no interest to those interested in business with China were it not for the fact that many observers believe that tariff and credit restrictions aimed by Jackson-Vanik supporters at the Soviet Union strike with the same or similar effect at the People's Republic of China. Council President Phillips addressed this problem in his testimony on MFN before the Senate Finance Committee, and Senator Mansfield introduced his proposal soon thereafter.

## The Mansfield Proposal

On examination, the Mansfield proposal appears to raise more questions—and perhaps problems—than it would solve, however well-intended it surely is.

It is doubtful that the Mansfield proposal could be passed by the House and Senate in its present form.

For one thing, it could hardly receive the active support of the Executive Branch, which appears intent upon even-handed treatment of Peking and Moscow. The very enthusiasm with which some anti-Soviet elements are likely to respond to

Mansfield's bill, seeing in it a further means of pressuring Moscow on the emigration issue, could easily engender countervailing forces.

Treating China in a separate bill may also be perilous to the extent it singles out for consideration trade which has the potential, in the minds of some, of adverse effects on some sensitive US industries as textiles, apparel, shoes and, eventually, a wider range of manufactured consumer goods.

Protectionist opposition to trade concessions for China is always possible, and particularly as certain Chinese exports show promise in the US market. Yet China's exports have yet to cause market disruption even in those countries, such as Canada, which admit Peking's exports on a nondiscriminatory tariff basis.

The foreseeable proliferation of separate bills, with the attendant problems of separate hearings, for such other socialist countries as Romania, Hungary and Czechoslovakia is also likely to work to restrain the Senate and House Committees from taking them up. Several such measures have been introduced as the trade bill has stalled.

### Serious Deficiency

Perhaps the most serious deficiency of the Mansfield bill as introduced is that it does not contain any Congressional guidance on the matter of what the US could obtain in exchange for nondiscriminatory tariff treatment to China. Mansfield's view, by implication at least, is that passage of his bill should merely remove a discriminatory US policy for which the Chinese should not reasonably be expected to reciprocate. In Committee consideration of such a bill, of course, language could be added imposing conditions on the extension of most-favored status to China.

### Quid pro quo

In all similar measures previously introduced (but never passed) to accord most-favored-nation treatment to socialist countries, sponsors have been careful to include statutory instructions that tariff reductions should not be granted except as part of a trade agreement which includes provisions regarding, among others, arrangements for resolution of commercial disputes, protection of industrial rights and processes, trademark and copyright protection, bilateral trade promotion facilities, an exchange of assurances with respect to fair marketing practices by both sides, and an escape clause permitting withdrawal of benefits when the national interest so requires.

Inclusion of conditions of this sort involves perhaps more practical than policy concerns. The Congress as a whole is simply not likely to permit tariff reductions on Chinese products, or those of any country, socialist or not, without a *quid pro quo*.

It may be significant, too, that no Member of the House of Representatives has yet followed Mansfield's example and introduced a bill to grant China alone nondiscriminatory tariff treatment.

There have been persistent reports that no trade bill will emerge from the Congress this year. Aside from difficulties over the bill itself, both the Senate Finance and Ways and Means Committees are preoccupied with the difficult matters of economic policy and tax reform. Congressional leaders as well as the White House may in any event, as some have reported, feel that no bill is better than a bill overly laden with restrictions.

Should this occur, however, the 94th Congress which convenes in January will have to start all over again, and nondiscriminatory tariff treatment for China will be moved even further into the future. The importance of having a trade bill this year, however, and the bipartisan support for improved US-China relations which has held firm in the Congress, could work to improve the picture considerably. 完

Senator Mansfield's bill: conditions could be added in Committee . . .

93<sup>rd</sup> CONGRESS  
2<sup>d</sup> Session

## S. 3285

IN THE SENATE OF THE UNITED STATES

APRIL 2, 1974

Mr. MANSFIELD introduced the following bill; which was read twice and referred to the Committee on Finance

### A BILL

To extend most-favored-nation treatment to products of the Peoples Republic of China.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That, notwithstanding the provisions of section 231 of the
- 4 Trade Expansion Act of 1962 or of any other law, products
- 5 of the Peoples Republic of China, whether imported directly
- 6 or indirectly into the United States, shall receive nondiscrimi-
- 7 natory treatment under the tariff laws of the United States
- 8 and shall be subject to duty at the rates provided in rate
- 9 column numbered 1 of the Tariff Schedules of the United
- 10 States.

II

The Germans mount an attack  
on the British goal.



# SOCCER IN CANTON

## The Friendly China Cup Germany Rattles Britain 2-0

*Canton, April 1974—A nattily-clad German team socked the British two-to-nothing in a China Division One match at the Spring 1974 Fair. The friendly "Canton League" talked not of relegation for the UK, but of expanding soccer horizons at the next Fair. Our world sports reporter filed this colorful report from the touch line in Canton.*

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Skinned knees and elbows dripped foreign blood on Chinese soil one Sunday during the Spring Canton Fair as a team of beefy German businessmen defeated a spirited British club 2 to 0 at soccer on Canton's Provincial People's Football Ground. The match was a traditional respite from the negotiating tables for more athletically inclined Fairgoers at the twice-yearly Canton Trade Fair. Players made up in enthusiasm what they lacked in professional skill.

The event drew Chinese trade officials who joined a throng of two hundred other businessmen who howled approval and encouragement in a dozen languages. Chinese medical aides gently attended the wounds of the injured, and a musical instruments importer from New York sounded a Chinese bugle at irregular intervals during the play.

Captained by a London fur merchant, the British offered lively resistance to a furious German attack in first half action. Exhaustion set in during the second half, though German jogging around nearby



Lihua Lake in preparation for the contest paid off.

The British were too fatigued as the match ended to pose for a team photograph, though one skeptical spectator suggested Great Britain declined the picture because "there was a Dutchman, an Aussie and two Frenchmen on that British team." The Germans, who received noticeably more invitations to the Fair, did have a larger pool of contestants from which to draw.

The game was played under overcast skies with a Shanghai-made Lion brand ball which, to the satisfaction of the China National Light Industrial Products Corporation, retained its shape and bounce throughout the game. That was more than could be said for the players themselves. Half time refreshment consisted of Mandarin oranges

and famed Chinese mineral water, but large quantities of the renowned Tsingtao beer were consumed after the match.

The event began as a ragtag affair several years ago, but recently teams have appeared in uniforms which are stored in Canton between Fairs. The Germans were outfitted stylishly in blue and gold with their country's name spread in English and Chinese characters across the chest, while the British appeared in miscellaneous shorts and white jerseys adorned with the Union Jack back and front.

Competition with Chinese teams appears to have been abandoned last year after the businessmen took a walloping from a youthful team from Sun Yat-sen University. 完







### THE MATCH!

The victorious twelve-man German team (left) attacked the British team heads first (opposite, center) in the Canton match. Half-time and pre-match warm-ups took place at the players' sideline entrance (below, center left); the game itself was cheered on in a dozen languages by a crowd on stands framing the pitch (below, center right). Spot the ball! The action again in the British goal area, with the Lion brand ball booted high above the UK full back by German player (opposite, below). Amid the friendly competition, bloodshed, with Chinese medical personnel on hand to provide expert assistance (below, left). All in all, a pleasant afternoon for everyone, spectators—Chinese negotiators and players (below, right), many of whom retired after the game to discuss technical points of the match over Tsingtao beer.



# **CHINA—THE IMPOSSIBLE DREAM**

by M. E. and Audrey  
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At the invitation of the China National Academy of Agricultural and Forestry Sciences, Dr. and Mrs. M. E. Ensminger spent three weeks observing life in China, particularly the agricultural sector. Their hefty book, *China—the Impossible Dream*, full of photographs, including many in color, is a product of their observations and experiences, supplemented by information from Chinese and US Government publications.

The Ensmingers are well-qualified to write on China's agriculture, having done over forty similar studies in other countries during the past eight years. Dr. Ensminger is a distinguished expert on animal agriculture and has written ten books in this field, some of which are considered classics, such as *Swine Science*. Mrs. Ensminger has an advanced degree in nutrition and veterinary medicine and considerable practical experience in agriculture.

True to the "people-to-people" spirit in which the authors were invited, the Ensmingers write with a warmth and gentleness of style that reflects their feelings of friendship and admiration for the Chinese people. In addition to presenting one of the most comprehensive recent studies on Chinese agriculture, this book offers a splendidly integrated

description of the social, economic, cultural and political aspects of peasant life in China, written with a simplicity of style that will make enjoyable reading for the laymen and expert alike.

The Ensmingers' examination of agriculture in China is replete with international comparisons, especially relative to experience in the US, thus placing the study in an easily understood familiar perspective for the American reader. Present agricultural methods are described in a manner that illustrates a natural evolution from China's past, while dispelling a number of commonly held misconceptions, such as the idea of surplus labor.

Communes, the basic social, political and cultural unit of peasant life for 99% of China's farming population, are examined in great detail. Those features of agriculture most uniquely Chinese are highlighted, such as mixtures for animal feed, crop rotation formulas, the breed and variety of animals, the kinds of tools and vehicles employed and the importance and methods of irrigation and land reclamation. There are pages of detail about the entire range of breeds of every type of animal, from goats to pigs.

Daily peasant life—diet, wages, and housing, is poignantly

discussed. Agriculture proper is supplemented by a discussion of rural industries and their importance in providing light industrial machinery and household products for use on the farm.

## **Tachai**

The model commune, Tachai, is described to illustrate the enormity of China's problem in feeding, clothing and housing some 750 million people as well as to illustrate the capacity of Chinese farmers for hard work and arduous struggle toward the resolution of this problem while remaining cheerful, friendly and interested.

The Ensmingers emphasize that China is no ordinary developing country. Having made the awful misery and social injustices "a thing of the past," China has advanced to the point of providing its people with a varied and well-balanced diet, while simultaneously developing the industrial capacity with which to produce nuclear weapons, computers, a wide spectrum of industrial and consumer products and earth satellites.

While stressing domestic historical comparisons, the authors examine industry, medicine, education and research in some detail, giving numerous comparisons with other countries.

TABLE 4-10  
CHINA'S BREEDS OF PIGS AND THEIR CHARACTERISTICS

Breed	Origin; Where Found	Use	Size; Slaughter	Color	Head	Other Distinguishing Characteristics	Prolificacy	Comments
Changli	Found in Hopeh Province and Northeast China. The Changli breed evolved from crossing imported Berkshires on local pigs.	Meat. Fertilizer.	They reach an average weight of 275 lbs. at 12 months of age.	Black.	A short head with up-turned snout and small, erect ears.			
Changshan Pig	Chekiang Province.	Meat. Fertilizer.	Pigs reach a slaughter weight of 220 lbs. at 12 months.	Black.			Litters generally exceed 12 pigs.	
Chenhwa	Szechwan Province.	Meat. Fertilizer.		Black-and-white.	Lop-eared.			
Dawetze	Hunan Province.	Dual-purpose; pork and lard. Fertilizer.	Two sizes; medium and large. Reach a slaughter weight of 400 lbs. at 13 months of age.	Black, with white feet.	Rather long head, with lop ears.		Average 11 pigs/litter.	The medium-sized ones are more swaybacked and pot bellied than the large ones.
Fengjuichow	Fukien Province.	Meat. Fertilizer.	It reaches a slaughter weight of 165 lbs. at 7 to 8 months of age.	White, black, or black-and-white.	Generally, large and pendulous ears. But small, erect ears are encountered.			
Fungcheng	Kiangsu Province.	Bacon. Fertilizer.	Slow growth and low dressing percentage. It takes 10 months to reach 165 lbs. weight. Dress out 60 to 65% (not including head).	Black.	There are two varieties of Fungcheng pigs, which differ primarily in shape of head. One has a round head, with a short and somewhat turned up snout and deep horizontal wrinkles on the face. The other has a long head with straight snout and longitudinal wrinkles on the forehead.	Straight "razor" back; deep middle.	Very prolific — litter sizes of 13 to 14 are usual, but may be as high as 18.	The Chinese refer to it as the "rice bran pig," because it requires a ration of 50% rice bran or other concentrate, in contrast to many rations consisting of water plants alone.
Harbin White	Heitang Kiang Province, from crossing Large Whites (Yorkshires) from the U.S.S.R. and Yorkshires from Canada on native stock.	Meat. Fertilizer.	Mature animals reach a weight of approximately 385 lbs.	White.	Fairly long snout, a dished face, and prick ears.	The deficiencies of the Harbin White are the deficiencies of the Yorkshire — small hams and slow growth.	The average litter size is 9.	
Hiangcheng	The center of breeding for the Hiangcheng is Hiangcheng County, after which it is named. But it is widely scattered throughout central China.	Meat. Fertilizer.	Mature boars weigh about 220 lbs. and sows 210 lbs. Fattened animals reach a slaughter weight of 210 lbs. in 11 months and dress out 75%.		Small pendulous ears.	A sway back; sows with pendulous bellies.	The average litter size is 13.	There are two varieties of the Hiangcheng breed: (1) The smaller black variety, which are often difficult to handle, and (2) the larger black-and-white variety, which are docile.
Hwai	Kiangsu and Anhwei Provinces.	Bacon. Fertilizer.		Black.	A long head with a straight profile; large pendulous ears.	Narrow shoulders, straight or slightly hollow back.	Average litter size is 9.	
Jungchang	Szechwan.	Meat. Bristles. Fertilizer.	Usually slaughtered at 16 months of age, at which time they weigh about 330 lbs. on foot and dress out 77%.	White, with black spots mostly on the head and ears.	A short head, wrinkled forehead, and lop ears.	Prominent shoulder, straight or slightly hollow back.	The average litter size is 12.	It is reported that the Jungchang is the most important source of white bristles.
Kienli	Hupeh and Hunan Provinces.	Meat. Fertilizer.	Mature animals weigh 160 to 185 lbs.	Black-and-white.	Narrow head, with medium-sized lop ears.		Average litter size is 11.	
Kinhwa	Chekiang Province.	Dual-purpose; pork and bacon. Fertilizer.	Mature animals weigh approximately 385 lbs. At 10 months of age, they weigh about 200 lbs.	Black-and-white.	Dished face and long lop ears.		Litters of 15 to 27 are fairly common.	

(cont. on next page)

A page from the Ensmingers' book (page 69), giving details of China's breeds of hogs. The page, first of three on hogs, is one of a number of such tables on different types of domesticated animals in China in the book "China—The Impossible Dream". Reprinted by permission.

## Isolation from US

China's isolation from the US these past 25 years makes China little understood to many Americans, even today. Thus the authors devote some time to explaining the evolution of China's Communist Party and the creation of the People's Republic. The rise to power of Mao Tse-tung is briefly described to help explain Mao's position in China today.

The origins of the famous Cultural Revolution, its mode of expression and the call for continuous class struggle are also discussed.

The authors succeed in

conveying the enormity of China's problems and accomplishments and its promise to become a great world power. They conclude by predicting; "After the year 2000 A.D. history will record that ushering the new China into the 20th century was one of the great feats of world history, that 'China—the impossible dream' will have come true."

The Ensmingers' book is mainly descriptive, not critically evaluative and some readers will undoubtedly view this as a serious shortcoming. But, excepting a tendency to be repetitious, and some exaggeration ("In the big stores of Shanghai

and Peking, there are almost as many cosmetics as you will see in Paris"), this is an eminently informative and readable book that should be on the shelf of any company or library concerned with the development of China's agriculture.

In addition to providing excellent insights into contemporary life in China, the authors provide many interesting anecdotes, descriptions of Chinese culture and art, including some of their favorite recipes, and an impressive depiction of the great social transformation that is China. —GD. 完

### 1974 RMB-DOLLAR RATES

Date	RMB: \$	US¢/RMB	% Change
January 8	2.0406	49.0052	-1.01
February 5	2.0202	49.5000	+1.01
February 23	1.9940	50.1505	+1.31
February 26	2.0080	49.8008	-0.70
March 12	1.9980	50.0500	+0.50
March 21	1.9780	50.5561	+1.01
March 26	1.9582	51.0673	+1.01
March 28	1.9680	50.8130	-0.50
March 29	1.9523	51.2216	+1.01
April 4	1.9621	50.9658	-0.50
April 10	1.9719	50.7125	-0.50
April 11	1.9818	50.4592	-0.50
April 12	1.9739	50.6611	+1.00
April 18	1.9640	50.9165	+1.01
April 23	1.9503	51.2742	+1.01
April 24	1.9308	51.7920	+1.01
April 27	1.9211	52.0535	+1.01
April 30	1.9019	52.5790	+1.01
May 3	1.9114	52.3177	-0.50
May 7	1.8923	52.8457	+1.01
May 9	1.8828	53.1124	+1.02
May 14	1.8640	53.6481	+1.01
May 16	1.9013	52.5956	-2.00
May 21	1.9146	52.2302	-0.70
May 23	1.9031	52.5458	+1.01
May 29	1.9259	51.9238	-1.20
May 30	1.9413	51.5119	-0.80
June 6	1.9316	51.7706	+1.01
June 21	1.9413	51.5119	-0.05
June 25	1.9646	50.9009	-1.20
June 26	1.9548	51.1561	+1.01
July 4	1.9470	51.5084	+0.05
July 10	1.9528	51.2085	-0.02

Source: NCUSCT based on data supplied by the Chartered Bank

# HOW TO OPEN A BANK ACCOUNT IN CHINA

Opening a bank account in China has several advantages, especially if your firm has an ongoing business relationship with trading agencies in the PRC.

Some visitors to China, short of cash, have waited a week or more for funds to arrive from the US or for a personal check, written in China, to be sent out to Hong Kong for payment and remittance. At present, no credit cards other than international telegraph charge cards are accepted in China.

Until normalized Sino-US banking services are reestablished—a step which awaits settlement of the matter of US claims and frozen Chinese assets—some Americans have wondered how to simplify or speed up the transfer of funds to their representatives traveling in China or at the Canton Fair. Companies have been unaware that one such way is to maintain a deposit account in China with the Bank of China.

The principal advantages of such an account are as follows—

- it saves you carting around a bundle of foreign currencies in large amounts;
- it is a useful reserve to have available, both for your present visit and your next;
- it is more convenient to have a transfer point direct from a foreign bank to the bank in China than to bring all the money in on your person, especially if your business is in Peking;
- you can receive money in China, transferred direct to the account through instructions from you to your US bank, faster to your Chinese account than to your hotel;
- if you are scheduled to be in China over a long period, in negotiations or technical consultations, an

account is clearly useful.

The Bank of China, with offices in all major Chinese cities, will open accounts for foreigners in a process which, if anything, takes less time than opening a similar account with an American savings institution.

The accounts are strictly deposit—no interest is paid—and there are no checking accounts. They are opened immediately upon the presentation of a deposit, and completion of a specimen signature card bearing the name in which the account is opened and the names and signatures of those authorized to draw on it.

Deposits may be made directly by Americans to the branch of Bank of China through a third country bank correspondent of the BOC. To make a deposit in this way, the holder of a BOC account would instruct his US bank to arrange, via a BOC correspondent, to remit funds into the account in China directly. A receipt for each deposit is given and an account number assigned but no passbook is issued.

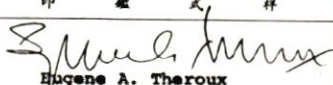
Withdrawals are made in person, by mail upon receipt by the bank of a letter bearing the account number and the authorized signature(s), or personally, by a non-signatory who presents a proper letter authorizing withdrawal. A statement of account balance may be obtained on personal or written requests at any time.

Accounts are opened and maintained in Renminbi, which upon withdrawal may be converted into any other currency at prevailing rates.

Two British banks, Hong Kong & Shanghai, and Chartered, do maintain Shanghai branches but neither accept personal accounts from foreigners. (No American appears yet to have opened a personal account at the Shanghai branch of the BOC.) Several US firms and individuals have opened deposit accounts in Peking.

The most convenient Bank of China branch for visitors to the Canton Fair is at 137 Chang Ti Road in

Application for a Chinese bank account: the procedure for opening an account with the Bank of China in Canton is a simple matter.

外711		中国银行广州分行印鑑片	
地址		电话号码	
印 鑑 式 样		使 用 说 明	
 Eugene A. Theroux National Council for U.S. - China Trade 1100 17th Street N.W. Washington, D.C. 20036 USA		启用日期 年 月 日 注销日期 年 月 日 会计 复核 经办	
科目	户名	帐号	

Kwangchow, (cable address CHUNGKUO KWANGCHOW) located one block east from the rear of the Ren Min Hotel and eight minutes by cab from the Tung Fang Hotel. An account was opened by the National Council at this branch in less than fifteen minutes.

English is spoken at the bank which, like all bank branches, is open from 9:00 a.m. to 12:00 noon

and from 2:30 p.m. to 5:00 p.m., Monday through Saturday.

The address of the Bank of China in Peking is San Li Ho, Peking, cables HOCHUNGKUO PEKING, telex CHUNGKUO PK 307. The Bank of China has branches in all principal Chinese cities, with cable addresses CHUNGKUO, followed by the name of the city. 完

## THE LEGAL COMMITTEE FORMS PANEL

The Executive Committee of the National Council visited the People's Republic of China for a two-week period in November of 1973 at the invitation of the China Council for the Promotion of International Trade (CCPIT). During the course of this visit Eugene Theroux, Vice President of the Council, and Walter Sterling Surrey, both lawyers, were able to hold several meetings, formal and informal with legal experts from the CCPIT. Among their other duties, these legal experts assist China's foreign trade corporations with legal matters.

The CCPIT, in agreeing with the National Council to send a return delegation to the United States, indicated an interest in including a legal expert or experts in this delegation. There follows a summary of the work of the Legal Committee in preparing to meet with these legal experts from the CCPIT.

### Panel of the ASIL

The National Council has arranged with the American Society of International Law (ASIL) and the Carnegie Endowment for International Peace to establish a Panel of the ASIL on the Legal Aspects of US-China Trade. The Carnegie Endowment has provided funds to the ASIL to underwrite the expenditures of the Panel.

The purpose of the Panel is to prepare for and conduct meetings with the legal experts from the CCPIT. Tentative plans call for a one-day meeting in Washington and a one-day meeting in New York with the CCPIT legal experts.

In addition to Walter Sterling Surrey and Eugene Theroux of the National Council, the Panel consists of the following persons: Professor A. Doak Barnett, The Brookings Institution; Professor Randle Edwards, Columbia University School of Law; Benjamin Fishburne of Surrey, Karasik and Morse; Charles W. Freeman, Jr., Department of State; John Lawrence Hargrove, American Society of International Law; Professor Gene T. Hsiao, Southern Illinois University; Mack G. Klosty, Society of Maritime Arbitrators, Inc.; Charles W. Maynes, Carnegie Endowment for International Peace;

Robert J. Patch, American Patent Law Association; Professor Dwight Perkins, Harvard University; William D. Rogers, American Society of International Law; Donald B. Straus, American Arbitration Association; Harvey J. Winter, Department of State; Professor Jerome A. Cohen, Harvard Law School; Professor Alexander Eckstein, University of Michigan; Maurice R. Greenberg, American International Group, Inc.; Professor Thomas M. Franck, New York University; and Professor Milton Katz, Harvard Law School.

### Papers in Preparation

During the first half of 1974 panel members have been preparing papers, which will be submitted, through the National Council, to the Chinese legal experts prior to their arrival, on a number of topics which are pertinent to the problem areas of US-China trade.

These topics include: arbitration; patents, trademarks and copyrights; insurance, including maritime insurance; language for import and export contracts; *force majeure* clauses; suggested contract topics and/or language for licensing and other forms of technology exchange contracts as well as so-called "turnkey" contracts for complete plants; the status of Chinese or American nationals or offices in the other's country; and U.S. federal and state laws affecting the import of Chinese goods.

The panel hopes to receive preliminary responses from the legal experts of CCPIT on many of these issues. These preliminary exchanges will enable more meaningful and specific discussions when the CCPIT delegation arrives.

The Council's Legal Committee, which consists of Board Members J. T. Kenneally, C. W. Robinson, and Chairman, Walter Sterling Surrey, Esq. also hopes that these meetings with the CCPIT legal experts will be the beginning of a continuing and fruitful dialogue between the legal communities of the People's Republic of China and the United States.

# PRICING AND PRICES

## at the Spring 1974 Canton Fair

*All told, some \$15 million worth of Chinese products were contracted for by US importers at the Spring 1974 Chinese Export Commodities Fair in Canton, about half the amount bought at the Fall 1973 Fair. The story below explores the present pricing situation vis-a-vis Chinese exports to the US, followed by a rundown, by FTC, of Canton prices prepared by Clark T. Randt, Jr.*

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It is not surprising that Americans—and other traders—have reported unsatisfactorily high prices at the Spring 1974 Canton Fair. Businessmen, after all, are always looking for lower prices, and buyers are rarely heard to concede for the record that prices are attractively low. Comment at the Fair did reveal, though, that most businessmen found Chinese prices have remained at or close to the unrealistic levels of the Fair a year ago. And no answer has yet been found to the problem of "discriminatory" Chinese pricing policies.

Negotiators from China's Foreign Trade Corporations can be forgiven if they first come to Canton believing that they will offend no American if they offer goods at the same price to each and every buyer. What could be more equitable?

Well, some Americans have persuaded other suppliers around the world that they are entitled to lower prices than other Americans. Importer firms—as contrasted with, say, retailers,—maintain they are entitled to pay less. Why? They argue, among other things, that they import far larger quantities, at a greater risk, than their retailing brothers. They must maintain an inventory, for they must supply a distribution system which, by the way, can introduce a Chinese product into a national consumer market.

To do this at a profit, the item a trader or importer buys in China at \$100 must be placed with a retailer at, say, \$125. The retailer, in turn, may need to sell the item at \$150 to realize a profit.

So far, no problem. But suppose the retailer himself goes to the Fair, and buys the same item at \$100? There is no "middleman" between him and the consumer, and thus he can offer that item at \$125 retail—or \$25 less than he would have had to charge if he bought from an importer. Or he can charge \$150, and thus realize a better profit than a competitor who buys from an importer. In either case, argues the importer, the effect is to put the retailer at a distinct competitive advantage.

Retailers reply that, while paying the same price that importers pay, they can offer goods to consumers at

lower prices, thereby developing a wider market for Chinese products. Moreover, to the extent they are able to put their own label on Chinese goods, their reputation and goodwill stand behind the product.

Importers and retailers alike have thus far sought in vain to obtain quantity discounts from the Chinese, though such discounts are routinely granted by most other foreign suppliers. Once again, importers believe they are entitled to a more favorable quantity discount than any accorded to retailers.

In the world outside of China, a diverse marketplace accommodates itself to these varying pressures. Some foreign manufacturers, for example, work exclusively with American importers, others only with US retailers, wholesalers, brokers or distributors. Many who deal with all of them maintain a multi-level pricing system.

### **Native Produce and Animal By-Products—Short Supplies but "bright prospects"**

Short supplies and higher prices characterized products in this category at the Spring Fair for buyers from Europe, Japan and the US. Prices of furs, leather goods, wool, pelts, animal hair, and down were reported up, typifying this discouraging trend. A buyer of weasel pelts reports the Chinese were asking a price for which he could purchase female mink pelts from alternative sources. China's wool was offered to traders at prices equivalent to those for superior quality New Zealand fleeces.

For US firms essential oils gushed upwards 100% and more from the previous fair while gusher quantities were not available. In fact, the minute volume offered for sale at the Fair prompted one US fairgoer to comment that he and his colleagues were "fighting over peanuts." In commodities in which China's market position is such that it can influence or determine the world price, as is the case for aniseed and cassia oils for which China is the world's sole source, increases were particularly stiff. One American importer reports that, in just two years, one essential oil rocketed in price from US\$2.00 per pound to US\$30.00 per pound!

Prices for bristles, the leading agricultural US import from China, held to the interim price established in early March. The March price rose slightly over the fall price, probably reflecting only the effect of a worldwide increase in shipping rates on C&F quotations.

Despite price stability, global demand for natural, particularly short black, bristles has been spurred by the oil shortage, which hindered the production of synthetic bristles, pushing the world-market price for

nylon and polyester fibers up 20%. The increase in demand for the fine quality Chinese short bristles, which are used primarily for paint brushes, resulted in shortages and, in some cases such as that for Shanghai-grade two-inchers, the entire Chinese stock was apparently sold out prior to the Fair. Since the Fair, China has increased bristle prices about 5%.

Tea offers an exemplary case of China's sensitivity to global price levels and trends. This traditional Chinese export was averaging 20% above the world tea price. By the Spring Fair, the world price had risen 20% to catch up with the price established at the Fall Fair and maintained by the Chinese.

From early indications (see p. 21, China works to Expand Exports) prospects appear bright for this category.

## **Cereals, Oils and Foodstuffs— MSG unappetizing**

The unabated inflationary trend coupled with China's persistent refusal to grant discounts to volume purchasers have resulted in diminished US interest in this potentially attractive category. The landed costs of most foodstuffs are noncompetitive for US volume retailers, even before the added headaches and expenses of higher tariff duties and insurance against rejection for failure of the produce to meet FDA standards.

In an industry marked by already thin profit margins, only importers targeting specialty gourmet and Chinese community markets find this to be a profitable area. Direct volume purchases by the food chains, dispensing with middlemen expenses, might make the purchases of some foodstuffs more feasible. But China's refusal to agree to private labels or quantity discounts have, along with unrealistic prices, discouraged the chains.

Reports from the Fair indicate that prices on these items are lower for Arab and "Third World friends." One fairgoer commented that "canned beef" was being "reserved for Arabs."

Both canned and frozen food prices were too high to attract most US purchasers, although, globally speaking, buyers from some countries were not deterred. Specific examples were: (all prices in this paragraph are C&F West Coast) RMB34.56 per 48-can case of 15 ounce cans of mackerel, RMB9.00 per 24-can case of 15 ounce cans of green beans, RMB 12.00 per 24-can of 11 ounce cans of mandarin oranges, RMB125 per 6 container-carton of 80 ounce containers of frozen unpeeled carrots or RMB156 per 144 container-carton of 3.33 ounce containers; RMB63 per case of 100 bags of 8.82 ounces each of sesame seed cookies; and RMB3,300 per ton regular sized frozen rabbits or RMB3,400 per ton of extra-large rabbits.

RMB contract prices for other commodities at the Fair were cassia, if and when available, RMB5,500 per ton; sesame seeds at RMB1,850 per metric ton and sesame seed oil for RMB2,500 per metric ton. A Japanese soybean buyer, who reportedly desired a contract at RMB480 per ton, finally bought at RMB510 per ton.

China is the world's sole producer of quality star anise seeds: Spanish and Egyptian seeds being considered inferior. This market hegemony has resulted in the \$8-\$10

per pound 1972 price bounding to a hefty \$38-\$40 this Spring in Canton.

Monosodium glutamate (MSG), ubiquitous in Chinese cooking and alleged cause of the "Chinese food syndrome" has shot from \$0.60 per pound in the Fall to a face-flushing \$2.00 per pound. This precipitous escalation may relate to the contraction of the US domestic market where MSG contracts are now being allocated. Since domestic contracts, when available, sell at \$1.00 per pound and the landed cost for MSG from another major foreign source is approximately \$1.25, plus the fact that a large US producer is increasing its output, the asking price in Canton appeared less than appetizing.

A distinction that should be noted is the varying price elasticities between these commodities when they are purchased packaged (thus preserving their Chinese identity for inelastic specialty markets) and when purchased in bulk and reduced to industrial anonymity.

## **Textiles—Prices stable**

With a depressed world market in this extremely competitive industry, prices at the Spring Fair for both cotton and silk remained at Fall levels. Generally, Chinese piecegoods are priced roughly 15% above other sources available to US users. But the quality of these items is considered excellent and, the Chinese feel, with reason, that their superior quality demands a higher price. One American trader predicts "a bright future" for this sector.

While silk remained stable at RMB68 per bale plus a 1% discount incentive, some prospective buyers were disappointed as a 20% price decline was expected, due to much reduced Japanese purchases precipitated by Japan's economic squeeze.

European interest appears to be rising, nevertheless, and the Chinese are believed to be well-stocked.

## **Metals and Minerals—only hardware in good supply**

In general, Chinese prices in this category were consistently above London market quotes. Apparently, China's drive to influence raw material prices upward is an outgrowth of her political commitment to Third World leadership, representing an attempt to keep price increases for raw materials from developing nations on a par with the steady increases in prices for manufactured products exported from wealthier countries.

China is one of the few producers of scarce antimony. In the Fall, reportedly 6,000 to 8,000 tons were sold. At the most recent Fair, however, the Chinese revealed "an extreme reluctance to sell" both antimony and tungsten. Prices for antimony were consistently 5% to 10% higher than the London price, if available at all, reducing Spring sales to a mere few hundred tons. These represented small speculative purchases and no significant long-term antimony contracts were reported.

The Chinese had correctly again anticipated the

*Continued on page 56*



# US PARTICIPANTS AT THE SPRING 1974 CANTON FAIR

## A

\*ACLI International Inc.  
110 Wall Street  
New York, N.Y. 10005  
George M. Krieger  
Susan Krieger  
Charles Liffman

Adams International  
(NAG)  
K. S. Chung

Albert Lee Company  
2242 N. Military Road  
Arlington, Va. 22207  
Albert Lee

Alvin Glickman, Inc.  
122 W. 30th Street  
New York, N.Y. 10001  
Alvin Glickman

\*Allied Chemical International  
1006 Union House  
Hong Kong  
William Irik  
Reginald J. Parsons

Allied Stores Marketing Corp.  
401 5th Avenue  
New York, N.Y. 10016  
Joachim W. Herbert  
Leonard S. Smith

†American Heritage Publishing Co.  
1221 Avenue of the Americas  
New York, N.Y. 10020  
Paul Gottlieb

American Hospital Supply Corp.  
1740 Ridge Avenue  
Evanston, Ill. 60240  
Karl D. Bays  
Neal Ball

American Importers Assn.  
420 Lexington Avenue  
New York, N.Y. 10017  
Simon Katz  
Gerald O'Brien  
Charles Rostov

Amicale Industries, Inc.  
1040 Avenue of the Americas  
New York, N.Y. 10018  
Emanuel Mandelkern

Amalgamated Metal  
New York, N.Y.  
F. Roberg

Arnart Imports, Inc.  
212 5th Avenue  
New York, N.Y. 10010  
Arthur Tamchin  
Mrs. Tamchin

Associated Dry Goods Corp.  
415 Fifth Avenue  
New York, N.Y. 10016  
Thelma McMahon  
Bernice Heller

Associated Merchandising Corp.  
1440 Broadway  
New York, N.Y. 10018  
Dora Herbst

\*Associated Metals & Minerals Corp.  
733 Third Avenue  
New York, N.Y. 10017  
Walter J. Simon

Asbury Graphite Mills, Inc.  
Asbury, N.J. 08802  
W. K. Szeto

Atalanta Corp.  
17 Varick St.  
New York, N.Y. 10013  
George Gellert  
Barbara Gellert

Atlas Enterprises Inc.  
P. O. Box 10098  
Fort Worth, Texas 76114  
Roy Trout, Jr.

## B

\*Baker Trading Company  
P. O. Box 3048  
Houston, Texas 77001  
J. Ray Pace  
Paul J. S. Rohm

\*Bank of America  
Bank of America Center  
San Francisco, Calif. 94137  
David Yu-Lin Chu

†Beckman Instruments, Inc.  
2500 Harbor Boulevard  
Fullerton, Calif. 92634  
Andrew Sherwood

S. Berger Import & Manufacturing Co.  
3 E. 28th Street  
New York, N.Y. 10016  
Sanford Garland  
Constance Garland

James Betesh Import Co.  
1214 Broadway at 30th Street  
New York, N.Y. 10001  
Joseph Betesh

\*Boeing Commercial Airplane Co.  
P. O. Box 3707  
Seattle, Washington 98124  
Edward M. Raymond and  
airplane crew of four.

Bohea Company, Inc.  
400 Union Avenue  
Brooklyn, N.Y. 11211  
L. Fong

Bloomington  
Lexington at 59th Street  
New York, N.Y. 10022  
George I. Schwartz

N. Erlanger Blumgart & Co., Inc.  
119 W. 40th Street  
New York, N.Y. 10018  
Girard Iason  
Nathan B. Lang  
George C. F. Chan

## C

C.A.C. of New York, Inc.  
One World Trade Center  
Suite 1947  
New York, N.Y. 10048  
Edward T. F. Lee

\*Cameron Iron Works, Pty., Ltd.  
No. 2 Gul Circle  
Locked BA6 Service No. 3  
Jurong Town Post Office  
Singapore 22  
A. R. Laugier

Campus Sweater & Sportswear Co.  
3955 Euclid Avenue  
Cleveland, Ohio 44115  
Dorothy Evers  
Stanley Jacobson

\*Cargill-Tradax Group  
Fuji Building  
No. 2-3, 3 Chrome  
Marunouchi  
Chiyoda-Ku, Tokyo  
Jake Mermagen  
Jerry Lang

Celanese Corp.  
(Amcel Co., Inc.-Pan-Amcel Co.)  
550 Broad Street  
Newark, N.J. 07102  
Lars O. Philipson

\*†China Consultants International, Inc.  
3286 M Street N.W.  
Washington, DC 20007  
William Donnett  
Steven Chou  
C. S. Cheung

\* National Council member firm

† Attended on another firm's invitation

China Industrial Equipment Co., Inc.  
510 Madison Avenue  
New York, N.Y. 10022  
Serge Voros  
Mrs. Voros  
Nan Yeh

\*China Native Products, Inc.  
Mandarin Plaza  
970 N. Broadway  
Los Angeles, Calif. 90012  
Stephen Chou

China Products, Inc.  
724 Keeaukmoku Street  
Honolulu, Hawaii 96814  
Koji Ariyoshi

China Products Northwest Inc.  
2200 Seattle Tower  
Seattle, Washington 98101  
Ronald Phipps  
John Mason

China Trade Association  
1310 19th Street N.W.  
Washington, DC 20036  
Martin F. Klingenberg

\*China Trade Business Associates, Inc.  
465 California Street,  
Room 832  
San Francisco, California 94104  
Daniel Tretiak  
Lois Tretiak

\*China Trade Corporation  
909 Third Avenue  
New York, N.Y. 10022  
Charles Abrams  
Nicole Abrams  
David Blank

\*Chromalloy American Corp.  
6516 Page Blvd.  
St. Louis, Missouri 63133  
William J. Donnelly  
Angelo Pezzani

Cincinnati Milacron  
(Cincinnati Milacron [SE Asia]  
pte., Ltd.)  
Eida Bldg., Taman Jurong  
Corporation Road  
Singapore 22  
Curtis H. Altbaiar  
Donald G. Shively  
James L. Vinson

Clipper Industries, Inc.  
1150 Broadway  
New York, N.Y. 10001  
Bob Eisenberg

\*Coca-Cola Asia  
810-815 Connaught Center  
Hong Kong  
Jose F. Suarez  
Mr. Hoppers  
Mr. Minamoto

Cone Mills Marketing Co.  
1440 Broadway  
New York, N.Y. 10018  
Leonard P. Kaminsky

\*Continental Can Co.  
1350 W. 76th Street  
Chicago, Illinois 60620  
Alan A. Barker

Continental Crafts Co.  
145 Portland Street  
Cambridge, Mass. 02139  
Omar S. Khudari

\*Continental Grain Co.  
2 Broadway  
New York, N.Y. 10004  
Leonard Kuhl  
J. Ronald MacInnes  
Gilbert K. K. Lam

\*Cook Industries  
2185 Democrat Road  
Memphis, Tennessee 38116  
Edward Cook

Corin International, Ltd.  
11 W. 42nd Street, Suite 642  
New York, N.Y. 10036  
Ron Reuben

## D

\*Dan River International Corp.  
111 W. 40th Street  
New York, N.Y. 10018  
Jack Weisfeld  
John Russell

Da Sing Corp.  
510 Madison Avenue  
New York, N.Y. 10022  
Marshall R. Kaplan  
Valentin Yeh Nan

Dayton Hudson Corp.  
777 Nicollet Mall  
Minneapolis, Minnesota 55402  
George H. Tesar

Desco Shoe Corporation  
16 E. 34th Street  
New York, N.Y. 10016  
Robert C. Lipson

Djawa Pacific Enterprises Company  
14 Otis Street  
San Francisco, Calif. 94103  
Pak Wing Tam  
Dick T. S. Yau

Douglas West Associates Inc.  
73-925 Highway 111  
Palm Desert, Calif. 92260  
David Douglas

Dow Chemical Pacific, Ltd.  
Midland, Michigan 48640  
Robert Lundeen  
Thomas J. Scott  
Ralph W. Bocker

\*Dragon Lady Traders, Inc.  
1185 Park Avenue  
New York, N.Y. 10028  
Veronica Yhap

S. P. Dunham & Company  
State & Broad Streets  
Trenton, N.J. 08608  
Charles Levy  
Mrs. Levy

## E

\*East Asiatic Company  
110 Washington Street  
New York, N.Y. 10005  
Georg Hansen

Engelhard Minerals & Chemicals Corp.  
(Philip Bros. [Canada] Ltd.)  
299 Park Avenue  
New York, N.Y. 10017  
N. Kalichman

\*Esmark, Inc.  
115 W. Jackson Boulevard  
Chicago, Illinois 10604  
Edward F. Swift  
John W. Nordstrom

## F

Far East Bazaar  
P. O. Box 15113  
Seattle, Washington 98115  
George Meeker

Floline-Cobid, Ltd.  
Liu Chong Hing Bank  
24 Des Voeux Road  
Hong Kong  
Stephen Florea  
Alice Florea

Frederick Wholesale Corp.  
11 W. 42nd Street  
New York, N.Y. 10036  
Stanley Z. Harris

Friendship International  
52 Sobin Park  
Boston, Massachusetts 02210  
Lee F. Sobin

## G

\*General Foods Corp.  
250 North Street  
White Plains, N.Y. 10625  
Ralph L. Cobb  
W. J. Manns  
John R. Torrens

General Resources, Ltd.  
1503 Wing On Central Bldg.  
26 Des Voeux Road, Central  
Hong Kong  
John Shoemaker  
P. C. Lee

George Uhe Co., Inc.  
76th Ninth Avenue  
New York, N.Y. 10011  
Karl Poehlman

\*The Otto Gerdau Co.  
82 Wall Street  
New York, N.Y. 10005  
Paul Goodman

Gerli & Company  
155 E. 44th Street  
New York, N.Y. 10017  
W. Rhys Cooper

Gillette Company  
(Gillette of Canada, Ltd.)  
Prudential Tower Bldg.  
Boston, Massachusetts 02199  
*M. Dayal*

\*W. R. Grace  
Grace Plaza  
114 Avenue of the Americas  
New York, N.Y. 10036  
*J. Rimmer*

Grand Basket Co., Inc.  
42-29 Metropolitan Avenue  
Brooklyn, N.Y. 11237  
*Arthur L. Kenn*

\*Gulf & Eastern Trading Company  
2128 First Street  
Fort Myers, Florida 33901  
*E. Tohari*

\*Gulf Oil Corporation  
(Gulf Oil Company-Asia)  
Gulf Building  
Pittsburgh, Pennsylvania 15219  
*Frank C. Y. Chen*

Gumps  
250 Post Street  
San Francisco, Calif. 94108  
*Chris Stritzinger*  
*John C. Chung*

## H

H. M. Trading Company  
522 Varum Street, N.W.  
Washington, D.C. 20011  
*Lee Yun-mei*

Joseph N. Hatem, Ltd.  
1010 Roanoke Avenue  
Roanoke Rapids, N.C. 27870  
*Joseph N. Hatem*

\*Hercules, Inc.  
910 Market Street  
Wilmington, Del. 19899  
*Walter Cleaver*  
*David Hollingsworth*  
*George Taylor*

Holiday Imports, Inc.  
982 Folsom Street  
San Francisco, Calif. 94107  
*William L. Snider*

\*Hoose China Trade Services, Inc.  
129 N. Rockingham Avenue  
Los Angeles, Calif. 90049  
*Harned Pettus Hoose*

Huntington & Rice Company  
1101 San Antonio Road  
Mountain View, Calif. 94040  
*Hobart Johnson*

Hurricane International  
575 Mission Street  
San Francisco, Calif. 94105  
*Fred Schlesinger*  
*Robin Cooke*  
*S. W. Yuen*

I  
\*ICD Group, Inc.  
641 Lexington Avenue  
New York, N.Y. 10002  
*David Cookson*

\*IDC Marketing, Inc.  
2 W. 59th Street  
Plaza Hotel  
New York, N.Y. 10019  
*Paul W. Speltz*  
*Donald Altman*

Ideal Musical Merchandise Company  
149 5th Avenue  
New York, N.Y. 10010  
*Jack Loeb*  
*Kate Loeb*

Imperial Toy Corp.  
670 Imperial Street  
Los Angeles, Calif. 90021  
*Fred Kort*

Intercontinental Mercantile Corp.  
453 Coleman Building  
P. O. Box 3424  
Seattle, Washington 98114  
*Jackson Tse*

\*International Corporation of America  
828 Connecticut Ave., N.W.  
Washington, D.C. 20036  
*C. J. Wang*

International Manufacturing  
and Sales Co., Inc.,  
5353 N. Lincoln Avenue  
Chicago, Illinois 60625  
*Dan M. Andre*

Intsel Corp.  
(Pechiney Group)  
825 Madison Avenue  
New York, N.Y. 10022  
*Victor Desso*

## J

\*J. C. Penney Company  
1301 Avenue of the Americas  
New York, N.Y. 10019  
*Robert Boulogne*  
*Arthur B. Cummings*  
*William E. Meiter*  
*George T. Woodring*

Jordan Marsh Company  
500 Comdr. Shea Blvd.  
Boston, Massachusetts 02171  
*E. L. Stone*  
*Ken Proctor*

## K

\*Kaiser Trading Company  
300 Lakeside Drive  
Oakland, Calif. 94604  
*Marvin L. Lee*  
*James E. Stewart*

\*M. W. Kellogg Company  
3 Greenway Plaza East  
Houston, Texas 77046  
*Gideon LaPushin*

Klitzner Industries, Inc.  
44 Warren Street  
Providence, R. I. 02901  
*Robert A. Klitzner*  
*Lillian Klitzner*

\*Alfred Klugmann International Corp.  
43 W. 16th Street  
New York, N.Y. 10011  
*Julius Klugmann*

\*Koch International Trading Co.  
892 Wayne Industrial Park  
Route 9  
Wellesley Hills, Massachusetts 02181  
*Herbert G. Roskind, Jr.*  
*Lara Roskind*

\*Kodak (Far East), Ltd.  
Watson's Estate, Blk. C  
Causeway Bay  
Hong Kong  
*Clement Chan*  
*Henry Li*  
*T. C. Proper plus three from Kodak,*  
*Rochester, N.Y.*

A. A. Kretzman, Inc.  
Kretzman Building  
32-38 Pearl Street  
New York, N.Y. 10004  
*I. E. Abrams*

## L

A. L. Liebman & Sons, Inc.  
2046 McDonald Avenue  
Brooklyn, New York  
*Herbert Liebman*  
*Mrs. Liebman*

L. W. Loyd Co., Inc.  
P. O. Box 190  
South Pittsburgh, Tenn. 37380  
*L. W. Loyd*

\*Lubman & Company  
2915 Avalon Court  
Berkeley, Calif. 94705  
*Stanley Lubman*  
*Judith Lubman*

## M

Malia International, Ltd.  
220 Kamehameha Highway  
Honolulu, Hawaii 96819  
*William G. Foster*

\*J. Manaster Company  
1235 W. George Street  
Chicago, Illinois 60657  
*Joe Manaster*  
*Herman A. Jacobson*

Manhattan Feather & Down Co.  
121 Percheron Lane  
Roslyn Heights, N.Y. 11577  
*Viktor Glaser*

May Department Stores Co.  
Sixth & Olive Streets  
St. Louis, Missouri 63101  
*Stanley J. Goodman*  
*Mrs. Goodman*  
*Lolly Chan*

May Merchandising Corp.  
50 W. 44th Street  
New York, N.Y. 10036  
*Leopold Abraham*  
*Fran Chargar*  
*Mary Crystal*  
*Barbara Klein*  
*George Walsh*

†Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
One Liberty Plaza  
165 Broadway  
New York, N.Y. 10006  
*Eugene M. Grummer*  
*Po-Wen Huang*

\*Miles Laboratories, Inc.  
(Ames Company Division)  
Elkhart, Indiana 46514  
*Alfred H. Free*

Mill Valley Trading Co.  
12 Shell Road  
Mill Valley, Calif. 94941  
*Robert Plath*  
*Herb Newman*  
*Susie Wong*

\*Monsanto Far East, Ltd.  
Management House  
26 Canal Road West  
Hong Kong  
*Keith A. Hoy*  
*George Chew*  
*Robert Wheatly*  
*Kenneth Lamb*  
*John H. Tung*

Morey Machinery, Inc.  
221 Cottage Street  
Middletown, N.Y. 10940  
*Jonathan M. Morey*

Muller & Phipps International Corp.  
1 Park Avenue  
New York, N.Y. 10017  
*James L. Laidlaw*

Mutual Buying Syndicate, Inc.  
11 W. 42nd Street  
New York, N.Y. 10036  
*Charles Levy*  
*Mrs. Levy*

## N

National Council for  
U.S.-China Trade  
1100 17th Street, N.W.  
Washington, D.C. 20036  
*Eugene Theroux*  
*George Driscoll*

New Systems, Inc.  
6 E. Springfield Street  
Boston, Massachusetts 02139  
*Han Wong-ho*

New York Merchandise Co.  
32 W. 23rd Street  
New York, N.Y. 10010  
*Simon Katz plus three others*

Niedermeyer-Martin Co.  
1727 N.E. 11th Avenue  
Portland, Oregon 97212  
*Linus J. Niedermeyer*

NAITCO  
1441 Broadway  
New York, N.Y. 10018  
*Ed Sedran*

## O

Olivier (U.S.), Inc.  
400-2 Totten Pond Road  
Waltham, Massachusetts 02154  
*Dana I. Robinson*

\*Outboard Marine Corp.  
(Outboard Marine Intl.)  
100 Sea Horse Drive  
Waukegan, Illinois 60085  
*Greg Shea*  
*David M. Everard*

## P

Pacific Trading & Agency Co. Ltd.  
701 Canton House, 7/F  
Hong Kong  
*Dennis D. Chaltrou*

Pacstar Enterprises  
6 N. Michigan Avenue  
Chicago, Ill. 60602  
*Dan Andre*

Petroleum Consultant  
23rd Floor Robina House  
Singapore  
*Clyde K. Parker*

Peking Art Rug Co.  
78/81 Austin Road  
Kowloon, Hong Kong  
*Rita T. Lou*

Peking Imports & Manufactures  
1115 Broadway  
New York, N.Y. 10010  
*Thomas C. Farugia*

\*†Pennzoil Company  
900 Southwest Tower  
Houston, Texas 77002  
*Herbert G. Officer*

\*Pfizer  
1 Stubbs Road  
Hong Kong  
*Laurence I. Higgs*  
*Barry MacTaggart*  
*Robert Neimeth*

\*Phillip Morris International  
100 Park Avenue  
New York, N.Y. 10017  
*Alain D. Golay*  
*J. Van Harn*

Philstone Nail Corp.  
59 Pine Street  
Canton, Massachusetts 02021  
*Phillip D. Stone*

Proctor-Schwartz, Inc.  
7th Street & Tabor Road  
Philadelphia, Pennsylvania 19120  
*T. H. Cook*

Providence Import Co., Inc.  
295 5th Avenue  
New York, N.Y. 10016  
*David J. Diamond*

## R

Rainbow Trading Co., Inc.  
5-25 48th Avenue  
Long Island City, N.Y. 11101  
*Stewart Gilbert*

H. Reisman Corp.  
377 Crane Street  
Orange, N.J. 07050  
*William J. McFarland*

Albert Rose Chemicals  
(NAG)  
*R. F. Eisenbeiss*

Rugby Rugs, Inc.  
919 Third Avenue  
New York, N.Y. 10022  
*Herbert S. Rosenfeld*

## S

Schering Corporation  
(Essex Asia, Ltd. Div.)  
Realty Building  
G.P.O. Box 16624  
Hong Kong  
*George M. Chalmers*

\*Schott International, Inc.  
1340 E. Archwood Avenue  
Akron, Ohio 44306  
*L. R. Schott*  
*R. M. Headley*

\*†Schroder International  
One State Street  
New York, N.Y. 10015  
*Kenneth P. Morse*  
*Joan Morse*

E. L. Scott & Co., Inc.  
One World Trade Center  
Suite 2347  
New York, N.Y. 10048  
*E. L. Scott, Jr.*

Seabrook Foods, Inc.  
175 Great Neck Road  
Great Neck, N.Y. 11021  
*Murray P. Berger*  
*Mrs. Berger*

Sears, Roebuck & Co.  
Sears Tower  
Chicago, Illinois 60684  
*E. Kaufman*  
*R. Week*

Servco Pacific Inc.  
91 S. King Street  
Honolulu, Hawaii 96813  
*George J. Fukunaga*

S. Shamash & Sons, Inc.  
42 W. 39th Street  
New York, N.Y. 10018  
*Jack Shamash*

\*Singer  
2002 Melbourne Plaza  
Queens Road  
Hong Kong  
*Mahlon R. Saibel*

\*Sobin Chemicals, Inc.  
Sobin Park  
Boston, Massachusetts 02210  
*Julian Sobin*  
*Keith S. Wood*  
*Hans G. Schneider*

Spiegel, Inc.  
Star House  
Hong Kong  
*Robert H. Hirshberg*  
*Susan G. Hirshberg*

Spinnerin Yarn Co., Inc.  
230 5th Avenue  
New York, N.Y. 10001  
*Jean-Paul Eschmann*

\*Standard Oil of California  
(Orobis Australia)  
Alderson Building  
508 Pacific Highway  
St. Leonards N.S.W. 2065  
Australia  
*Peter R. King*  
*T. M. Redmond*

Levi Strauss (Far East)  
Tung Ying Bldg., Room 70  
100 Nathan Road  
Kowloon, Hong Kong  
*Jack Street*

The John Swenson Granite Co., Inc.  
Concord, N.H. 03301  
*J. Malcolm Swenson*

## T

Teledyne International Marketing  
1901 Ave of the Stars  
Los Angeles, Calif. 90067  
*William H. Strong*

Textron, Inc.  
40 Westminster Street  
Providence, R.I. 02903  
*Yupin Lee Mar*  
*Raymond J. Artabasy*  
*Joseph A. Lavoie*

\*Toscany Imports, Ltd.  
245 5th Avenue  
New York, N.Y. 10016  
*Harold Potchtar*

Trade World  
Chapel Bridge Park  
70 Bridge Street  
Newton, Massachusetts 02158  
*Francis J. Callahan*

Trans-Ocean Import Co.  
919 3rd Avenue  
New York, N.Y. 10022  
*Charles Rostov*  
*Dorothy Rostov*

Tung Kung Trading Co., Inc.  
268 Water Street  
New York, N.Y. 10038  
*Tommy Lee*

## U

\*Union Carbide Asia, Ltd.  
Ka Cheong Bldg.  
2-4 Sunning Road  
Causeway Bay, Hong Kong  
*John F. Goudy*  
*J. R. Wheatly*  
*Kenneth E. Lamb*  
*J. N. A. Barnes*

Uniroyal Chemical  
Cathay Building  
Room 802  
Singapore 9  
*James F. O'Hearn*  
*E. C. Noonan*

United China & Glass Co.  
4500 Tchoupitoulas Street  
New Orleans, La. 70115  
*Ashton J. Ryan*  
*Barry M. Kadison*

United Food, Inc.  
1727 Republican Street  
Honolulu, Hawaii 96819  
*Thomas K. Wong*

United Shoe Corp.  
(Sopomo, France)  
1658 Herald Avenue  
Cincinnati, Ohio 45207  
*Mr. Moeller*

\*U.S.-China Trade Corp.  
2 Penn Plaza  
New York, N.Y. 10001  
*Robert Bloom*  
*Victor De Loya*  
*Sebastian Nohl*

U.S. Department of State  
Washington, D.C.  
*Philip T. Lincoln, Jr.*

U.S. Liaison Office  
Peking  
People's Republic of China  
*Herbert Horowitz*  
*William F. Rope*  
*Priscilla Rope*  
*Kathy Rope*

## V

Vandor Imports  
690 4th Street  
San Francisco, Calif. 94107  
*Ted Van Doorn*

Von Scheven, Inc.  
210 California Street  
Room 302  
San Francisco, Calif. 94111  
*Fred Von Scheven*

## W

N. Wagman & Co., Inc.  
4920 N. 20th Street  
Philadelphia, Pa. 19144  
*Howard Wagman*

Western Grain Exchange  
200 Southwest Market  
Portland, Oregon 97201  
*Stanley Sparks*

Wilson Sporting Goods Co.  
2233 West Street  
River Grove, Illinois 60171  
*James R. Garts*

Wonder Enterprise Company  
B1, 9th Floor  
96 Pokfulam Road  
Hong Kong  
*Joseph K. Fang*

Wooster Brush Company  
604 Madison Avenue  
Wooster, Ohio 44691  
*Henry C. Lee*  
*Mrs. Lee*

## Y

Yaring's  
Austin, Texas  
*Leon A. Schmidt*  
*Mrs. Schmidt*

\*E. Yuen, Ltd.  
230 5th Avenue  
New York, N.Y. 10001  
*Robert Belsky*  
*Mrs. Belsky*  
*David Muster*  
*Mrs. Muster*  
*Jerry Myerwitz*

## Z

Zale Corporation  
3000 Diamond Park Drive  
Dallas, Texas 75247  
*William Zale*  
*David Zale*

Samuel Zeitlin & Sons  
D & Ontario Streets  
Philadelphia, Pa. 19134  
*Gary Zeitlin*



Henry A. Kissinger and  
Christopher H. Phillips

# HENRY KISSINGER KEYNOTES COUNCIL'S FIRST ANNUAL MEETING

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Nearly two hundred representatives of Council member firms, small and large, had the chance to meet each other, discuss significant developments, and look back on three years of Sino-U.S. trade—officially begun June 10, 1971—at the Council's first annual meeting, June 3, 1974, in the historic Mayflower Hotel, Washington, D.C.

The present and the future were also order of the day: Christopher H. Phillips, President of the Council, reported to members that, less than three years after it began, US trade with China was outstripping trade with the Soviet Union and will probably reach over one billion dollars in 1974.

## Climax of the Day

Climax of the day was an address by the Honorable Henry A. Kissinger, Secretary of State, to a packed audience in the State Room of the hotel.

In remarks delivered at a reception concluding the meeting, Secretary Kissinger reaffirmed the administration's continuing commitment to the improvement of Sino-American relations: "The normalization of relations with the People's Republic of China is a permanent and essential element in our foreign policy."

Underscoring the Secretary's statement was the presence of His Excellency Huang Chen, Chief of the Liaison Office of the People's Republic of China, and other senior members of the Chinese Liaison Office, at the evening banquet which was cosponsored with the National Committee on US-China Relations and the Committee for Scholarly Communication with the PRC.

## Congratulatory Telegrams and Letters

Highlighting the annual meeting was the reading of congratulatory telegrams and letters received by the Council from the CCPIT and prominent members of Congress.

In addition to a long congratulatory cable from Wang Yao-ting, President of the CCPIT communications were received from Senate Majority Leader Mike Mansfield, Senate Minority Leader Hugh Scott, Senator Edward M. Kennedy, Senator Hubert H. Humphrey, House Majority Leader Thomas P. O'Neill, Jr., and House Minority Leader John J. Rhodes.

## Chinese Guests

At the Council's luncheon were four Chinese guests including Deputy Chief of the Liaison Office, Mr. Han Hsu, and three members of the Commercial Section of the Liaison Office, Messrs. Chang Chien-hua, Huang Wen-Chun and Tung Chih-kuang.

## New Board Members

The all-day meeting saw the election of a Board of Directors, including three new members. Selected to serve one-year terms were Rawleigh Warner, Jr., Chairman of Mobil Oil Corp., William B. Graham, Chairman and Chief Executive Officer of Baxter Laboratories and A. W. Clausen, President and Chief Executive Officer of the Bank of America. G. A. Costanzo, Vice Chairman of the First National City Bank, replaced Richard W. Wheeler as the Bank's representative on the Council Board.

Christopher H. Phillips, President and Executive Director of the National Council, reviewed the Council's accomplishments during the first year of its existence. In the absence of full diplomatic relations between our two countries, he noted, the National Council is "the principal commercial link with the most populous nation on the globe."

Phillips described the services begun by the Council for members, including marketing consultations with Council staff, publication of a bi-monthly magazine and periodic Special Reports, the formation of a special committee to assist importer members, the development of one of the most comprehensive libraries in the country devoted entirely to China trade, the establishment of a translation division and the sponsorship of conferences on trade with China.

## Council's Relationship with Chinese

Phillips traced the growth of the Council's relationship with the Chinese Liaison Office in Washington, the China Council for the Promotion of International Trade (CCPIT), and the State Trading Corporations in Peking.

Noting the close cooperation that has existed between the Council and the Liaison Office for the past year, and the visit of a Council delegation to Peking at the invitation of the CCPIT last fall, Phillips characterized the National Council's overall relationship with Chinese officials and agencies having

responsibility for trade and business as "an excellent working partnership."

At the same time he described the close cooperation that has developed between the Council and the US Government, particularly the China Division, Bureau of East-West Trade and the Bureau of Export Control in the Department of Commerce, the Office of the People's Republic of China and Mongolian Affairs in the Department of State, and the Foreign Agricultural Service in the Department of Agriculture. President Phillips remarked on his testimony before the Senate Finance Committee on the Trade Reform Act and the close contact the Council has maintained with Democratic and Republican leaders both in the House and in the Senate.

## Four Goals

President Phillips announced four goals that the Council will attempt to meet in the coming year, namely to increase the quality and range of practical services to member firms; realize a program of hosting Chinese trade visits and organizing reciprocal American visits to China; bring closer to reality American trade exhibits in China and Chinese exhibits in the United States; and continue to build with the Chinese a climate fostering the expansion of trade and friendship between the two countries.

## A Contemporary Perspective

Following the President's report, John K. Fairbank, Harvard's eminent Sinologist and Charles W. Freeman, Jr., of the Office of the People's Republic

Eight Senior Chinese Officials headed by His Excellency Huang Chen, attended the evening banquet.



## REMARKS BY THE HONORABLE HENRY A. KISSINGER SECRETARY OF STATE

At a reception hosted by National Council for US-China Trade, National Committee on US-China Relations, and Committee on Scholarly Communication with the PRC, at the Mayflower Hotel, Washington, DC June 3, 1974

Mr. Blumenthal, Mr. Burnham, Dr. Brown, Ambassador Huang, members and friends of the Committees and the Council:

As your three organizations meet to review the past and assess the future of your work in constructing new channels of communications between the United States and the People's Republic of China, I am struck by the fact that this relationship, new as it is, already has a history. Indeed, this Hotel is now itself a part of that history, having housed the distinguished Ambassador from the People's Republic of China for nearly a year.

The success of your work is demonstrated by how strangely difficult it is now to recall or to account for the days of pre-history when our two countries were so unproductively estranged. I am delighted to see Ambassador Huang Chen and many others of our Chinese friends here this evening, thus underlining our mutual desire for improved relations.

It is this common desire that brings me here this evening. This Administration has a firm commitment to the constant improvement of relations with the People's Republic of China. Despite periodic accounts of supposed ups and downs in our bilateral relations, there should be no doubt in anyone's mind that, from the United States' point of view, we remain firmly on course. The normalization of relations with the People's Republic of China is a permanent and essential element in our foreign policy.

A primary task in the second term of any Administration is to leave an ongoing legacy to its successors. That is our purpose with respect to our relations with the People's Republic of China.

The United States has, and will continue to have, an interest in a peaceful, strong and independent China; and no policy of this Administration has had greater bipartisan support than the normalization of relations with the People's Republic. In the time since the Shanghai Communique, your organizations and the counterpart organizations in China have begun to forge links between the two societies that inevitably must influence the character and the prospects of the overall relationship between the United States and the People's Republic of China.

You know, as well as any, that the essential differences between the social systems and foreign policies of our two countries complicate the job of developing communications. You know that it would be unreasonable to expect a smooth and unchecked progression.

Communication at its best, as Samuel Butler said, is like a painting, a compromise with impossibilities. But the painting is taking shape. As a result of the commercial, scholarly, artistic and athletic exchanges conducted by your three organizations, some of our country's most talented and most influential men and women have achieved a far greater understanding of the people of China and their goals. Through this process of understanding, immeasurable strength has been added to the fundamental tenet of our policy: that the normalization of relations with China must continue, and that the American interest in closer ties with the People's Republic is firm.

You have our thanks and our continuing support. With you, we will go on seeking practical steps to promote trade and scholarly and cultural exchange on the basis of equality and mutual benefit.

With you and our Chinese friends, we will make the Shanghai Communique a document of truly historic importance.

Thank you very much.

of China and Mongolian Affairs at the Department of State, spoke to the meeting, and offered a retrospective and contemporary framework for viewing Sino-American relations.

Professor Fairbank traced some of the events in modern Chinese history which have helped to determine the way Chinese view the world. With this in mind, he noted that, along with the increase in trade, it was necessary to avoid the dangers of a "one China, one Taiwan" policy, which could have unhappy consequences for the progressive

development of Sino-American relations.

Mr. Freeman, who traveled to China with President Nixon in February 1972 as principal American interpreter, and later to Peking as an advisor to the staff of the US Liaison Office, minimized reports that current political debate within China have had any discernable effect upon China's trading patterns with the rest of the world, including the US. He said that trade expansion is in no way inconsistent with China's oft-stated principal of economic self-reliance.



A panel of three businessmen who have done business in China then shared their experiences with the member representatives present. Harvey Plonsker, Manager of Corporate Planning for Universal Oil Products, described the intense preparation that preceded UOP's visit to Peking in May and June of 1973. He recommended that business seeking involvement in the China Trade seriously assess all the preparatory steps necessary before approaching the Chinese.

### **A New Relationship—Acceptance**

Dr. Harned Hoose, Chief Executive Officer of Hoose China Trade Services, who has traveled to China many times during the past four years, stated that US traders in China are now beginning to receive the same kind of treatment from their Chinese counterparts as longer-established European and Japanese China traders. Hoose said that while some

have viewed this as the end of the honeymoon between US businessmen and the Chinese, a more realistic assessment would define the new relationship as one of acceptance.

Finally, Sherman Kemmer, the General Manager of Standard Oil of Ohio's Patent and License Division, gave a graphic and enlightening account of his company's successful effort to sell the Chinese technology in conjunction with China's purchase of a turnkey petrochemical plant from Asahi Chemical of Japan.

### **Ending with a Toast**

The meeting ended with a banquet at which D. C. Burnham, Chairman of the National Council, echoed Secretary Kissinger's words, toasting the continued development of US trade, cultural, and scholarly relations with China in the presence of Ambassador Huang Chen. 完

## **CONGRATULATORY MESSAGES TO THE COUNCIL'S ANNUAL MEETING**

### **Wang Yao-ting, President, CCPIT**

"On the occasion of the anniversary of founding your Council, my colleagues and I wish to extend our congratulations, welcome your efforts to promote Sino-US trade relations during the past year, and thank you for preparatory work you have done for the return visit to the US by the CCPIT."

### **Mike Mansfield, Majority Leader, US Senate**

"In the absence of formal diplomatic relations with the People's Republic of China, trade is providing a most important means of communication and interaction with the Chinese people. In this regard, I feel the Council has done a most effective job."

### **Hugh Scott, Minority Leader, US Senate**

"... I have been delighted at the growing role which the National Council has played in promoting our countries' mutual interests as expressed in the Shanghai Communique. In appreciation for the importance of trade in our current relations with China, I take this opportunity to offer you and your member firms my full support for past activities and wish you continued success for future efforts."

### **Edward M. Kennedy, US Senate**

"My congratulations to the Council on the occasion of its first membership meeting. . . . I wish you every best wish in your effort to foster an atmosphere of increased understanding and trust between our two peoples."

### **Hubert H. Humphrey, US Senate**

"On the occasion of the National Council's first annual membership meeting, I wish to congratulate you and the members of the Council on an outstanding job during the past year. . . . I wish I could be with you to share your sense of accomplishment."

### **Thomas P. O'Neill, Jr., Majority Leader, US House of Representatives**

"Relations with China, important as they are, are a matter of great concern to me, and I am aware of the fine work that your Council is doing to improve our relations with that country by promoting increased trade. . . . I congratulate you and your fine staff on the excellent job you have done, and send you my best wishes for continued success."

### **John J. Rhodes, Minority Leader, US House of Representatives**

"Following the President's historic visit to China, the United States Government clearly recognized the important role which trade would play in improving our relations with that country by suggesting and encouraging the formation of your organization. This bold initiative has won the admiration and approval of the American people. . . ."

# Pricing and Prices at the 1974 Canton Fair

Continued from page 46

effect of the consequent shortage on world rates, which rose to near the Chinese price, although the market has since weakened.

Tungsten prices zoomed an estimated 110% to 170% just over the period between Fairs. At present, the US/GSA stockpile is still an available supply.

Last year tin constituted the largest US import from China. The higher prices this Spring combined with freight and tariff rates made this item noncompetitive for American buyers. The Chinese price was reportedly above both London and Penang prices.

Volume discounts have been indicated in this category for "old friends" who regularly purchase large quantities.

Although prices on hardware items such as padlocks, torches, kitchenware, and hand tools have risen anywhere from 5%-25% since Fall, these prices are still 15% below European prices for similar items and good supplies are apparently available.

## Chemicals—Presold and tight

By general consensus, dealings in this industry were the least satisfactory. Broadly speaking, chemicals were offered by US purchases at prices 20% to 50% above prevailing world rates, and even that was on the condition that there was any of a particular chemical available at all. Prices and reputed supplies vacillated frenetically over the course of the Fair. One fairgoer reports getting an initial offer for a particular drug product, which he accepted only to be told the price had risen 100%, which he finally accepted only to be informed again that the price was higher still, this time by 30%.

Pharmaceuticals rose an average of 30% in price since the last Fair. Note should be taken of the potential difficulties caused by China's adherence to B.P. 1968 or 1963 specifications rather than the US pharmacopoeia standards in drug manufacture.

While sodium sulphate and bisulphate were estimated as costing 30% more, ammonia bicarbonate reached a price of 50% over the world rate in its fluctuations. Most chemicals China has to offer remain out of reach of US buyers, for tariff or market reasons.

Also, in at least one specific chemical product, the Chinese reportedly sold their entire stock to Japanese prior to the opening of the Fair and before any US traders could submit bids.

## Light Industrial Products—Rack toys—but no marbles

A lack of world price guidelines generally in this diverse category has led to what one American importer

termed a "Robin Hood" pricing system under which buyers from rich countries must pay more than those from poor ones for the same Chinese goods. Happily, prices on jade items and carpets countered the pattern of downward price inflexibility and some were reportedly less expensive than at the last Fair.

While porcelain remained stable, glassware posted an estimated increase of 40% over Fall prices and enamelware was up approximately 25%. Supplies seemed limited. Antique prices have skyrocketed for the few available items.

China is quickly becoming the principal exporter of fiber and willow articles. Although a Japanese buyer reported paying 50% more for straw articles, prices in this sector remain fairly constant. The 50% US duty on Chinese caneware relative to 8½% for Column I countries (Tariff Schedule 222.44/00) results in these products tending to be uncompetitive with similar products from other Asian sources.

In the toy field, prices followed the upward trend with stuffed toys increasing in price 15%-25% since Fall and with wooden toys logging a 10%-20% average increase. Metal toys are offered but difficult to import to the US because of consumer protection legislation. Marbles, which were US\$1.60 per thousand a year ago, are now 40% dearer. One large volume marble buyer experienced difficulty even getting a quote. When given the escalated price for bulk marbles, he inquired into the possibility of having them packaged so many to a bag. At first told impossible, he later received an offer which was so high he accepted the earlier bulk offer—only to be told that marbles were no longer available in bulk. This trader left China without his marbles.

The appearance of "rack" toys for mass marketing in supermarkets and drugstores was noteworthy, though the particular ones offered were not of such good quality relative to similar products marketed domestically.

## Machinery—Favorable Prices

Favorable prices were reported for heavy machinery items such as generators and motor. Electrical resistors, capacitors, transformers and meters, however, succumbed to the rising tide, rolling up increases between 25%-40% from the last Fair. 完

### THIRD COUNTRY BANK IN THE US THROUGH WHICH TRADE WITH CHINA CAN BE TRANSACTED

Los Angeles

The Chartered Bank of London  
614 West Sixth Street  
Los Angeles, Cal 90017

# HEALTH AND CUSTOMS FOR VISITORS TO CHINA

## VACCINATIONS AND MEDICAL CARE

To enter China, certification of a smallpox vaccination less than three years old is necessary. In addition to this, Hong Kong requires a cholera vaccination less than six months old. The Center for Disease Control of the US Public Health Service in Atlanta, Georgia, has a regularly updated booklet on immunizations for all countries.

Once in China, medical care is of high quality, and the price a foreigner pays for all medical attention is at the same low level as that paid by Chinese. Should a medical problem arise, the visitor need only to mention it to one of his FTC hosts, and whatever medical attention is required will be immediately forthcoming. Doctors are trained in both Western and traditional Chinese medicine and hospitals in the larger cities are furnished with modern equipment.

If the visitor uses any special medicine on a regular basis, he should bring along enough to last his stay in China. Medicine for personal use can be brought into the PRC duty free and can be sent through the mail untaxed provided its value does not exceed RMB 50 (about \$25).

Travelers to China with RH-negative blood should inform physicians in China of this should any problem arise. The Chinese people do not have RH-negative blood and as a result their blood banks do not store it.

Generally speaking, the Chinese water supply is clean and potable but cases of intestinal disorders occur among some visitors. Travelers would be advised to bring along palliative or symptomatic remedies as a preventive measure.

## CUSTOMS

### *Duty Free Items*

The following may be brought into China

#### *For Personal Consumption*

Liquor (up to four bottles)

Cigarettes (up to 600)

Medicine

#### *For Business Use*

Typewriter

Tape-recorder

Film or slide Projector

Copying Machine

Calculator

## GOODS BY MAIL

Foreigners remaining in China for an extended period of time may receive newspapers and magazines through the mail provided they are not considered by customs officials to be detrimental to the PRC's politics, culture, economy or morality. Along with medicine, liquor and cigarettes may also be sent through the mail provided the total value of each does not exceed the RMB 50 limit.

## IMPORT TAXES

Foreign businessmen expecting to be in the PRC for a prolonged period may be affected by import duties levied on certain items mailed to China from abroad. Selected personal effects and mailed articles are subject to import tax, administered by the Chinese Customs Service. Categories are listed below.

Item	Import Tax Rate
Beverages	120%
Bicycles, other vehicles, and parts and fittings	100%
Cigarettes (more than 600)	400%
Clocks and watches	100%
Cosmetics	180%
Cotton fabric, linen, cotton and linen garments and piece goods and other cotton products	100%
Foodstuffs	120%
Liquor (more than 4 bottles)	400%
Machines for household and office use, handicraft tools	60%
Musical Instruments and parts	70%
Musical Records and other phonographic disks	70%
Phonograph and parts	150%
Photographic equipment, and parts and fittings	100%
Radio sets	70%
Recorder and parts	40%
Rubber garments and piece goods	100%
Saccharine	200%
Sports Goods	70%
Television sets	12%
Woolen, silk, manmade and synthetic textile products, garments and piece goods; garments made of other materials (e.g. leather, fur, plastic, etc.)	150%
Items not specified above	120%

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## FULL MEMBERSHIP

Membership in the National Council for United States-China Trade is open to American firms interested in doing business with the People's Republic of China. The principal categories of membership are (1) corporations or business entities with sales or gross income equal to or greater than \$50 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are \$2,500; (2) those with sales or gross income of between \$20 million and \$50 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are \$1,000; and (3) those with sales or gross income of less than \$20 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are \$500.

## IMPORTERS AFFILIATE MEMBERSHIP

In a special effort to assist smaller American firms interested in importing goods from China, the National Council has a special category of affiliated membership. Companies engaged primarily in importing, and having sales or gross income of less than \$10 million in the year immediately preceding the date of application for membership, may join the National Council upon payment of annual dues of \$250.

Importers in the National Council constitute a special committee whose activities are designed not only to acquaint importers and potential importers with Chinese manufacturing, sales and trading practices, but also to aid the Chinese Foreign Trade Corporations in understanding the import regulations, consumer tastes and other market conditions in the United States.