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# U.S. CHINA

# BUSINESS REVIEW

T.M.



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# U.S. CHINA BUSINESS REVIEW™



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**Front Cover:** Symbolic of expanding Sino-US Trade, a Boeing 707-320, to be delivered to China, on a test flight. Boeing's are now in service on some of China's domestic routes.

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## COUNCIL CALENDAR

### **NEW YORK, April 2**

Christopher H. Phillips, President of the Council, will address a conference on "How to Buy From and Sell to the People's Republic of China" at the World Trade Center. The conference is co-sponsored by the Council, the National Committee on U.S.-China Relations and the World Trade Institute (One World Trade Center, 212/285-4452).

### **WASHINGTON, April 3**

President Phillips will speak before the Far East Luncheon Club at the Dacor Club.

### **CANTON, April 15-May 15**

Eugene Theroux, Council Vice President, and George Driscoll, who has recently joined the Council staff, will be the Council's representatives at the 36th Kwangchow Export Commodities Fair. The Council's offices will be located at the Tung Fang Hotel.

### **CAMBRIDGE, May 9**

President Phillips will address a dinner meeting of the Museum of the American China Trade (215 Adams Street, Milton, Mass., 617/696-1815) at the Harvard Business School.

### **WASHINGTON, June 3**

The annual membership meeting of the Council will be held at the Mayflower Hotel.

### **WASHINGTON, June 4**

A symposium entitled "U.S.-China Relations: New Prospects for the Decade" will be co-sponsored by the Council, the National Committee on U.S.-China Relations, and the Committee for Scholarly Communication with the People's Republic of China

### **CHICAGO, June 6**

Vice President Theroux will address a conference sponsored by the Department of Far Eastern Studies of the University of Chicago on the legal and economic factors affecting the future of Sino-American trade.

### **NATIONAL, (dates to be announced)**

The delegation of the China Council for Promotion of International Trade is expected to visit the United States for approximately three weeks, under the auspices of the Council. The CCPIT's itinerary is being planned by the Council's Coordinating Committee.

## COUNCIL PUBLICATIONS

### **U.S. China Business Review (Bi-monthly)**

Free to Council Members  
\$60 within the US and Canada  
\$75 overseas  
\$50 for university and municipal libraries

### **Special Reports**

Special Report No. 1: US-China Trade Statistics 1972 and January-September 1973  
Special Report No. 2: Kwangchow Fair Inventory Fall 1973  
Special Report No. 3: What China Has to Sell: Chinese Export Catalogues  
Special Report No. 4: Arbitration and Dispute Settlement in Trade with China  
Special Report No. 5: US Participants at the Kwangchow Fairs 1971-1973

Special Report No. 6: The Peking Report of The National Council's Delegation (New Members Only)

Special Report No. 7: Sino-US Trade Statistics 1972, 1973, including Agricultural Trade

Special Reports Are Available Only To Council Members

### **Booklets**

National Organizations of Foreign Trade and Organizations of Other Foreign Business in the People's Republic of China

The Chinese Export Commodities Fair: A Handbook for US Businessmen

Booklets Are Free To Council Members.

# SINO-JAPANESE COOPERATION ARRANGEMENTS

Alistair Wrightman

Astonishing progress in Japan's trade with China has brought about a number of projections that may or may not be realized, but among which is the unofficial prediction by Tokyo's Ministry of International Trade and Industry (MITI) that both-way trading this year may top \$3 billion.

Two-way trade between Japan and China last year nearly doubled, rising from \$1.1 billion in 1972 to a total of \$2 billion by the end of 1973. Japanese exports to China actually exceeded \$1 billion (up 71% over 1972) during that 12-month period and Chinese shipments to Japan were only slightly less than \$1 billion (a tremendous gain of 98%).

An official Sino-Japan trade agreement was signed in Peking on January 5, 1974, replacing an unofficial trading pact and mutually according most-favored-nation treatment. Yet even before this new agreement had been drafted many industrial facilities, mainly petrochemical plants, had been sold to China by Japanese manufacturers in 1973 and negotiations were underway in early 1974 for potential export of many more. Japanese exports to China of steel products, ships, automobiles and other transportation machinery, electrical machinery, and machinery parts (such as ball bearings) also have shown sharp increases.

Japanese imports of Chinese goods also have stepped up sharply, including a marked rise in deliveries of raw silk and other textiles, foodstuffs, soybeans and oilseeds, and miscellaneous items, including even paintings and art objects. A small amount of Chinese crude oil, about a million tons, was imported by Japan for the first time.

Sino-Japan trade, however, is only partially complementary. China, which at least up to now has pursued a policy of "self-reliance" in its economic expansion—apparently because of bitter experiences resulting from depending too heavily upon the Russians in the early 1950's—is trying to build industrial complexes without the type of outright assistance given to developing countries, although China is clearly ready to receive deferred payments and to purchase technology.

There is also the question of patent rights. China is not party to the Paris Convention to protect industrial properties. Nevertheless, Peking has indicated readiness to negotiate a separate agreement on trademarks alone with Japan. But little progress has so far been made in this field.

These factors, however, do not seem to prevent many firms in Japan from making arrangements for selling products and technology to Peking in return for China's output of related goods or for importing Chinese goods as necessary to facilitate Japanese exports. China, however, maintains a policy of balancing bilateral trade as far as practicable; this is reflected in the fact that China's deficit in trade with Japan was reduced from \$117,706,000 in 1972 to only \$67,320,000 by 1973.

## Cooperative Agreements Made

Toyota Motor Sales Company, sales division of the Toyota Motor Company, which exports trucks and other motor vehicles to China, has been importing expensive Chinese cotton carpets. The company claims they stand excellent comparison with Persian carpets. Toyota also imports less expensive Chinese folk art as well. The import value is admittedly small, with the cotton carpets totalling about \$500,000 a year, but the trade has helped Toyota's car distributors to diversify their businesses.

Komatsu Manufacturing Company, a supplier of bulldozers and other major construction machinery to China, imported \$330,000 worth of cotton overalls from China last year. The company also buys wrenches and other hand tools from China, part of which is used locally in China with Komatsu machinery. The remainder is imported into Japan. Company officials hope to expand this trade in the future.

Suntory Company, a leading Japanese whisky, liquor and wine maker, has been supplying China with technical knowhow to grow grapes for wine production. The company authorities



Grape gatherers in Turfan, China's famous grape producing area in the Sinkiang Uighur Autonomous Region. China introduced grapes to Japan many centuries ago: Japan's Suntory Company is interested in some of China's present species of grapes that could be developed for use in Japanese wine production.

explain that it was China which introduced grapes to Japan centuries ago and the Chinese still have some good species of grapes that could be developed for use in wine production. Although the Japanese company also has provided China with seeds of some grapes as well, their development will take time. The project obviously is being pushed to promote Sino-Japanese friendship rather than for the immediate purpose of allowing the importation of wine from China.

Another Japanese alcoholic beverage maker, Sanraku-Ocean Company, is importing wine from China for adding to its own Mercian wine. This firm hopes to supply grape seeds and growing techniques to China in the future in a move to increase production.

The Q. P. Company, a food processor, sent strawberry seedlings to China late in 1972 for testing to discover whether there are areas in China where the seedlings, of a type of strawberry used in jam production, can be effectively grown and how much the yield per acre might be. This company, which also has supplied China with strawberry culture techniques, is waiting for results of the tests before asking China to start growing strawberries in adequate quantities for commercial production of

jam for the Japanese market.

## Soybeans

Mitsui & Company, a leading Japanese trading firm, disclosed last fall it had reached an understanding with Chinese trade authorities for exchange of technology concerning improvements in the Chinese soybean. Earlier, Yoshizo Ikeda, president of Mitsui, had proposed in an interview with Chinese Premier Chou En-lai that his firm would like to improve the Chinese soybean. The Chinese premier indicated such efforts would be most welcome and instructed his officials to look into the matter.

Japan imports about 250,000 tons of Chinese soybeans annually for production of Japanese foods, such as bean curd, bean paste and soy sauce. Unlike the U.S. soybean, the Chinese soybean is ideal for these purposes and rich in protein. For that very reason, Chinese soybeans do not contain as much fat and oil as the American soybeans and are not fit for edible oil production.

Mr. Ikeda's proposal was apparently meant to improve this aspect of the Chinese soybean through use of Japanese techniques. If this project proves successful, Chinese soybeans might be supplied to

Japan for oil production as well as for manufacturing Japanese foods in the future.

Japan has been trying to diversify sources of soybean imports since the temporary U.S. embargo on soybean exports last July. It is expected, therefore, that as soon as the Chinese grant formal approval for the project, Japanese soybean oil producing firms will organize a team of experts and send them to China to negotiate an agreement. Mitsui is still waiting for the officials in Peking to provide approval documents.

Japanese silk-reeling firms sent experts a few years ago to help Chinese reelers improve techniques used in producing raw silk. Japan imports raw silk in increasing quantities from China. A few of these Japanese sericultural technical consultants were included in teams sent to China. As a result, Chinese silk reeling techniques have shown great improvements and Japanese raw silk importers have benefited. Because of the slow progress in expansion of raw silk production in Japan (attributable chiefly to labor shortages) and a steady increase in local consumer demand, Japan's import of Chinese raw silk has increased each year.

## Fish breeding

Nippon Reizo K. K., a leading Japanese fish and meat processor, is engaged in a joint research and development project with the Chinese involving fresh-water fish breeding and catching in China. At the present stage, the company is importing selected fish from China with the object of determining the type of fish that can be utilized commercially. When and if the final selection is made, the company hopes to supply modern fishing techniques to the Chinese. The fish are to be imported into Japan, probably in refrigerated form. Pond culture of fish in China is not actually being contemplated at present, although Nippon Reizo is quite advanced in techniques of this nature.

## Supermarkets

Daiei K.K., a leading Japanese supermarket chain operator, has supplied tea plant seedlings and new growing techniques to China for production of tea leaves suitable for meeting the taste of Japanese consumers. The plan, first announced last May, also calls for Daiei to supply tea-manufacturing machines and to import tea produced under contract at prices about 10% to 20% lower than the Japanese market level. Japan is becoming short of green tea and imports, as a result, increased from only 1,000 tons in 1968 to 17,000 tons in 1972. Joint development of green tea in China is intended to cover part of this shortage.

Daiei was able to buy 18,744 kilograms of

Japanese style green tea at the Canton Export Trade Fair in southern China last autumn. The tea was mixed with domestic leaves in Japan for sales as Japanese-Chinese mixed tea.

Another supermarket chain operator, Jusco K. K., with headquarters in Osaka, also announced a plan last May to engage in trial import of fresh Chinese eggs, as distinct from frozen eggs, which is the usual form of Japanese egg imports from China. Since most Chinese eggs are produced under near-natural conditions, without use of compound feeds or mechanized mass-production processes, the yolk is more clearly yellow and the shells harder. They taste better than Japanese eggs which are produced under artificial conditions and usually smell of the fishmeal fed the hens. Although their size (about 50 grams per egg) is smaller than Japanese eggs (about 60 grams), the Chinese eggs are popular in Japan.

The original plan was to import approximately 20 tons (about 410,000 eggs) in the hope that eventually between 50 tons and 100 tons might be imported monthly. Trial imports of last fall proved very welcome to Japanese consumers, but there were problems as well. Transportation of the eggs to Japan by sea required strict temperature control. Also the egg market in Japan tended to fluctuate at the time and the imports of Chinese eggs did not prove as profitable as originally thought. Thus the company has temporarily suspended large-scale imports of fresh eggs from China pending further development of technology and improvement in market conditions in Japan.

## Oil equipment

Nippon Steel Corporation, the largest of Japan's steel producers, and Mitsui & Company, have received an inquiry for supply of undersea pipelines for use in transporting oil from Pohai Bay off the northern coast of China—where the Chinese are exploring for oil. Whether this deal will be linked to China's future supply of crude to Japan is not known at this stage. China supplied Japan with slightly more than a million tons of crude oil, probably from the Taching oilfield, in 1973, and at least 3 million tons may be shipped to Japan this year. Since China is expected to step up exploitation of the nation's oil resources, especially those under the continental shelf, Japanese machinery makers are counting on supplying the necessary drilling rigs and pipelines.

Occasionally export of Japanese industrial plants and advanced technology is blocked under regulations of the Paris-based Committee for Trading with Communist Countries (COCOM). Last year, China sent inquiries to several leading Japanese electrical manufacturers on the possibility

of supplying large-scale integration units, an advanced semi-conductor facility, under a contract worth about \$16 million. The orders could not be accepted because this product remains on the COCOM strategic embargo list.

Import of Chinese beef is banned by Japan due to fear of foot-and-mouth disease. Japanese experts were sent to China to survey sanitary conditions at Chinese production facilities and they tried to develop a compromise, but such attempts have failed so far.

## Refusal to supply China with technology

A rare case of Japanese refusal to supply technology to China occurred last Autumn when Peking proposed sending a mission to Tokyo to inspect Japan's camera industry. Japanese camera makers protested and the Chinese dropped their plans.

China is gradually becoming a competitor with Japan in world camera markets, especially in Southeast Asia. In contrast, however, some automobile makers in Japan have allowed the Chinese to inspect all their facilities. Toyota, for example, has permitted the Chinese to inspect car and truck manufacturing facilities and is willing to continue such practices.

Both Japanese and Chinese active in the bilateral trade tend to agree that there have been cases, before normalization of Sino-Japanese relations, in which the Chinese were discovered to have copied machinery imported from Japan. With this in mind, some Japanese manufacturers are afraid the industrial techniques they supply to China may be exported to third countries contrary to original agreements. China has a law which encourages inventions and research. But under this law, most of the benefits of these inventions and profitable research go to society. Incentives for individuals are very limited. However, China appears to be prepared to pay for the research and development efforts achieved by foreign corporations

and for patented industrial techniques. Between 10% and 20% of payments for nine petrochemical plants sold by Japan to China last year represented compensation for patent rights.

Japanese businessmen have discovered it is possible to obtain payment for patent rights involved in each plant built in China or to conclude long-term royalty agreements of five to seven years for use of patent rights. Such arrangements usually contain provisions that technological secrets must not be disclosed to third parties. However, Japan and other advanced industrial countries would like China to join international arrangements for protection of industrial property rights.

## The future: China Shifting Exports from Primary to Processed Products

Since China is shifting emphasis of exports to Japan from primary products to processed goods in some cases, this is an important problem. While the value of Chinese raw silk exports to Japan increased by 69.8%, from \$114,902,000 in 1972 to \$195,106,000 in 1973, the weight of exports declined by 7.6%, from 6,400,986 kilograms to 5,913,372 kilograms, indicating a sharp rise in raw silk prices. During the same period, Chinese exports of silk fabrics increased in volume from 13,122,336 square meters in 1972 to 24,420,037 square meters in 1973, an increase of 86.1%. Chinese exports of cotton fabrics to Japan also increased from 69,446,783 square meters to 133,608,755 square meters.

Such tendencies increase competition of Chinese goods with Japanese products in the Japanese domestic market and intensifies the rivalries in Southeast Asian countries. This situation makes it much more difficult for Japanese manufacturers to see their way clear to supply new industrial techniques to China. Even so, there will be many more opportunities for corporation licensing agreements calling for supplying advanced technology to China in return for imports by Japan of related products. 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

Source: Chartered Bank



# U.S. TECHNICAL DATA AND PRODUCTS LICENSED FOR EXPORT TO CHINA 1971-73

For the most part, the products in these tables indicate product areas in which China has shown a definite interest, and may also give a clue as to where China's future needs lie. The tables list US government approvals only; they do not necessarily reflect sales made by US firms.

TABLE	SUMMARY	TOTAL THROUGH 1973 (\$)
1.	Products Licensed for Export to China	258,120,412
1A.	Products for Temporary Export to China	82,646,587
2.	Technical Data Approvals for China	390,600,000
3.	Products Licensed for Reexport to China	706,200+
3A.	Products Licensed for Temporary Reexport to China	115,000
TOTAL ALL APPROVALS		732,188,199+

### TABLE 1

#### U.S. PRODUCTS LICENSED FOR EXPORT TO CHINA 1971-73

Year	Quarter	Item	Cost (\$)	Year	Quarter	Item	Cost (\$)	
1972	1st	Earth Satellite station . . . .	2,000,000	1973	1st	Jet aircraft engines & parts	12,112,000	
		Television studio equipment	156,000			Spare parts for diesel engines . . . . .	800,000	
		Video voice terminals (2) . . . .	30,000			Oil and gas field equipment . . . . .	11,871	
		School laboratory gas analysis apparatus . . . .	66			Communications equipment	4,262,725	
		<i>Sub Total</i> . . . . .	<u>2,186,066</u>			Airborne navigation equipment . . . . .	128,556	
	2nd	Commercial aircraft . . . . .	150,000,000		Photographic film . . . . .	2,472		
		<i>Sub Total</i> . . . . .	<u>150,000,000</u>		<i>Sub Total</i> . . . . .	<u>17,381,902</u>		
	3rd	Plastic materials . . . . .	1,700		1973	1st	Synthetic lubricants . . . . .	32
		Jet engines . . . . .	12,112,000				Synthetic resins . . . . .	50
		Outboard motors . . . . .	6,713				Parts & accessories for rotary drill rigs . . . . .	1,683
Communications equipment		608,497	Oilfield pumps & parts . . . . .	140,682				
Solid state semi conductor devices . . . . .		21	Radio relay communications equipment . . . . .	557,866				
Ground test equipment . . . . .		28,015	Solid state semiconductor devices . . . . .	394				
Photographic film . . . . .		7,951	Electric/Electronic instruments and apparatus for testing, controlling, recording, etc., and parts and accessories NES . . . . .	28,395				
<i>Sub Total</i> . . . . .	<u>12,664,897</u>							
4th	Synthetic lubricants . . . . .	19						
	Chemical element and compounds . . . . .	64,200						
	Chemical materials & products, NES . . . . .	59						

Year	Quarter	Item	Cost (\$)	Year	Quarter	Item	Cost (\$)
		Photographic supplies and equipment . . . . .	24,225			Optical Elements . . . . .	22,392
		<i>Sub Total</i> . . . . .	<u>753,327</u>			Electric and Electronic Measuring or Testing Devices . . . . .	18,481
2nd		Aircraft, non-military . . . . .	34,000,000			Data Processing Equipment . . . . .	35,000
		Magnetic recording/reproducing equipment . . . . .	283,500			Magnetic Recording/Reproducing Equipment . . . . .	1,663,101
		<i>Sub Total</i> . . . . .	<u>34,283,500</u>	4th		<i>Sub Total</i> . . . . .	<u>19,674,644</u>
3rd		Soybean Oil . . . . .	2,851,800			Iron and Steel Scrap . . . . .	21,115,692
		Iron and Steel Scrap . . . . .	14,395,021			Safety Fuse Manufacturing Machines . . . . .	3,750
		Research Materials . . . . .	2			Electric and Electronic Measuring or Testing Devices . . . . .	7,060
		Lubricating Oil . . . . .	2			Gravity Meter . . . . .	19,770
		Aircraft Parts . . . . .	600,000			Civil Airborne Navigation Test Equipment . . . . .	4,158
		Radio Relay Communications Equipment . . . . .	78,000			Optical Elements . . . . .	2,130
		Spectrum Analyzer . . . . .	3,810			Communications Equipment . . . . .	21,516
		Civil Airborne Navigation Test Equipment . . . . .	7,035			<i>Sub Total</i> . . . . .	<u>21,174,076</u>
						<i>Total through 1973</i> . . . . .	<u>258,120,412</u>

**TABLE 1A**

**U.S. PRODUCTS FOR TEMPORARY EXPORT TO CHINA 1971-73**

Year	Quarter	Item	Cost (\$)	Year	Quarter	Item	Cost (\$)
1972	2nd	Unspecified products for exhibition, demonstration, or testing . . . . .	33,394			Rubber accelerators . . . . .	47,080
		<i>Sub Total</i> . . . . .	<u>33,394</u>			Still picture film . . . . .	1,452
3rd		Photocopying equipment . . . . .	61,827			Airborne communication/navigation equipment . . . . .	3,156,722
		Display terminals and parts . . . . .	6,000			Digital recorder . . . . .	2,300
		Technical model quarter scale engine . . . . .	5,000			Frequency synthesizer . . . . .	5,845
		Electric and electronic test instruments . . . . .	3,000			Time interval measuring instruments . . . . .	5,575
		Visual control stations . . . . .	5,000			Video tape recorder/reproducer and accessories . . . . .	76,817
		Nonmilitary aircraft . . . . .	23,200,000			Radio spectrum analyzer . . . . .	23,220
		<i>Sub Total</i> . . . . .	<u>23,280,827</u>			Pumps and accessories . . . . .	1,455,792
						<i>Sub Total</i> . . . . .	<u>4,774,835</u>
4th		Chemical and physical analysis equipment . . . . .	52,337	3rd		Non-military Aircraft . . . . .	51,000,000
		<i>Sub Total</i> . . . . .	<u>52,337</u>			Magnetic Recording/Reproducing Equipment . . . . .	36,250
						<i>Sub Total</i> . . . . .	<u>51,036,250</u>
1973	1st	Video tap recorder/reproducer . . . . .	2,338	4th		Non-military Aircraft . . . . .	3,500,000
		<i>Sub Total</i> . . . . .	<u>2,338</u>			<i>Sub Total</i> . . . . .	<u>3,500,000</u>
2nd		Lubricating grease . . . . .	32			<i>Total through 1973</i> . . . . .	<u>82,646,587</u>

**TABLE 2****U.S. TECHNICAL DATA APPROVALS FOR CHINA 1971-73**

Year	Quarter	Item	Potential Revenue (\$)
1971	4th	Synthetic fiber plant Vinyl chloride plant 1971 Total \$9,500,000	
1972	2nd	Polypropylene process Carbon dioxide removal from synthesis gas Ammonia process	
	3rd	Removal of carbon dioxide from ammonia synthesis gas process (2) Ethylene plant Aromatic hydrocarbons process Aromatic hydrocarbons process Ammonia synthesis gas Ammonia plant	
	4th	Methanol and acetylene process Vinyl chloride process Aircraft engines (2) Removal of carbon dioxide from synthesis gas process Petroleum reforming process Hydrotreating and aromatic extraction Reforming furnace for ammonia plant Ethylene production process 1972 Total \$31,100,000	
1973	1st	Erection of hydrodealkylation plant Plant to produce steel products Synthetic polymer photoresist thinner and developer process Removal of carbon dioxide from hydrogen Production of ethylene oxide and glycol	
	2nd	Production of polypropylene process (2) Design, construction, and operation of ammonia plants Removal of carbon dioxide from hydrogen Production of ethylene oxide and glycol	
	3rd	Design of Extruder Screw Gas Turbine Manufacture Removal of Carbon Dioxide from Synthesis Gas Ammonia Plant Construction (8) Removal of Carbon Dioxide from Hydrogen Benzene Production Television Tube Manufacture (2)	
	4th	Coal Mining and Treatment Coke Ovens and Recovery Facilities Processing Motion Picture Film Production of Vinyl Chloride (re-export) Manufacture of Concrete Pipes Measurements on Data Processing Equipment Production of Isoprene and Polyisoprene 1973 Total \$350,000,000 *	

\* 1973 Actual Data Contracts Received \$149,000,000

**TABLE 3****U.S. PRODUCTS LICENSED FOR REEXPORT TO CHINA 1971-1973**

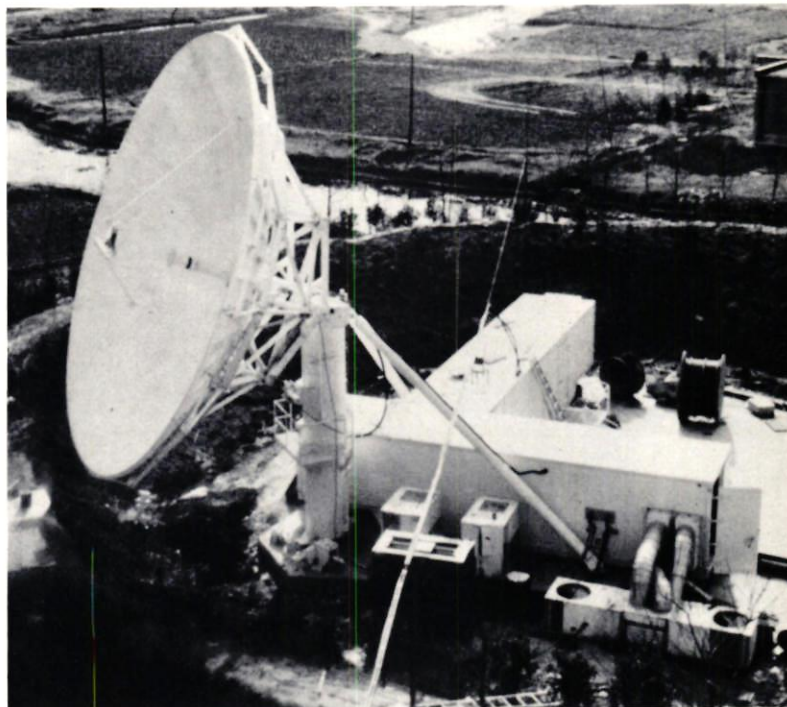
Year	Quarter	Item	Cost (\$)
1971	4th	Commercial motion picture film.	700,000
		Sub Total . . . . .	700,000
1973	4th	Technical Data for Production of Vinyl Chloride . .	NVG
		Lubricating Oil . . . . .	3,000
		Civil Airborne Navigation Test Equipment . . . . .	3,200
		Sub Total . . . . .	6,200+
		Total through 1973 . . . . .	706,200+

**TABLE 3A****U.S. PRODUCTS LICENSED FOR TEMPORARY REEXPORT TO CHINA 1971-73**

Year	Quarter	Item	Cost (\$)
1971	4th	Air safety and railway electronic products . . . . .	115,000
		Sub Total . . . . .	115,000
		Total through 1973 . . . . .	115,000

Source: OEA

A transportable communications satellite earth station, installed by RCA Global Communications, Inc., near Shanghai, began operations during President Nixon's historic visit to the People's Republic of China. The \$2.9 million contract was the first direct export sale from the US to China since trade relations were liberalized. The earth station began commercial operations on February 23, 1972.



## MAJOR US PLANT, EQUIPMENT, AND TECHNOLOGY SALES TO CHINA

This list is not inclusive

Company	Product	Price (\$ million)	Terms (Contract Date)
RCA Global Communications	Satellite Communications Earth Station (Shanghai)	2.5	1.25.72. This facility arrived in China prior to 2.15.72 to provide video communication for Pres. Nixon's visit. Final contract March 13, 1972
RCA Global Communications	Satellite Communications Earth Station (Peking); expansion of Shanghai facility	5.7	8.17.72
Boeing	707-320B Aircraft (4) 707-320C Aircraft (6) Spare Parts and Ground Equipment	125.0	9.12.72. Delivery began late August 1973 through May 1974
United Aircraft Corporation (Pratt & Whitney)	Jet Engines for Boeing Airplanes (40) and Spares (40)	21.0	10.8.72. Delivery through March 1974
Western Union International	98 foot Antenna Satellite Earth Station (Peking)	4.0	10.24.72. To be completed early 1974
Lummus	Ethylene technology in conjunction with turnkey plant sale by Toyo Engineering, Toko Bussan and Mitsui Toatsu	NVG	12.29.72. Plant completion late 1975
Standard Oil of Ohio (Sohio)	Acrylonitrile technology in conjunction with turnkey plant sale by Asahi Chemical	8.0	3.8.73. Sohio being paid dollars in seven installments through 1977. Plant on stream early 1976
Clark Equipment	Towing Tractors (20)	0.15	Early 1973. Shipped 8.27.73
M. W. Kellogg (Division of Pullman, Inc.)	Ammonia technology in conjunction with turnkey plant sale by Toyo Engineering and Mitsui Toatsu	NVG	4.12.73. Completion 1975
Universal Oil Products (UOP)	Benzol-toluol-xylyl technology in conjunction with turnkey plant sale by Sumitomo Chemical	NVG	5.14.73
M. W. Kellogg	Ammonia Plants (3) 330,000 metric ton yearly capacity, own technology.	70.0	6.29.73. Completion 1976. Spot cash, no credit involved. Approximately 20% down, 70% on completion, 10% on start-up
Comtech Laboratories, Inc.	Electronic Equipment to be used in Satellite Communications Earth Stations.	0.4	July 1973
M. W. Kellogg	Ammonia technology in conjunction with turnkey plant sale by Toyo Engineering and Mitsui Toatsu	NVG	Late August 1973. 1976 startup
M. W. Kellogg	Ammonia Plants (5) 330,000 metric ton yearly capacity, own technology	130.0	11.8.73. Beginning 1976, start-up to dovetail with previous Kellogg plant sales. Cash, as in earlier turnkey sale.
Bucyrus-Erie	Blast Hole Drills (25) Power Shovels (5)	20.0	December 1973
Standard Oil of Indiana (Amoco)	Polypropylene technology in conjunction with turnkey plant sale by Snam Progetti	NVG	December 1973. Plant on stream 1977
Rucker	Land Blowout Preventer Stacks (20); to control oilwell bore pressure	2.0	December 1973. Delivery 2nd half 1974
Gleason Works	Automobile gear and axle producing machines (79)	8.2	January 1974
<b>TOTAL VALUE PLANT AND EQUIPMENT</b>		<b>389.0</b>	

**US TRADE WITH CHINA 1973**  
**TEN LEADING EXPORTS AND IMPORTS**

**US EXPORTS**

Item	Amount	Composition %
Wheat, Inc. Spelt or Meslim, unmilled	\$277,700,820	40.3
Corn, unmilled exc. Seed and Popcorn	132,383,598	19.2
Upland Domestic Raw Cotton	100,526,916	14.6
Passenger Transport Aircraft, 33,000 lbs. and over	53,293,284	7.7
Soybeans	43,364,627	6.3
Iron and Steel Scrap	24,214,172	3.5
Soybean Oil, crude	17,863,072	2.6
Aircraft Parts and Accessories	5,412,317	0.8
Fertilizers	4,735,965	0.7
Telecommunications Equip.	4,238,762	0.6
<b>TOTAL TEN LEADING EXPORTS</b>	<b>\$663,733,533</b>	<b>96.3</b>
<b>TOTAL ALL EXPORTS</b>	<b>\$689,104,367</b>	<b>100.0</b>

**US IMPORTS**

Item	Amount	Composition %
Tin and Tin Alloys Unwrought	\$7,801,012	12.2
Materials of Animal Origin (Primarily Bristles)	7,107,483	11.2
Cotton Fabrics, Woven, Unbleached	6,060,779	9.5
Works of Art, Collectors Pieces, Antiques	5,612,011	8.8
Raw Silk	4,328,658	6.8
Pyrotechnical Articles	3,187,663	5.0
Brooms, Brushes, Dusters	2,002,490	3.1
Essential Oils and Resinoids	1,538,389	2.4
Wood and Resin Based Chemical Products	1,470,461	2.4
Fine Animal Hairs, Exc. Wool	1,371,429	2.2
<b>TOTAL TEN LEADING IMPORTS</b>	<b>\$40,480,375</b>	<b>63.6</b>
<b>TOTAL ALL IMPORTS</b>	<b>\$63,716,396</b>	<b>100.0</b>

Source: Commerce Dept.

# 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, black and white format, over 30 pages, 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. Favorable reader reactions from within China have already been received from

national and provincial trade corporations in Peking, Shanghai, Shantung and Swatow.

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.



Chou Tsai-fei, Vice President of China Consultants International Ltd. and co-publisher of the AMERICAN INDUSTRIAL REPORT, is seen in China discussing the new Chinese language technical magazine with Mr. Sun Fang, a senior member of the China Council for the Promotion of International Trade. AMERICAN INDUSTRIAL REPORT is published for American industries, is being distributed in the People's Republic of China through the Chinese Trade Corporations and is endorsed by the National Council for U.S.-China Trade.

# TWO CASES OF DISPUTE SETTLEMENT

David C. Buxbaum

While China has an excellent reputation for meeting its international obligations, there are many Westerners who do not understand the manner in which the Chinese operate in terms of resolving commercial disputes. Numerous agreements with China provide for conciliation if there should be a dispute and in case settlement cannot be reached, they provide for arbitration either by the China Council for the Promotion of International Trade or in a third country mutually agreed upon by the parties. In fact, China's corporations rarely utilize arbitration. Most disputes are settled by conciliation. China has been notably successful in handling dispute resolutions in a peaceful and inexpensive way. Below are two examples of disputes which have occurred, and a discussion of the means of resolution, as illustrations of Chinese methods of resolving international business transactions disputes.

## An Amicable Settlement

The first case involved purchase by an American corporation through a specialized Chinese trading corporation of a specific edible commodity. Originally, the transaction was consummated by cable exchange between the agent of the American corporation and the appropriate Chinese corporation. The cable exchange called for shipment to the United States in January. Subsequently a Chinese contract arrived confirming the transaction but deviating from the cable by calling for shipment in January/February/March and not specifying precisely when

shipment was to be made. The contract had no provision for opening the letter of credit prior to the time of shipment. Obviously, a letter of credit must be opened a reasonable time in advance of shipment. A cable was sent to China attempting to ascertain the precise time of shipment so that the letter of credit could be opened. The response of the relevant Chinese Trading Corporation was that the contract called for shipment during January/February/March. Therefore, no precise date was specified nor was there a request for opening of the letter of credit. The letter of credit was finally opened in February in the U.S. and received by the Chinese on March 14. China then requested extension to May 31st of the letter of credit. The purchaser thereupon attempted to cancel his contract because he felt that if this produce came through the Panama Canal during the hot summer months it would be spoiled. Although he himself was dilatory in opening his letter of credit, he was adamant in refusing to extend the letter of credit.

At the Canton Fair, a discussion took place about the obligation of the agent who had signed the contract with China on behalf of the principal but signed in his own name, to honor the contract. The Chinese officials asked that the agent continue to attempt to have its principal or another buyer open the letter of credit. The agent was unsuccessful in finding another buyer for the product, which was not well known in the American market.

Since the agent had a long established relationship with China and the trading corporation involved, and with the particular corporation, the Chinese offered a small quantity of a better-known product as an inducement to get distributors in the American market to purchase this product. The agent was still

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*Dr. David C. Buxham is President of May Lee Industries, Inc., a New York-based company specializing in the China trade.*

unsuccessful in being able to sell the package. Time of shipment played some role in the decision made by American firms in declining to purchase.

The American agent offered to bring suit for the benefit of the Chinese corporation against his principal which the Chinese suggested be discussed at a future meeting. At that time the Chinese said that, in view of the excellent relationships of the agent with the Chinese corporation, they were not going to take any action against the agent. Originally the Chinese had planned to talk about the amount of compensation due to them as a result of the breach of contract by the agent, but they agreed to forego their compensation in view of the agent's good relationship with China.

The possible reasons for the Chinese decision were: First, the good relationship of the agent with the Chinese corporation and its excellent record in the past; second, the fact that contractually the Chinese may have recognized they had some responsibility for the delay and were at fault; third, it is also possible that, particularly for the hard-to-get product, the price the Chinese obtained for the merchandise was better than they could have achieved in the American market, although it would seem that one of the aims of the Chinese was to bring the original product into the American market and introduce it there. In any event, this dispute was settled amicably.

### **Packaging for the US Market**

A contract between an American principal and a Chinese corporation came into dispute because goods shipped under a prior contract for the same merchandise turned out to have packaging unacceptable to the American market. The American company attempted to ascertain whether future packaging would be of better quality in that it had difficulty in selling the original goods purchased as a result of the packaging, and also because the goods turned out to be somewhat inappropriate in style and price for the American market.

There were several exchanges of cables and there was a delay by the American principal in opening its letter of credit because of the particular packaging problem involved. A meeting was held in China at the suggestion of the American principal for further discussion of this matter.

All the top representatives at the Canton Fair from the Peking central office of the Chinese corporation were knowledgeable about this particular transaction when they met with the American principal. These officials indicated they wanted to have a joint meeting with the product specialist the next day. The meeting was held, and the product specialist was present, and one of the three officials of the head office of the Chinese corporation was present throughout the whole meeting, while another

stopped by briefly.

The matter was handled in a formal and serious manner, indicating the gravity with which the Chinese corporation looked upon the situation. The Chinese were willing to make packaging adjustments necessary to provide acceptability to the American market. The Chinese felt, however, that the packaging that they did present was appropriate. The Chinese brought forth packaging identical to the packaging that had been received in the United States and had originally been contracted for except it was in much better condition than that received in the United States. The American principal had taken a package to China which had been in very poor condition upon arrival in the United States as an example of a problem.

The Chinese asked numerous questions about customs matters with regard to the particular item that was being brought into the United States. The American principal offered extensive explanations and made every effort to obtain the information for the Chinese. Relevant portions of the standard customs text were presented, discussions were had about pricing in the American market, prices from other countries exporting the same goods to the United States were provided to the Chinese to show the differences in styles and prices. Samples of foreign merchandise of the same kind coming into the United States were presented to the Chinese.

The American principal was still willing to open the letter of credit but wanted to be sure that the packaging was first-rate. The American principal had asked for the possibility of a delay in shipment because in addition to the packaging problem, he was concerned about price at the present duty structure.

After hearing the request for various changes in the original contract, the product specialist suggested that the contract be cancelled. The American principal objected. The product specialist suggested the Americans return when the duty was reduced and then suggest specific designs so that future business could commence on a firmer basis.

The principal had an excellent relationship with the particular Chinese corporation and had done a considerable amount of business with them. His reliability was well established. The Chinese may have felt that the contract would be a source of future problems and also may have felt that the packaging employed was not arriving in the United States in the desired manner.

In both cases discussed above, negotiations with Chinese officials were conducted by experienced personnel in Chinese trade. This had a very beneficial effect upon resolution of the disputes. In addition, the American corporations involved were represented by a corporation with extensive involvement in Chinese trade. 完



# BOEING ACTS AS HOST



Chinese technicians hosted by Boeing pose in front of a long covered bridge leading to a ski lodge near Alpentel, a winter sport area.



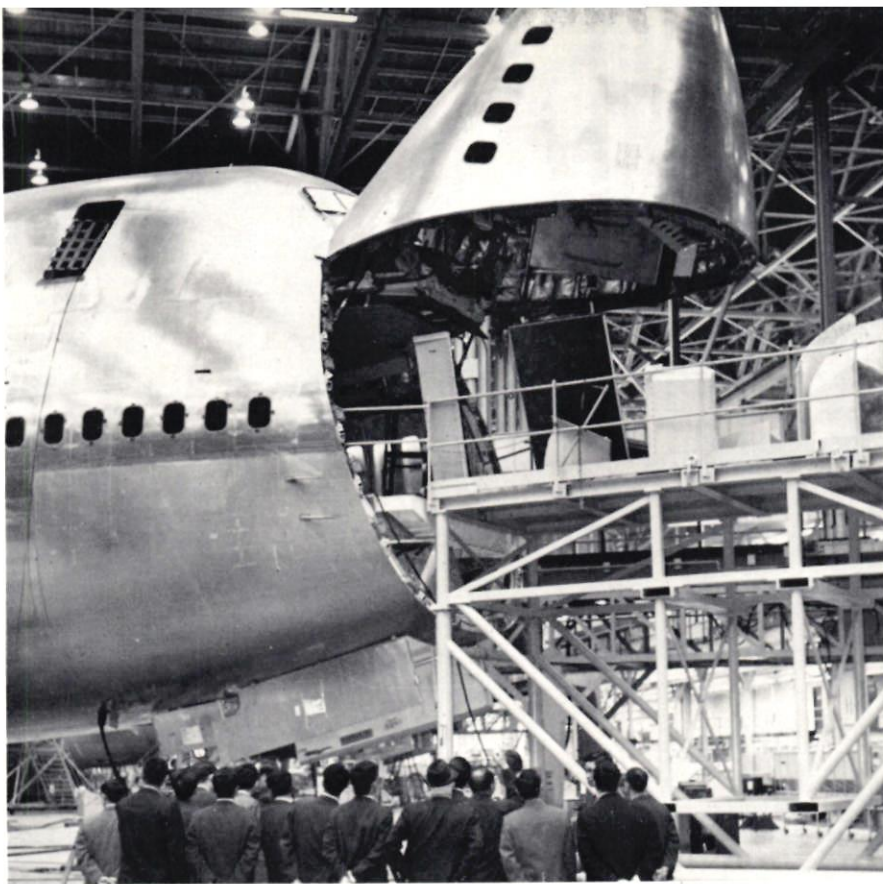
TOP: As a prelude to a tour of Boeing's 747 factory at Everett, Washington, members of the first Chinese team to open offices at Boeing were briefed in the program tracking center. While Tai Sheng-pu translated his introductory remarks, W. W. Buckley, vice president-general manager of the 707/727/737 Division (right) listened. Buckley was official host, as head of the division which was to build the Chinese 707's.

MIDDLE: Beginning their 747 tour, the group walks through a part of the massive plant north of Seattle, the largest volume building in the world. Consisting of five buildings joined under one roof, the factory encloses 200 million cubic feet.



RIGHT: J. R. Austin shows members of CAAC a precision-drilled piece of scrap showing the tolerances the big riveting machine is capable of. Holding the scrap are Tsui Huan-min, manager for transportation and agriculture of the machinery import department of Machimpex at left and Wang Ping-yu, leader of the delegation.





## BOEING ACTS AS HOST

China recently introduced its first Boeing aircraft on domestic routes. China's personnel training at Boeing's facilities are shown here.



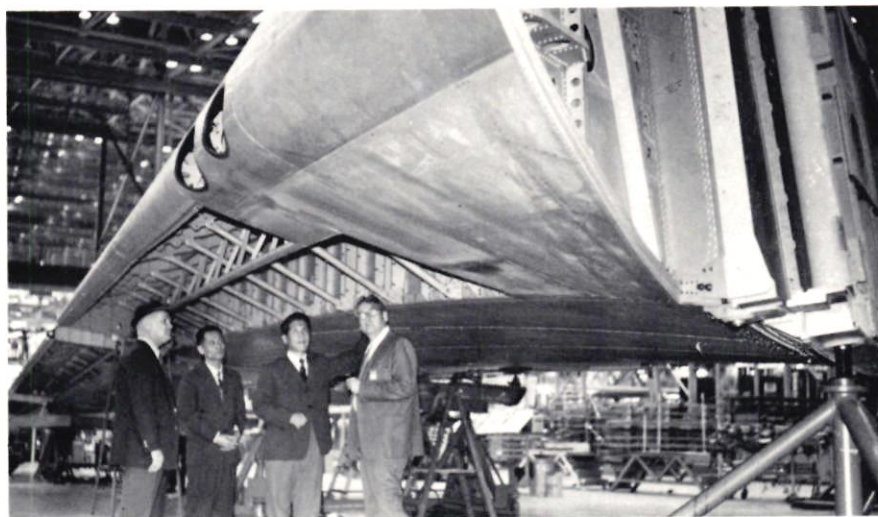
—Boeing Photos



TOP LEFT: The CAAC group was among the first to see the world's first 747C (convertible) capable of carrying either passengers or cargo on its main deck. The airplane, now in service with World Airways of Oakland, California, was rolled from the factory a few days later.

TOP RIGHT: Following the technical delivery in the office, the group toured the spanking new 707-320C on Boeing Field. The new overhead stowage rack is being examined here.

MIDDLE: Boeing board chairman T. A. Wilson congratulated Liu Chung-fu, CAAC chief pilot, following acceptance of the airline's first 707 in July 1973. At right is Tsui Huan-min and at left Tai Sheng-pu, interpreter. In back center is C. F. Wilde, Boeing vice president of sales.



LEFT: Pausing briefly beneath one-half of the wing of the huge 747, members of the delegation hear James R. Austin, (right) program manager for the 747 Division, explain construction details of the aircraft.

# BOEING ACTS AS HOST

TOP: In one of several tours made of the Washington State area shortly after their arrival February 23, 1974, representatives of the Civil Aviation Administration of China (CAAC) and Machimpex, one of China's foreign trade corporations, visited the famous ski slopes near Seattle. The group set up and opened a "resident representative" office at The Boeing Commercial Airplane Company to monitor construction of 10 new 707 jetliners ordered by CAAC, which operates the nation's airline. Above, the group stopped to talk to a Seattle skiing family at Snoqualmie Summit, about one hour's drive from the city. Wang Ping-yu, deputy director of the department of international affairs of CAAC, and leader of the group, bends to talk to one of the children.



MIDDLE: A ceremonial "key" to the first CAAC 707 (jetliners do not use keys) is presented to pilot Liu by Boeing board chairman, T. A. Wilson, following the tour of the plane.



BELOW: The 707 flight and ground crew trainees are shown as they finished classroom work at Boeing Service School and Flight Training Center at Seattle. The groups attended classes for about eight weeks to study airplane systems, operation and maintenance. Students including pilots, flight engineers, navigators, radio operators, mechanics, electronics specialists and others. In-flight training for the flight crews was conducted after the first 707s were delivered to Shanghai.



# CHINA'S FOURTH FIVE-YEAR PLAN

Dwight Perkins

The Fourth Five-Year Plan (1971–1975) of the People's Republic of China is now into its fourth year, but the Chinese government has yet to publish even a summary version of its contents. Chou En-lai, for example, when delivering his report to the Tenth National Congress of the Chinese Communist Party in August, 1973 devoted only one paragraph to economic policy. The contents of that speech together with other materials published by the Chinese government over the past several years, however, do provide a general guide to the principal objectives of the Fourth Plan.

China's five-year plans, like those of most countries, are not designed to give guidance to individual factories and communes on a daily or monthly basis. That is the task of annual and quarterly plans. Five-year plans are concerned instead with such issues as the relative priority to be given to agriculture, industry, and transport. They also have an important influence on the industrial investment plan by identifying bottleneck sectors where expansion in

plant capacity is called for.

For a five-year plan to have much influence on what happens to the economy, planners must be able to make reasonably accurate projections five years into the future. Accurate projections in turn depend, among other things, on reliable statistics and consistency and stability in government economic policies. Except for the early 1950's and the years of the Great Leap Forward (1958–1960) China has had reasonably accurate statistics at least by the standards that prevail in most less developed countries, but until recently there has been considerable instability in the making of policy. In fact the Fourth Five-Year Plan may be the first to remain in effect throughout the entire five year period for which it was designed.

Because of inexperience and the lack of trained personnel, the First Five-Year Plan (1953–1957) was not completed and published until 1955 when the plan period was half over. The Second Plan (1958–1962) was no sooner finished when it was superseded by the Great Leap Forward during which targets were revised upwards on many occasions often with little reference back to the targets of the Five-Year Plan. The recession of 1960–1961 was followed by a four year period of recovery during which no new Five-Year Plan was even drawn up. The Third Five-Year Plan (1966–1970) began on schedule and was nominally in effect at the end of

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*Dwight Perkins, Professor of Economics at Harvard, is a leading authority on China's economy. His books include "Market Control and Planning in Communist China" and "Agricultural Development in China 1368–1968." Professor Perkins was one of the panel briefing the National Council's delegation to Peking prior to its trip.*

**TABLE 1**  
**Chinese Industrial Output**

	1965	1966	1967	1968	1969	1970	1971	1972	1973 first half
Gross value of industrial output (index)	100	120	—	102	128	152	167	—	—
Machine Building (index)	100	—	—	—	—	—	—	200+	—
Coal (index)	100	—	—	—	—	141	—	162	—
Crude oil (million tons)	7+	—	—	—	—	20+	25+	29+	—
Chemical fertilizer (million tons—gross weight)	8-9	—	—	—	—	14	17	20	—
Electronics (index)	100	—	—	—	—	—	—	—	300
Steel (million tons)	—	—	—	—	—	18	21	23	—
Bicycles (index)	100	—	—	—	—	—	—	240	—
Grain (million tons—unhusked)	200	220	230	—	—	240	250	240	—

All data in this table were taken or derived from estimates published in official or semi-official Chinese sources. The symbol ( — ) indicates that no estimates are available for that year. Gross value of industrial output is not the same as industrial value added, and the use of the former concept may introduce some upward bias in the official Chinese industrial output index, but the degree of bias is probably not large.

the period as well. But much of the period, particularly the years 1967 through 1969, was devoted to the Cultural Revolution which involved some disruption of industry and the discrediting of the very people who had drawn up the original plan. The Fourth Five-Year Plan has also included years when there have been fundamental changes in China's top leadership (the fall of Lin Piao and the rehabilitation of many of those who fell from favor earlier), but these political changes don't yet, at least, seem to have had much influence on economic policy.

### Priorities in the Fourth Plan

The aims of China's Fourth Five-Year Plan are frequently expressed in the form of slogans. Some of these, like, "Going all out, aiming high and achieving faster, better, and more economical results in building socialism," seem to mean little more than that firms should forge ahead, but in a way that will not waste materials and will give adequate attention to the quality and variety of products. Others, however, such as "taking agriculture as the foundation and industry as the leading factor" and "walking on two legs" have important implications for the relative priorities to be given to specific sectors and industries during the Fourth Plan period.

Perhaps the most important slogan is that which calls for "taking agriculture as the foundation."

It was first used in 1962 and has been repeated often ever since in connection with the goals of both the Third and Fourth Plans. It signified a major change in policy from what had occurred during the 1950's. In the 1950's China had relied on the agricultural sector to pull itself up by its own bootstraps. Thus communes mobilized tens of millions of workers for rural construction projects, but state investment funds available to agriculture amounted to less than 9 per cent of the total or an average of about one billion yuan a year.<sup>1</sup> In the 1960's and early 1970's, by way of contrast, state investment in agriculture came to roughly five billion yuan a year.<sup>2</sup>

This shift in priorities had also had important implications for industry. It is not that the rate of investment in industry has fallen below that in agriculture. In fact industrial investment levels have risen absolutely and in the early 1970's are well above those of either the 1950's or the 1960's.<sup>3</sup> But the shift in priorities has led to much greater emphasis on industries that support agriculture or reduce the dependence of consumers on the agricultural sector (e.g., artificial fibers that reduce dependence on cotton).

The chemical industry has been the principal beneficiary of this shift in priorities. Production of chemical fertilizers and insecticides was at negligible levels in the 1950's, but beginning in 1962

output of both jumped several fold within a few years. Although the Cultural Revolution apparently halted or slowed growth in these industries in the late 1960's, rapid expansion was resumed in the early 1970's. By the half-way point in the Fourth Five-Year Plan (July 1, 1973) chemical fertilizer and insecticide production was 2.9 and 2.5 times the levels of 1965 respectively.<sup>4</sup> Chemical fertilizer output in the first eight months of 1973 alone was 30 per cent above the same period of 1972.<sup>5</sup> Other industries that have benefitted from the shift in priorities toward agriculture include producers of power pumps, hand, and larger size tractors. Tractor production was also pushed vigorously in the late 1950's, but slowed markedly in the early 1960's before picking up again in the latter half of the 1960's and early 1970's.

Not all industrial sectors that have been given a high priority in recent years have received as much publicity in the Chinese press as those that support agriculture. The break with the Soviet Union in 1960, for example, cut China off from its main source of supply of modern military equipment and, in addition, created a dangerous potential enemy on China's long northern border. As a result, ever since, China has diverted considerable resources to her own armaments industry, both nuclear and conventional. The rapid growth of the petroleum industry (see Table 1) has also been dictated in part by security considerations.

The priority attached to the core industries of the First and Second Five-Year Plans, steel and machinery, has been reduced, but these sectors continue to receive substantial funds. As is apparent from Table 1 and from other evidence, steel and machinery have continued to grow at a rate similar to that of the overall industrial index. Industries involved in the processing of agricultural products, including cotton textile, have received very small allocations of state investment funds.<sup>6</sup> In spite of the higher priority given to agricultural development, farm output has continued to lag badly and the increases that have occurred, can for the most part, be handled within existing plant capacity.

A slogan that has existed since the Great Leap Forward, but has taken on renewed and enhanced importance during the final years of the Third Plan and the first three years of the Fourth Plan is that of "walking on two legs." Much of the increase in industrial output since 1965 has come not from large scale modern enterprises, but from the "other leg," small scale firms located in rural areas. In 1972 some 48 per cent of China's cement output was accounted for by 2400 small rural plants.<sup>7</sup> Similarly, during the first eight months of 1973, 800 small nitrogenous fertilizer plants produced 53 per cent of national total output (up from 12 per cent in 1965).<sup>8</sup> These small plants appear to make effective use of both

rural underemployed labor and local supplies of surface coal and other materials. Unlike the backyard iron and steel furnaces of the Great Leap Forward in 1958-1959, these new small scale firms are largely confined to sectors and regions where they apparently can operate with a reasonable degree of efficiency (although the information available on the costs and returns of these industries is not really sufficient to make a final judgment as to their efficiency).

## Trade in the Fourth Plan

One basic feature of Chinese economic policy in the Fourth Plan period that has not changed significantly since the early 1950's has been the effort to minimize the nation's dependence on foreign trade. In the words of Chou En-lai to the Tenth Party Congress, "we should continue to . . . build our country independently and with the initiative in our own hands, through self-reliance, hard struggle, diligence and frugality." Self-reliance, of course, does not apply exclusively to the role of foreign trade. Individual communes and factories are also supposed to rely as much as possible on their own resources. But it is in China's economic relations with other nations that the concept has particular force.

It is the policy of self-reliance together with China's great size that largely accounts for the small share of trade in China's GNP (imports in 1973 were only 2 to 3 per cent of total GNP). This low trade share has in turn made it necessary for China to develop most sectors of industry simultaneously unlike countries with large trade shares which can concentrate on a few sectors and import requirements in the others. Thus China continues today to import many products and even complete plants in order to have prototypes on which to base expansion of a domestic industry producing the same items.

Changing plan priorities have been reflected in trade patterns in other ways as well. It was the policy of "taking agriculture as the foundation" that led to the large scale import of both grain and chemical fertilizer, a policy that began in the early 1960's and continues unabated today (see Table 2). On the other hand, it is "self-reliance" that accounts for the elimination of petroleum imports and the failure of machinery imports to recover to anywhere near the peak level of 1959.

Changing priorities are particularly evident in the kinds of complete plants imported. In the 1950's imported Soviet plants played a major role in the expansion of the machinery, steel, and electric power industries. In the 1963-1965 period over half the plants imported produced chemical fertilizers and fibers and the same pattern has reemerged during the past year or two after the hiatus of the Cultural Revolution when no complete plants were

**TABLE 2**  
**Commodity Composition of Chinese Imports**  
**(in millions of U.S. dollars)**

	1959	1962	1971	1972
Machinery, equipment and complete plants	1,058	52	495	535
Metals and metal ores	248	62	625	680
Grain	—	327	204	335
Chemical Fertilizer	44	27	180	180
Petroleum	118	81	—	—
Rubber	109	55	58	74
Other	483	546	729	964
TOTAL	2,060	1,150	2,291	2,768

Chinese trade data are obtained from China's trading partners. The process of converting these figures into U.S. dollars introduces some error, but the degree of error is small.

purchased. There is also an attempt to break the bottleneck caused by inadequate steel rolling capacity by importing more rolling equipment including at least one complete plant.

### Implementing the Fourth Plan

Planning, of course, is not only a question of setting priorities. Someone has to put the plans into effect and the process of implementation can itself have a major influence on which industries actually get built. This is clearly the case in China today.

Beginning in the late 1950's China began to decentralize control over industry (agriculture was never very centralized) and by the mid-1960's a high proportion of Chinese industry was under the control of provincial and county planning authorities, not those in Peking. During the Cultural Revolution the ability of these lower level planning authorities was itself weakened largely as a by product of the more general criticism of party cadres everywhere. By the beginning of the Fourth Plan period, however, a major effort was underway to reestablish the importance of "rational" rules and regulations in the operation of industrial and other enterprises, but no attempt has apparently been made to recentralize control in Peking. In fact, the spread of small scale industries has, if anything, further strengthened authorities at the provincial and county levels.

Planning at the top has thus become an exercise in setting general goals or targets some of which are rigorously enforced, but most of which can be adjusted and sometimes even ignored by those in charge of implementation. Thus when one speaks of

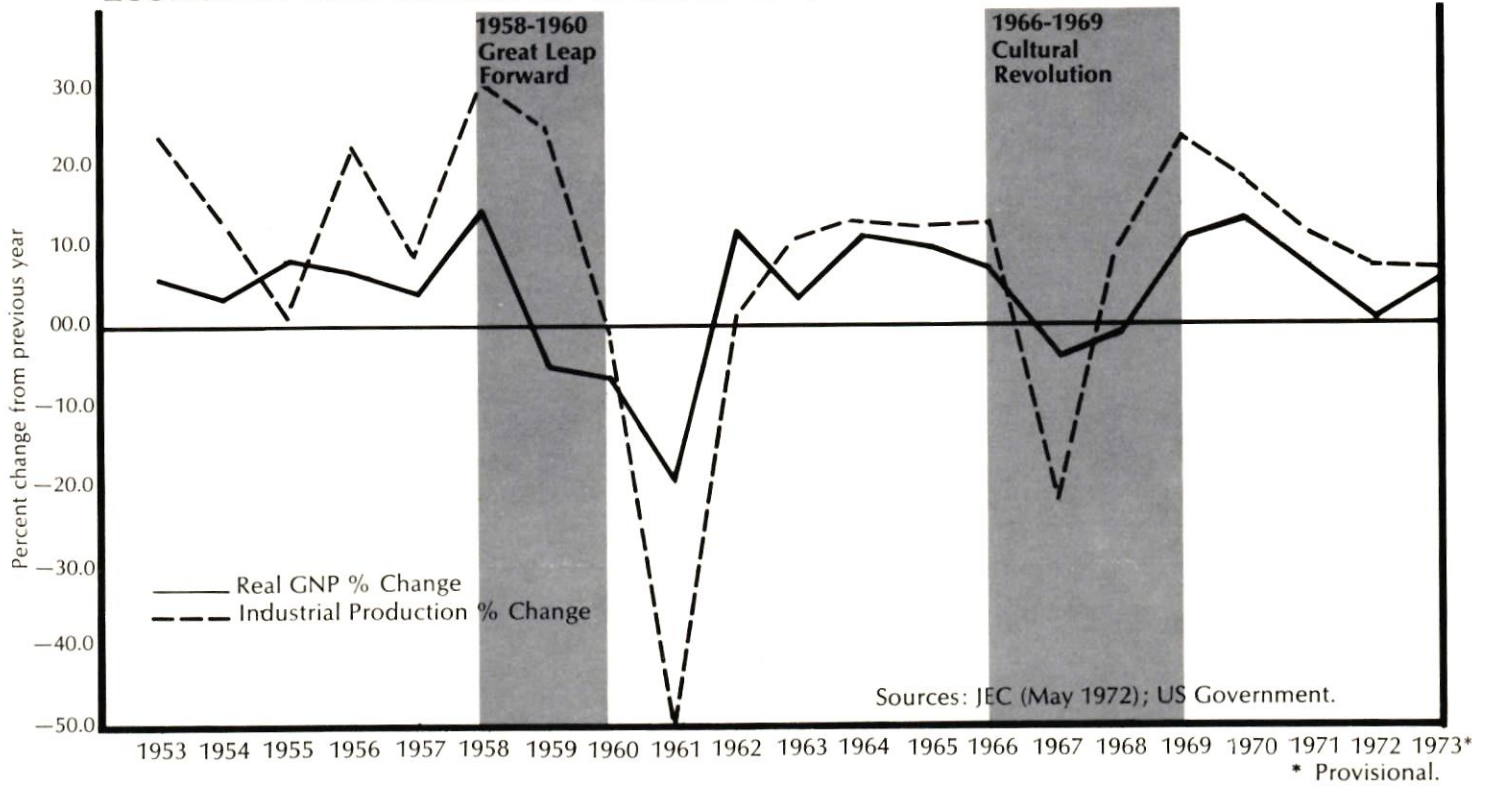
China's Fourth Five-Year Plan, one is not talking so much about a single printed document, but about a process of decision making that is taking place continuously and which involves millions of people at all levels of the government. 完

### Footnotes

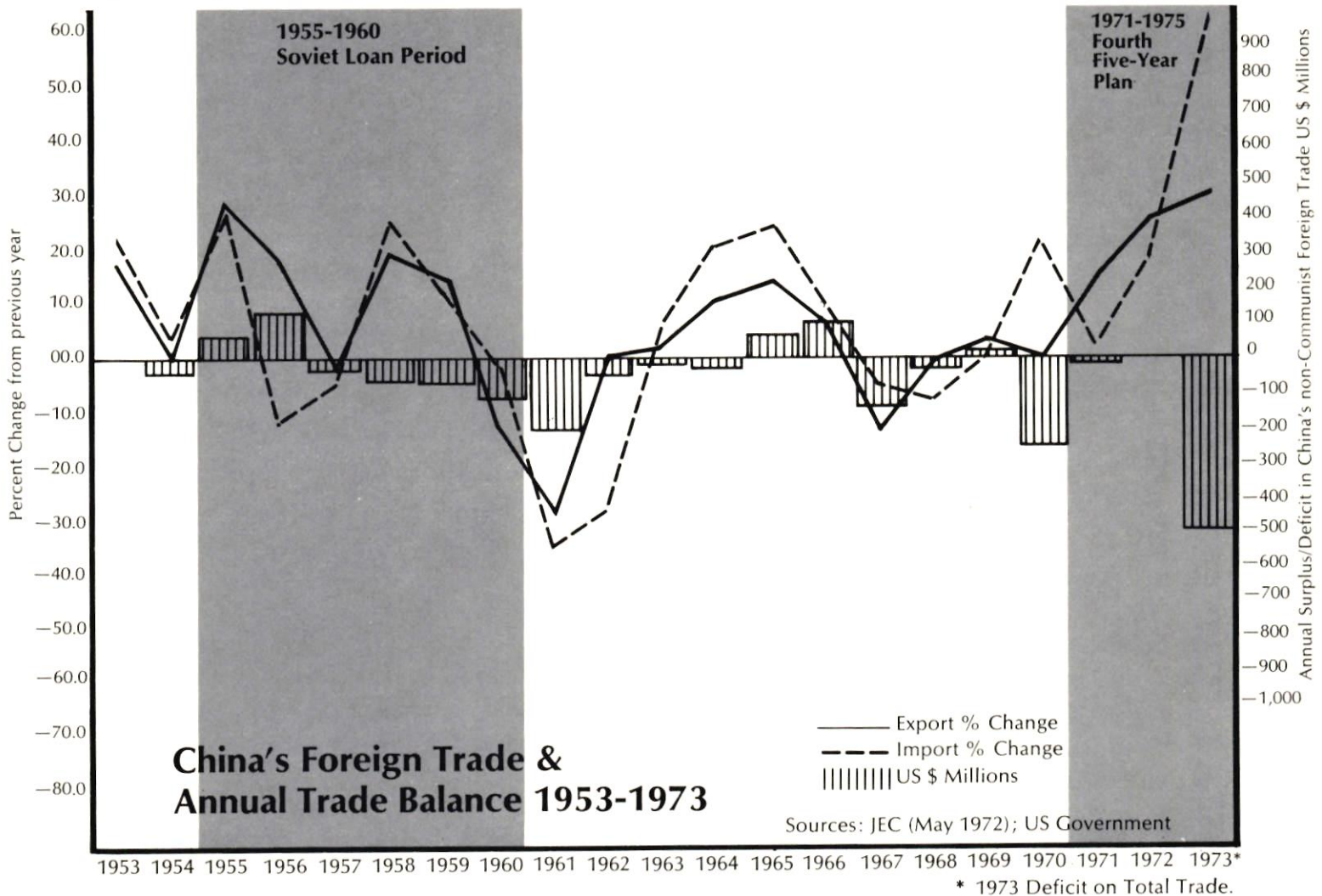
1. State Statistical Bureau, *Ten Great Years*, pp. 57-60.
2. *The Chinese have reported that state investment in agriculture in the 1953-1971 period was 23.4 per cent higher than the agricultural tax in the same period. Because the agricultural tax has remained virtually unchanged since the 1950's, one can use this statement to estimate the size of state agricultural investment.*
3. *No overall investment figures have been published for either the 1960's or 1970's, but data available on growth in the producer goods sector indicates that the rate of investment has risen.*
4. *Peking Review, October 5, 1973, p. 23.*
5. *Foreign Broadcast Information Service (monitoring of Chinese radio, October 5, 1973, p. B2.*
6. *According to an official Chinese source, total investment in China's light industry in the twenty year period, 1951-1970, was only equal to the profit accumulation of light industry in one year.*
7. *Foreign Broadcast Information Service, January 3, 1973, p. B2.*
8. *Foreign Broadcast Information Service, October 5, 1973, p. B3.*



## Economic and Industrial Growth in China 1953-1973



## CHINA'S ECONOMY & TRADE 1953-1973





Hong Kong Looking Toward China

# The China Trader's HONG KONG

*Hong Kong has become more crowded than ever with US businessmen on their way to the twice-yearly Canton Fair and to Peking. For many representatives of US firms, Hong Kong is almost as mysterious as any city in China. What are the China trade connections in Hong Kong? How does one travel from Hong Kong to Canton? How does one obtain a visa for China?*

## **Hong Kong: China Trade Center**

Created by a war fought over China trading rights, the British Crown Colony of Hong Kong has since 1842 served as a window on China and gateway to China trade. Hong Kong remains China's most important link with the West and its primary source of foreign currency exchange.

By far the largest, deepest and most modern port facilities along the China coast are in Hong Kong, which is used extensively for transshipment. Visiting Hong Kong today, you can see the activity generated by the Colony's role as a port, re-export center, buyer of Chinese goods and trans-communications center, a role which continues to expand.

Bilateral trade between China and Hong Kong in 1973 amounted to approximately \$1 billion,\* with the balance overwhelmingly in China's favor; providing China with vital foreign exchange earnings and also supplying Hong Kong with the major portion of its food imports and with a wide range of low-priced consumer goods and raw materials, thus keeping industrial costs down and maintaining Hong Kong products' competitive position worldwide. Total re-exports through Hong Kong amounted to about \$200 million last year.

However, certain barriers to "usual" trade practices exist. Establishment of permanent company offices in China is not permitted, advertising as such is unknown and it is difficult to meet the end-users. Thus Hong Kong serves not only as the principal center for many companies' China trade departments but also as a vantage point from which the Chinese themselves can view Western economies, price structures and trading practices.

As a result, in Hong Kong you can visit the offices of China traders, some active for over a century, as well as China's own banks, department stores, travel, insurance, shipping and State Trading Corporation agencies. Businessmen, particularly

\* All prices and figures are in US dollars unless otherwise specified

*What services are available for the China trader? The article below gives a comprehensive rundown of the facilities Hong Kong has to offer the China Trader. It was prepared in the main by the Publications and Statistics Subcommittee of the China Commercial Relations Committee, American Chamber of Commerce in Hong Kong, to whom the National Council expresses its thanks.*

those en route to or from Kwangchow, can take advantage of the facilities described below.

## **Staying in Hong Kong**

Hong Kong's major hotels, most of which are listed on the accompanying map, exchange leading foreign currencies and accept payment through reliable credit cards. Hotel buses or limousines will meet your plane if you advise them of your flight number and arrival time.

## **U.S. Services in Hong Kong**

A prime source of information is the United States Consulate General, 26 Garden Road, Hong Kong. Officers of its Commercial/Economic Section are knowledgeable about U.S. trade with China, Hong Kong and Southeast Asia and will brief businessmen informally. The Consulate contains a commercial library for the U.S. and regional economies and a reference library on China open mornings. (Tel. (5) 239011; hours 8:30-12:30, 1:30-5:30, Monday-Friday).

Also helpful is the American Chamber of Commerce, 322 Edinburgh House, Hong Kong. Executive Director Herbert L. Minich will share his China trade experience with you and will help you contact those people and organizations you may wish to know. Through the Chamber you may arrange to host breakfast meetings with executives in Hong Kong, as well as briefings and debriefings before or after your China visit. The Chamber distributes literature and information and has a reference library open 9:00-5:00 weekdays, 9:00-1:00 Saturday. (Tel. (5) 234380). Guests are also welcome at the monthly meetings of the China Commercial Relations Committee.

## **Preparing for your visit to Kwangchow**

Only after receiving an invitation to China can you obtain a visa. Otherwise, journeying to Hong

Kong in hopes of securing one is inadvisable.

While in the United States, you can request all visa and travel forms and send them to China Travel Service, or have your Hong Kong office execute formalities, to speed up your visa processing.

Upon arrival in Hong Kong, travelers with invitations or visas should proceed *immediately* to the first floor Passenger Department of China Travel Service, with new premises at 77 Queen's Road, Central, Hong Kong (Tel. (5) 259121; hours 9:00-5:00, Monday-Saturday). CTS is advised of China travelers' names and will issue their visas and make reservations for them, all of which results in at least four days' stay in Hong Kong. It is *essential* to work out your travel plans and determine your destination and length of stay in advance.

CTS Kowloon branch is at 27 Nathan Road (Tel. (3) 660097) and they have a railway station office (Tel. (3) 667201).

Round-trip train tickets Hongkong-Kwangchow cost \$36.60. Departures by train are usually scheduled from Kowloon station at 9:26 a.m., Hong Kong time, with arrival at Kwangchow at 2:50 p.m., China time.

China Travel Service in Hong Kong now has an airline section in its Passenger Department for flights within China. Kwangchow-Shanghai round-trip fares are 300 ¥ (Yuan) and Kwangchow-Peking trips 488 ¥.

## Services in Hong Kong for the China Trader Money and Banking

Most international banks, except American banks, can handle trade transactions with China, either directly or through correspondents. U.S. firms trading with the P.R.C. must establish Letters of Credit through those foreign banks which the Bank of China has appointed to deal with U.S. transactions. Most are represented in Hong Kong:

1. Banco del Lavoro
2. Bank of Montreal
3. Bank of Westminster
4. Banque Nationale de Paris
5. Barclays Bank
6. Credit Suisse
7. National Bank of Pakistan
8. Royal Bank of Canada
9. The Chartered Bank
10. The Hongkong and Shanghai Banking Corporation

As the normalization of US-China relations continues, it is expected that the Bank of China will make similar arrangements with the US banks.

China's currency is the *Renminbi* (RMB), literally "people's currency". Its basic unit is the *Yuan* (¥) which is equivalent to US\$0.50 and contains 10 *Jiao* or 100 *Fen*. Exchange rates are now quoted in Pound

Sterling, U.S. dollars and Hong Kong dollars and are subject to frequent changes. Most recent rates (as of March 26 1974) are RMB 1.9582:US\$ 1; HK\$ 100:RMB 38.7528.

When visiting China, it is advisable for businessmen to take with them Hong Kong or US dollars, which are then converted into RMB within China. Import and export of RMB currency is strictly forbidden.

Traveller's Checks in US dollars are now accepted at the Kwangchow Trade Fair, hotels and all branches of the Bank of China. The Bank of China in Hong Kong will issue a Traveller's Letter of Credit in RMB, which can be negotiated at its branches in China. You can also set up for a Telegraphic Transfer while in China.

## Payment Terms

For exports to China, payment is made by irrevocable Letter of Credit, usually opened by one of the State Trading Corporations through the Bank of China in the P.R.C., in favor of the seller, advised through one of its correspondent foreign banks and payable on presentation of documents. Normally it is not possible to obtain a confirmed Letter of Credit for exports to China. The Bank of China, however, honors its commitments scrupulously.

For imports from China, the terms generally specify an irrevocable Letter of Credit without recourse and is opened by one of the foreign banks maintaining working arrangements with the Bank of China. Negotiations are usually in accordance with international business practice.

The Chinese increasingly insist on using the RMB as the currency of payment rather than foreign currencies. This applies to contracts with U.S. firms.

## Insurance

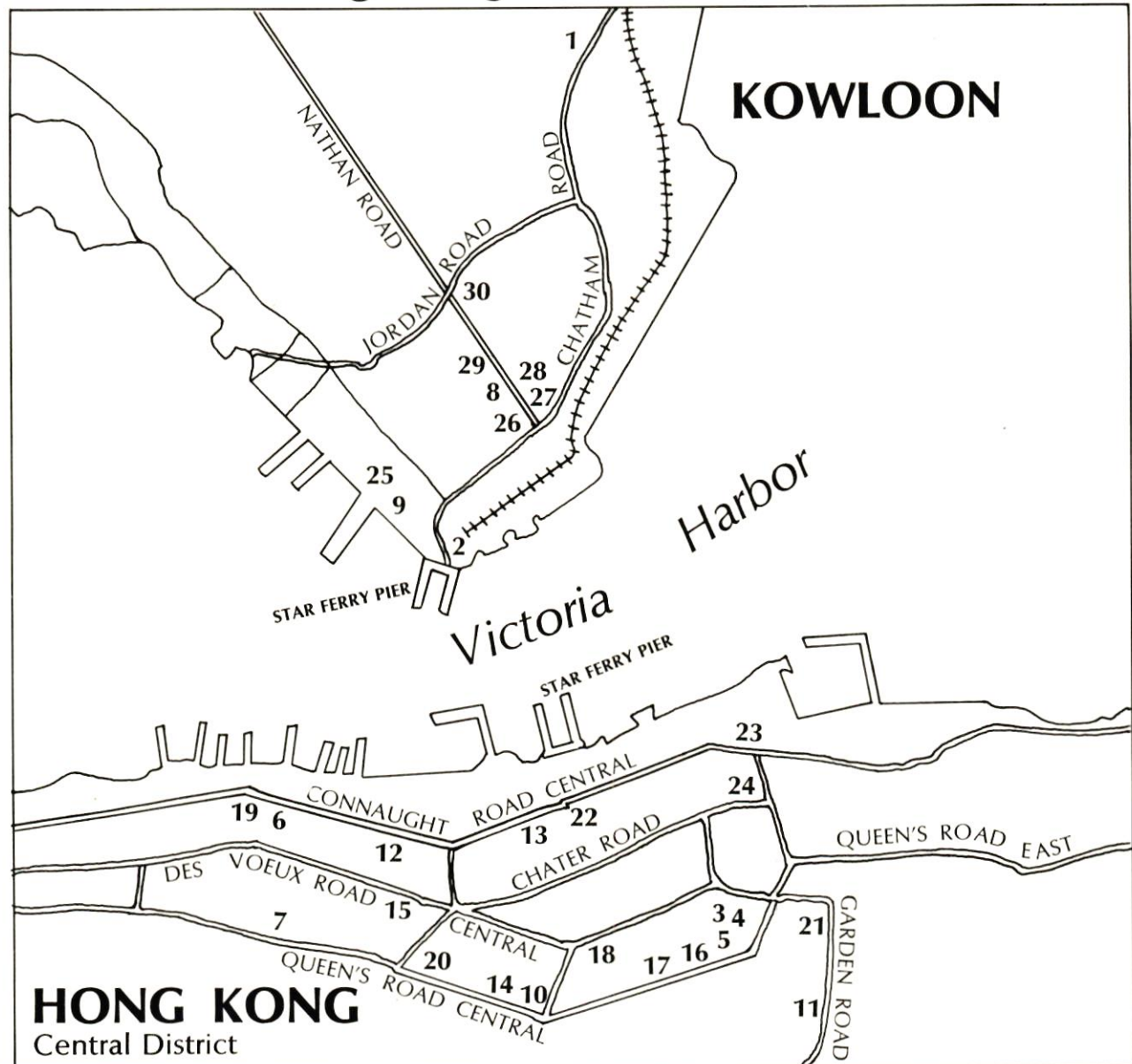
The P.R.C. owns three insurance companies in Hong Kong, the most important being China Insurance Co. Ltd., Bank of China Building, 3rd Floor, Hong Kong (Tel. (5) 243141). Along with its P.R.C.-based affiliate, this company maintains agencies around the world. It is in a position to cover marine, land and air insurance for all movement of goods between China and all overseas markets. Understandably the premiums charged depend on the products, packaging and means of transportation.

## Shipping

The operating arm in Hong Kong of China National Chartering Corp. and China National Foreign Trade Transport Co. is Farenco, the Far East Enterprising Co. (H.K.) Ltd., with offices on the 5th Floor of the Bank of China (Tel. (5) 242161).

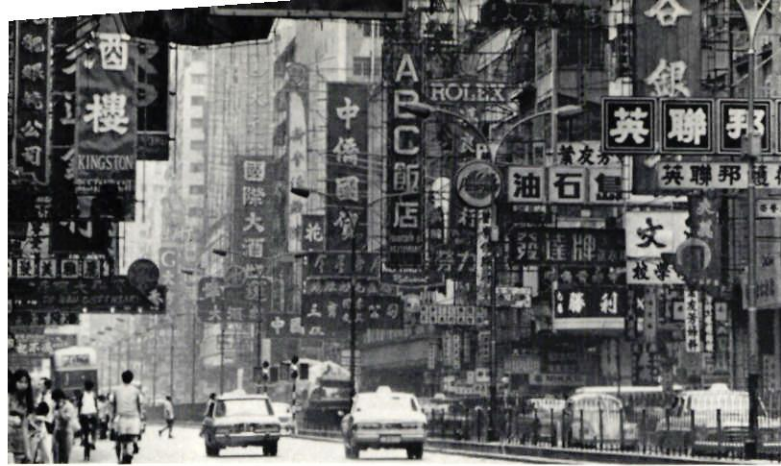
Among those with offices in Hong Kong having connecting carrier agreements for North America with China are: Sea-Land, Lykes Lines, A.P.L., and States Steamship Company.

# Hong Kong and Kowloon



## INDEX TO MAP OF HONG KONG AND KOWLOON

- |   |  |  |
|---|--|--|
| 1. Airport Terminal                           | 15. First National City Bank                                 | 23. The Excelsior                              |
| 2. Tsimshatsui (Kowloon) Railway Station      | Solar House, 28 Des Voeux Road, Central, Hong Kong (5)249121 | Causeway Bay, Hong Kong (5)767365              |
| 3. ) Bank of China                            | Soon to relocate to:   | 24. Furama Hotel                               |
| ) China Resources Company                     | Citibank Towers, Queen's Road, Central, Hong Kong (5)239121  | 1 Connaught Road, Central, Hong Kong (5)255111 |
| 4. ) Ng Fung Hong                             | 16. The Hongkong & Shanghai Banking Corp.                    | 25. The Hong Kong Hotel                        |
| 5. ) Bank of China Building, Hong Kong        | 1 Queen's Road, Central, Hong Kong (5)222011                 | Canton Road, Kowloon (3)676011                 |
| 6. Teck Soon Hong Ltd., Hua Yuan Co.          | 17. The Chartered Bank                                       | 26. The Peninsula                              |
| 37 Connaught Road, Central, Hong Kong         | 4 Des Voeux Road, Central, Hong Kong (5)224011               | Salisbury Road, Kowloon (3)666251              |
| 7. China Travel Service                       | 18. The Bank of East Asia Ltd.                               | 27. Sheraton Hong Kong Hotel                   |
| 77 Queen's Road, Central, Hong Kong           | 10 Des Voeux Road, Central, Hong Kong (5)240051              | Nathan and Salisbury Road, Kowloon (3)691111   |
| 8. China Travel Service                       | 19. Hang Seng Bank Ltd.                                      | 28. Ambassador Hotel Ltd.                      |
| 27 Nathan Road, Kowloon                       | 77 Des Voeux Road, Central, Hong Kong (5)255011              | Middle Road, Kowloon (3)666321                 |
| 9. Chinese Arts & Crafts (H.K.) Ltd.          | 20. Banque Nationale de Paris                                | 29. Hyatt Regency Hong Kong                    |
| Star House, Kowloon                           | Central Building, Hong Kong (5)246081                        | Nathan and Peking Roads, Kowloon (3)662321     |
| 10. American Chamber of Commerce in Hong Kong | 21. Hongkong Hilton Hotel                                    | 30. Hotel Miramar                              |
| 322 Edinburgh House, Hong Kong                | 2 Queen's Road, Central, Hong Kong (5)233111                 | Nathan and Kimberley Roads, Kowloon (3)681111  |
| 11. U.S. Consulate General                    | 22. Mandarin Hotel   |  |
| 26 Garden Road, Hong Kong                     | Connaught Road, Central, Hong Kong (5)220111                 |  |
| 12. Chinese General Chamber of Commerce       |  |  |
| 24 Connaught Road, Central, Hong Kong         |  |  |
| 13. Bank of America N.T. & S.A.               |  |  |
| Ice House Street & Chater Road                |  |  |
| St. George's Building, Hong Kong (5)236181    |  |  |
| 14. Chase Manhattan Bank                      |  |  |
| 15 Queen's Road, Central, Hong Kong (5)248111 |  |  |



HK Tourist Association

Hong Kong: the Mongkok District of Kowloon.

## Translation

Tread carefully in this territory, since inappropriate translation can cause embarrassment and even loss of orders. Due to the complexity of the Chinese language, Chinese officials' sensitivity to political terminology and the fact the P.R.C. uses new, simplified characters; you should deal only with experts. Two reputable independent firms specializing in export promotion are: China Translation & Printing Services (CPTS), G.P.O. Box 14013, Hong Kong (Tel. (5) 521990), and China Consultants International Ltd., 53 Printing House, Hong Kong Tel. (5) 246515). The National Council also provides complete translation services into modern, simplified Chinese at its Washington DC offices.

## Secretarial

Prices are approximately \$3-\$4 hour for a typist and \$4-\$6 hour for a secretary. Available services include:

*Hotels:* Peninsula, Mandarin, Excelsior and Hong Kong Hotel offer secretarial services, 9:00-5:00. Hilton has no facilities.

Sara Beattie Appointments Ltd.  
9 Ice House Street, 4th Floor, Hong Kong  
Tel. (5) 256331  
Available any time.

Man Power Inc.  
Room 407, D'Aguilar Place  
D'Aguilar Street, Hong Kong  
Tel. (5) 235141  
Available any time.

## China trade briefings and advisory services

Aside from services already mentioned, several companies in Hong Kong provide advisory and research services. Some with practical experience in the PRC market are:

Business International  
Asian House, 3rd Floor

1 Hennessy Road, Hong Kong

Tel. (5) 276524

Mobius Research

4 Queen Victoria Street, Hong Kong

Tel. (5) 241621, (5) 243231

You may also wish to contact such China specialists as the Bank of America's Asia Representative, the First National City Bank's economists, or other banks.

For legal advice, the following affiliated firms have experience in drafting contracts and advice pertaining to legal matters with reference to the P.R.C.:

Phillips & Vineberg

Bank of Canton Building, Hong Kong

Tel. (5) 251202

Coudert Bros.

Bank of Canton Building, Hong Kong

Tel. (5) 220191

## Libraries for sources of China trade information

American Consulate General (see above)

American Chamber of Commerce in Hong Kong  
(see above)

Business International (see above)

## Hong Kong-based China trade companies

Among those active, and representing some American and European firms are:

Fidelity Mercantile Co.  
9 Ice House Street, Rm 911-921  
Hong Kong  
Tel. (5) 240004

Jardine Matheson & Co. Ltd.  
Jardine House, 14th Floor  
Des Voeux Road, Central, Hong Kong  
Tel. (5) 228011  
Has San Francisco office.

Jebsen & Co. Ltd.  
23 Prince's Building, Hong Kong  
Tel. (5) 225111

East Asiatic Co. Ltd.  
Connaught Center, 19th Floor, Hong Kong  
Tel. (5) 223016  
Has New York office.

Hutchinson & Co. Ltd.  
Union House, Hong Kong  
Tel. (5) 242101

Active primarily in purchases from China.

The American Chamber of Commerce in Hong Kong has knowledge of American firms trading with China.

## P.R.C. Agencies in Hong Kong

China's interests in Hong Kong are well represented

by the following groups of leading official, semi-official and private organizations or firms.

### **Direct P.R.C. Contacts**

Bank of China (Hong Kong Branch)  
Bank of China Building, Hong Kong  
Tel. (5) 234191

Handles banking arrangements for transactions with the P.R.C. with offices also in London and Singapore. Correspondent relations do not include U.S. banks as yet.

China Resources Company  
Bank of China Building  
11th Floor, Hong Kong  
Tel. (5) 235011

Their Industrial Products & Minerals Department handles business entrusted to it by:

- (a) China National Machinery Import & Export Corp.
- (b) China National Chemicals Import & Export Corp.
- (c) China National Metals & Minerals Import & Export Corp.
- (d) China National Textile Import & Export Corp.

Ng Fung Hong  
Bank of China Building  
3rd Floor, Hong Kong  
Tel. (5) 222218

Agent for China National Cereals, Oils and Foodstuff Import & Export Corp.

Teck Soon Hong Ltd.  
37 Connaught Road, Central, Hong Kong  
Tel. (5) 456041

Agent for China National Native Produce and Animal Byproducts Import & Export Corp., and China National Light Industrial Products Import Export Corp.

Hua Yuan Co.  
37 Connaught Road, Central, Hong Kong  
Tel. (5) 225061

Agent for China National Light Industrial Products Import & Export Corp., and China National Native Produce and Animal Byproducts Import & Export Corp.

### **Indirect P.R.C. contacts**

Commerce and trade organization:  
Chinese General Chamber of Commerce  
24 Connaught Road, Central, Hong Kong  
Tel. (5) 228304

### **Book Stores and P.R.C. Publications**

Commercial Press Ltd.  
35 Queen's Road, Central, Hong Kong  
Tel. (5) 221734

US executives may find it helpful to read the latest copy of *Trade and Tours* magazine and *S.C. Tao's Guide to China* (Marco Polo Publications), available here. Chinese publications also found at:

Swindon Book Co.  
13 Lock Road, Kowloon  
Tel. (3) 668033

### **Merchandise Retailing**

For your first exposure to P.R.C. merchandise and prices, you should visit:

Chinese Arts & Crafts (H.K.) Ltd.  
Star House, Kowloon  
Tel. (3) 674061

The Chinese Merchandise Emporium Ltd.  
92 Queen's Road, Central, Hong Kong  
Tel. (5) 241051

Yue Hwa Chinese Products Emporium Ltd.  
300 Nathan Road, Kowloon  
Tel. (3) 305311

and a branch on the opposite corner of Nathan Road across Jordan Road.

### **Restaurants popular with P.R.C. officials**

Metropole Restaurant and Night Club (Cantonese)  
436 King's Road, North Point, Hong Kong  
Tel. (5) 630221

Golden Crown Restaurant Ltd. (Cantonese)  
66 Nathan Road, Kowloon  
Tel. (3) 666291

Peking Restaurant (Tung Hing Lau) (Peking)  
144 Gloucester Road, Wanchai, Hong Kong  
Tel. (5) 754212

Siam Bird's Nest Restaurant (Chiu Chow)  
55 Paterson Street, Causeway Bay, Hong Kong  
Tel. (5) 775436

### **Preparing for Kwangchow in Hong Kong What to buy or bring**

One bottle of your favorite alcoholic beverage  
Transistor radio  
Insect spray  
220-volt reading lamp with adaptable plug and bright bulbs  
More than enough film  
Good books  
Necessary toilet articles and medicines

### **Setting up trade support services**

In your U.S. office and in Hong Kong, it is also recommended to equip yourself for resolving negotiations on the spot, without reference to "headquarters". This means you should prepare somewhat more thoroughly than when you are negotiating in countries with instant communications, which necessarily involves prior review and briefing

at headquarters level on terms which will require negotiations.

## Communications

Hong Kong has three main "area codes": 3 for Kowloon, 5 for Hong Kong Island and 12 for the New Territories; these are not necessary within an area. Book calls to the U.S. from Hong Kong or Kwangchow several hours in advance.

### HK-U.S.

First three minutes	Each additional minute
\$14.40, person-to-person	\$3.20
9.80, station calls	3.20

### HK-Kwangchow

First three minutes	Each additional minute
\$1.98, person-to-person	\$0.44
1.32, station calls	0.44

No Letter Telegrams (LT) are available from Hong Kong to China. Kwangchow cable addresses can be registered in Kwangchow, and it is suggested that your firm's Hong Kong office handle cable exchanges, since costs from China direct to the U.S. are quite high.

Commercial code is acceptable from Kwangchow, but you may have to decode on demand—or translate from languages other than English—at the telegraph office. You may wish to advise your Hong Kong office by cable of your hotel room number. Cables may be sent directly to Kwangchow's Tung Fang Hotel, where most Americans stay (Tel. 33070).

### Cable rates:

HK-U.S., \$0.35/word, minimum 7 words
HK-Kwangchow, \$0.18/word, minimum 7 words
HK-Kwangchow or elsewhere in China, Plain Chinese four figure code, \$.09/word

There is no telex in Kwangchow, but a link should be established by the 1974 Autumn Trade Fair.

### Telex rates:

HK-U.S., \$3.60/minute, minimum one minute
HK-Peking, \$6.90 First three minutes, \$2.30 each additional minute. 完

COMPANY NAMES LISTED IN THIS REPORT DO NOT CONSTITUTE AN ENDORSEMENT BY THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG OR THE NATIONAL COUNCIL.

## U.S. PORT REPRESENTATIVES IN HONG KONG AND THE FAR EAST

### BALTIMORE

Robin E. Routley  
1105 Tak Shing House  
Des Voeux Road, Central  
Hong Kong  
(5) 250131

### BOSTON

Y. H. Matsui  
Mass. Port Authority  
Room 1211 World Trade Center Bldg.  
3-5 Shiba, Hamatsu-cho  
Minato-Ku, Tokyo, Japan

### NEW ORLEANS

Y. N. Shen  
H.K. Trade Director  
108 Tak Shing House  
20 Des Voeux Road, Central  
Hong Kong  
(5) 251910  
Telex: HX-3477 Field Co.  
Cable: Centro Port

### NEW YORK

### NEW JERSEY

William C. Gibson  
Pacific Far East Trade  
Development Office  
Kokusai Bldg., Room 838  
12, 3-Chome  
Marunouchi, Chiyoda-Ku  
Tokyo, Japan  
213-2856

### SAN FRANCISCO

Aloysius W. Choi  
Far East Representative  
Port of San Francisco  
K.P.O. Box 585  
Seoul, Korea  
27-2501-2

### SEATTLE

Dwight E. Scarbrough  
Regional Manager  
113 Alexandra House  
Hong Kong  
(5) 259077



# AIRLINE CONNECTIONS FROM THE US TO HONG KONG

Times shown are local

Airline and Flight Number Frequency *	NW 7 (3)(5)(6)(7)	PA 801 Daily	TW 745 Daily	TW 743 Daily	TW 9 (2)	PA 1 Daily
New York (Dep.)	10.00	10.20				
Seattle (Dep.)	13.45					
San Francisco (Dep.)			08.45	19.35	09.30	
Los Angeles (Dep.)			11.30	21.50		08.45
Hong Kong (Arr.)	22.15 +1	21.45 +1	22.45 +1	12.40 +2	22.15 +1	22.25 +1

\* (1) Monday (2) Tuesday (3) Wednesday (4) Thursday (5) Friday (6) Saturday (7) Sunday

## KOWLOON to LO WU

6 Local	8 Local	10 Local	12 Local	14 Local	Station	13 Local	15 Local	17 Local	19 Local	21 Local
8.38	9.26	10.34	11.43	12.53	Kowloon	12.22	13.09	14.24	15.34	16.41
↓	↓	↓	↓	↓		↑	↑	↑	↑	↑
9.43	10.30	11.38	12.46	13.58	Lo Wu *	11.14	12.02	13.12	14.25	15.33
					(for Shum Chun)					

\* Border formalities normally require approximately 1½ hours to complete. Trains 8 and 10 Lo Wu bound and 13 and 15 Kowloon bound offer the best connections to and from Shumchun-Kwangchow expresses.

## CANTON CONNECTIONS

## RAIL CONNECTIONS FOR KWANGCHOW

### SHUMCHUN (Hong Kong Border) to KWANGCHOW

302 Or.	92 Ex.	94 Ex.	Station	93 Ex.	91 Ex.	301 Or.
15.30	13.05	11.05	Shumchun (Hong Kong border)	9.30	10.05	14.00
↓	↓				↑	↑
		11.41		8.53		
		11.46	Chiongmutoo	8.48		
		12.12		8.23		
		12.19	Shihlong	8.15		
19.50	14.50	13.10	Kwangchow	7.25	8.25	9.15

### KWANGCHOW to SHANGHAI

50 Ex.	Station	Ex. 49
8.40	Kwangchow	17.35
18.25		7.47
18.40	Hengyang	7.30
15.18		11.48
15.30	Hangchow	11.36
18.47	Shanghai	8.48

### KWANGCHOW to PEKING

16 Ex.	48 Ex.	Station	47 Ex.	15 Ex.
19.55	21.55	Kwangchow	13.45	7.15
8.03	11.09		23.52	18.51
8.17	11.23	Changsha	23.38	18.29
14.12	18.05		16.58	12.33
14.27	18.27	Hankow	16.44	12.19
21.58	2.55		8.33	4.51
22.13	3.12	Chengchow	8.17	4.36
7.50	13.30	Peking	21.55	19.10

(There is a day between most stops)

## AIRLINE CONNECTIONS FOR KWANGCHOW

All flight reservations must be made via China Travel Service (CTS). Visas should also be checked with CTS.

PEKING-KWANGCHOW						PEKING-CHANGSHA					KWANGCHOW-PEKING					CHANGSHA-PEKING				
Flight Number Frequency *	131 (1)(3)(4)(6)	133 (2)(5)(7)	139 (8)	181 (7)	135 (2)(5)(7)	Flight Number Frequency *	132 (1)(3)(4)(6)	134 (2)(6)(7)	140 (5)	182 (7)	136 (2)(5)(7)	Flight Number Frequency *	132 (1)(3)(4)(6)	134 (2)(6)(7)	140 (5)	182 (7)	136 (2)(5)(7)			
Peking (Dep.)	13.15	8.50	8.45	7.55	9.05	Kwangchow (Dep.)	17.45	12.45		13.35	16.35	Kwangchow (Dep.)	17.45	12.45		13.35	16.35			
Shanghai (Arr.)					10.50	Changsha (Arr.)						Changsha (Arr.)								
Hangchow (Arr.)				9.40	12.05	Hangchow (Dep.)			13.30	15.20		Hangchow (Dep.)				15.20				
Changsha (Arr.)			12.10	10.35		Shanghai (Dep.)		14.50		16.15		Shanghai (Dep.)		14.50		16.15				
Kwangchow (Arr.)	16.00	11.35		12.20	14.10	Kwangchow (Arr.)	20.40	17.50	16.55	18.00	19.30	Kwangchow (Arr.)	20.40	17.50	16.55	18.00	19.30			

\* (1) Monday (2) Tuesday (3) Wednesday (4) Thursday (5) Friday (6) Saturday (7) Sunday

# THE COUNCIL AND THE SPRING 1974 KWANGCHOW FAIR

Council services to American businessmen, begun in the Fall, 1973, will be continued at the Chinese Export Commodities Fair in Kwangchow (Canton) between April 15 and May 15.

The Council will maintain a full-time office in the Tung Fang Hotel, offering members extensive consultation services, the use of IBM electric typewriters, 3M Company photocopying equipment, a calculating machine, and access to a commercial library containing useful reference works on tariff and trade matters, including the tariff schedules and regulations of the Bureau of Customs, the Department of Agriculture and the Food and Drug Administration.

Members wishing to communicate with their representatives, with the Council, with the Chinese or with other Americans at the Fair, may cable directly to the National Council office in Canton: USCHINTRAD KWANGCHOW PEOPLES REPUBLIC OF CHINA, a Council cable address which is effective throughout each Fair. Likewise, members may direct mail for Americans to the Council's care at the Tung Fang Hotel, Kwangchow.

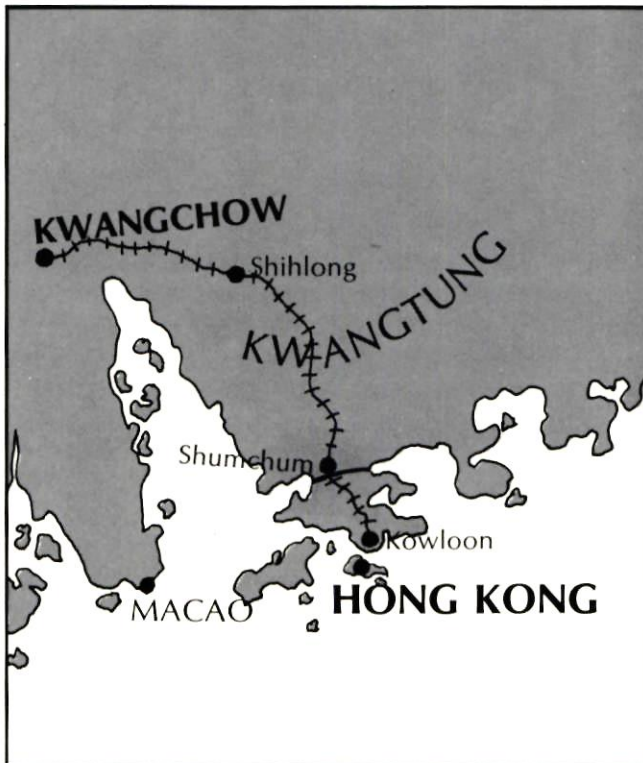
Other Council plans for members at the Fair include:

- a series of private business meetings between American Fairgoers and officials of the Fair;
- a series of 16mm and cassette film presentations on technical subjects from member firms to Chinese officials from the relevant Foreign Trade Corporations;
- informal meetings with the Chinese negotiators to permit exchange of views sometimes not possible in formal business sessions;
- arrangement of appointments and accompaniment of American businessmen to Fair meetings by request;
- assistance in securing, by telephone or cable, market or regulatory other information needed by businessmen from United States sources;
- maintenance of a news service, by shortwave radio and periodicals and newspapers;
- meetings with the senior officials of each of China's Foreign Trade Corporations to discuss delegation exchanges and other trade promotion activities with the Council members.

In addition, the Council expects once again to complete an inventory, including photographs and catalogues, of all major items displayed at the Fair for later publication as a Special Report to members.

Council representatives at the Fair will be Eugene A. Theroux, Council Vice President and an attorney who attended the Spring 1973 Fair for the international law firm of Baker & McKenzie. He represented the National Council at the Fall 1973 Fair. Working with Mr. Theroux will be George Driscoll, who recently joined the Council staff from private business. Mr. Driscoll was formerly Acting Director of the China Division of the United States Department of Commerce.

Hong Kong and Canton



## TUNING IN

In Kwangchow, a transistor radio receives the Voice of America in English at 11.76 on the 25 meter band or 17.895 on the 16 meter band. The Breakfast Show is heard from 8:00 A.M. to noon; evening news at 9:00, 10:00 and 11:00 P.M., Kwangchow time. Radio Hong Kong broadcasts English news at 545 MH, medium wave, at 8:45 A.M., 2:00 and 7:00 P.M.; and the BBC World News at 8:00 and 10:00 A.M., 8:00 and 11:00 P.M., Kwangchow time.

## ECONOMIC INDICATORS FOR CHINA

Key Indicators	1952	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*	
GNP (billion in constant 1972 \$) .....	64	88	102	98	94	79	88	93	103	114	122	119	118	130	147	159	161	172	
Population, mid-year (millions)	570	641	657	672	685	695	704	716	731	747	763	780	798	817	837	857	878	899	
Per capita GNP (1972 \$) ....	112	138	156	146	137	113	125	131	141	153	160	152	147	159	176	185	184	191	
Industrial production index (1957=100) .....	51	100	131	166	163	109	111	123	140	159	181	149	164	202	240	271	294	319	
<b>Agricultural</b>																			
Grain (million metric tons) ...	154	185	200	165	160	160	180	185	195	210	215	230	215	220	240	246	236	250	
Cotton (million metric tons) .	1.3	1.6	1.7	1.2	0.9	1.0	1.2	1.3	1.6	1.9	1.8	2.2	2.0	1.9	2.0	2.2	1.9	2.3	
Chemical fertilizers (million metric tons) .....																			
Supply .....	0.4	1.9	3.0	3.1	3.5	2.5	3.1	5.1	5.4	8.0	9.9	10.2	12.2	15.4	18.3	21.2	24.1	28.9	
Production .....	0.2	0.8	1.4	1.9	2.5	1.5	2.1	3.1	4.2	5.7	7.4	5.9	8.2	11.3	14.0	16.9	19.9	24.8	
Imports .....	0.2	1.1	1.6	1.2	1.0	1.0	1.0	2.0	1.2	2.3	2.5	4.3	4.0	4.1	4.3	4.3	4.2	4.1	
<b>Industrial Production</b>																			
Crude steel (million metric tons) .....	1.35	5.35	8.0	10	13	8	8	9	10	11	13	10	12	15	18	21	23	25	
Coal (million metric tons) ....	66.5	130.7	230	300	280	170	180	190	200	220	240	190	205	258	310	335	357	378	
Electric power (billion kilowatt hours) .....	7.3	19.3	28	42	47	31	30	33	36	42	50	45	50	60	72	85	93	101	
Crude oil (million metric tons)	0.44	1.46	2.3	3.7	5.3	5.2	5.8	6.4	8	10.8	14	14	15	20.3	28.5	36.7	43	53	
Cement (million metric tons)	2.86	6.86	9.3	10.6	9.0	6.0	5.6	6.9	9.0	11.2	12.9	11.0	11.3	13.0	13.3	13.8	14.8	15.4	
Machine tools (thousand units)	13.7	28.3	30	33	38	30	25	35	38	44	48	40	40	45	50	55	60	65	
Trucks (thousand units) .....	0	7.5	16.0	19.4	15	1	14	16	26	34	47	34	31	60	70	86	100	110	
Locomotives (units) .....	20	167	350	500	600	100	25	25	25	50	140	200	240	260	280	200	220	240	
Freight cars (thousand units)	5.8	7.3	11	17	23	3	4.0	5.9	5.7	6.6	7.5	6.9	8.7	11	12	14	15	16	
Cotton cloth (billion linear meters) .....	3.83	5.05	5.7	7.5	5.8	4.0	4.2	4.5	4.9	5.4	6.0	4.8	4.8	6.5	7.5	7.5	7.5	7.5	
<b>Foreign Trade</b> (billion current \$)																			
Total .....	1.89	3.06	3.76	4.29	3.99	3.02	2.68	2.77	3.22	3.88	4.24	3.90	3.76	3.86	4.29	4.72	5.83	8.5	
Exports f.o.b. ....	0.88	1.62	1.94	2.23	1.96	1.53	1.53	1.57	1.75	2.04	2.21	1.95	1.94	2.03	2.05	2.41	3.06	4.0	
Imports c.i.f. ....	1.01	1.44	1.82	2.06	2.03	1.49	1.15	1.20	1.47	1.84	2.03	1.95	1.82	1.83	2.24	2.31	2.77	4.5	

U.S. Government Sources

\*Preliminary.

## 76 Chinese visits to American Companies, 1972-73

These visits were nearly all by Chinese scientific, professional or cultural groups, or in connection with specific sales of plant and equipment, such as those to Boeing and Kellogg. The first visits sponsored by the National Council of Commercial Officials at the Liaison Office began in November 1973. This list is not all inclusive.

COMPANY	FACILITY	CHINESE GROUP	DATE
American Airlines	New York, N.Y., Sabre Reservation Center	Computer Delegation	19 Oct 73
Associated Press	New York, N.Y.	Journalists Delegation	18 May 73
Bayshore Foods	Hurlock, Md.	Commercial Officials, Liaison Office	28 Nov 73
Beckman Instruments	Fullerton, Calif.	Insect Hormone Delegation	17 July 73
Bell Laboratories	Holmdel, N.J.	Computer Delegation	22 Oct 73
Bell Laboratories	Holmdel, N.J.	Scientific Delegation	27 Nov 72
Bendix Avionics	Ft. Lauderdale, Fla.	Civil Aviation Administration of China (CAAC)	April 1973
Bibb Company	Kamellia Textile Plant, Ga.	Journalists Delegation	28 May 73
Boeing Company	Seattle, Wash.	CAAC	23 Feb 73-Present
Boeing Company	Seattle, Wash.	CAAC (Electronics Technicians)	2 Mar-22 Aug 73
Bolt, Beranek and Newman	Cambridge, Mass.	Computer Delegation	11 Oct 73
Campbell's Soups	Camden, N.J.	Gymnastics Team	23 May 72
CBS	New York, N.Y.	Journalists Delegation	19 May 73
Chase Manhattan Bank	New York, N.Y.	Journalists Delegation	21 May 73
Chase Manhattan Bank	New York, N.Y.	Computer Delegation	19 Oct 73
Chrysler	Detroit, Mich.	Ping Pong Team	13 April 72
Comsat	Washington, D.C.	Satellite Communications Group	9-13 July 73
Control Data Corporation	Minneapolis, Minn.	Computer Delegation	23-24 Oct 73
Corning Glass	Corning, N. Y.	Technical Import Corp. Officials	27 Dec 73
Corning Glass	State College, Pa.	Technical Import Corp. Officials	28 Dec 73
Digital Equipment Company	Boston, Mass.	Computer Delegation	12 Oct 73
Dragon Lady Traders	New York, N.Y.	Commercial Officials, Liaison Office	17 Dec 73
Du Pont	Wilmington, Del.	Commercial Officials, Liaison Office	18 Dec 73
Fairchild Camera and Instrument	Mountain View, Calif.	Computer Delegation	9 Nov 73
Finnigan Corporation	Sunnyvale, Calif.	Insect Hormone Delegation	16 July 73
Ford Motor Company	River Rouge, Mich.	New China News Agency	August 1972
Ford Motor Company	Chicago, Ill.	Journalists Delegation	4 June 73
Giant Foods	Jessup, Md.	Commercial Officials, Liaison Office	2 Nov 73
Hewlett-Packard	Palo Alto, Calif.	Scientific Delegation	12 Dec 72
Hewlett-Packard	Palo Alto, Calif.	Insect Hormone Delegation	16 July 73
Hewlett-Packard	Palo Alto, Calif.	Computer Delegation	8 Nov 73
High Voltage and Engineering Co.	Burlington, Mass.	Journalists Delegation	24 May 73
Honeywell	Boston, Mass.	Computer Delegation	15 Oct 73
Huber Corporation	Kaolin Mines, Ga.	Journalists Delegation	28 May 73
IBM	Yorktown, N.Y., Watson Research Center	Scientific Delegation	28 Nov 72
IBM	Yorktown, N.Y., Watson Research Center	Computer Delegation	16 Oct 73

IBM	Homestead, N.Y.	Computer Delegation	17 Oct 73
IBM	San Jose, Calif.	Computer Delegation	8 Nov 73
ICD-Group	New York, N.Y.	Commercial Officials, Liaison Office	19 Dec 73
Johnson Publishing Company	Chicago, Ill.	Librarian Delegation	22 Oct 73
M.W. Kellogg Company	Houston, Tex.	China National Technical Import Co. Officials	December 1973
Leasing Machine Corporation	New York, N.Y., AMI Division	Medical Delegation	6 Dec 73
Litton Industries	Los Angeles, Calif.	China National Machinery Import and Export Corp. Officials	28-29 July 73
Minnesota Mining and Manufacturing	St. Paul, Minn.	Computer Delegation	25 Oct 73
Monsanto	St. Louis, Mo.	Commercial Officials, Liaison Office	20 Nov 73
Monsanto	Akron, Ohio	Commercial Officials, Liaison Office	21 Nov 73
NAICTO	New York, N.Y.	United Nations Officials	11 Sept. 72
New York Times	New York, N.Y.	Journalists Delegation	22 May 73
New York Times	New York, N.Y.	Librarian Delegation	10 Oct 73
New York Stock Exchange	New York, N.Y.	Journalists Delegation	21 May 73
J. C. Penney	Garden City, N.Y. Retail Store	Commercial Officials, Liaison Office	19 Dec 73
Perkin Elmer Corporation	Norwalk, Conn.	Insect Hormone Delegation	3 July 73
Pratt and Whitney	Hartford, Conn.	CAAC	23 April
RCA	Princeton, N.J., Sarnoff Research Center	Scientific Delegation	1 Dec 72
RCA	Indianapolis, Indiana	Technical Import Corp., Officials	December 1973
RCA	Ohio	Technical Import Corp., Officials	December 1973
RCA	Pennsylvania	Technical Import Corp., Officials	December 1973
RCA	Princeton, N.J., Sornoff Research Center	Technical Import Corp., Officials	December 1973
RCA	New York, N.Y., Corporate Headquarters	Technical Import Corp., Officials	December 1973
Schroder Bank	New York, N.Y.	Journalists Delegation	21 May 73
Stanford Research Institute	Menlo Park, Calif.	Computer Delegation	5 Nov 73
Stauffer Chemical Corporation	Richmond, Calif.	Insect Hormone Delegation	18 July 73
Texas Instruments	Dallas, Tex.	Computer Delegation	29-30 Oct 73
U.S.-China Trade Corp.	New York, N.Y.	Commercial Officials, Liaison Office	19 Dec 73
Univac	Minneapolis, Minn.	Computer Delegation	25 Oct 73
United Airlines	San Francisco, Calif., Maintenance Base	CAAC	25 Sept. 73
United Press International	New York, N.Y.	Journalists Delegation	22 May 73
Urban Systems Research & Engineering	Cambridge, Mass.	Insect Hormone Delegation	5 July 73
Varian Associates	Palo Alto, Calif.	Insect Hormone Delegation	16 July 73
Wall Street Journal	New York, N.Y.	Journalists Delegation	18 May 73
Washington Post	Washington, D.C.	Journalists Delegation	30 May 73
Western Electric	Indianapolis, Ind.	Shenyang Acrobatic Troupe	28 Dec 72
Western Union International	New York, N.Y.	United Nations Officials	March 73
Xerox	Palo Alto, Calif.	Computer Delegation	2 Nov 73
Zoecon Corporation	E. Palo Alto, Calif.	Scientific Delegation	12 Dec 72
Zoecon Corporation	E. Palo Alto, Calif.	Insect Hormone Delegation	19-20 July 73



Eastfoto

# CHINA'S AGRICULTURE

**Each issue of the UCBR will contain a sectoral report on an area of major significance concerning Sino-US trade relations. In this issue agriculture is the subject of the report.**

- Domain Industries, of New Richmond, Wisconsin, has sold China ten heavy duty, completely automated, packaging systems to be used in bagging fertilizer. Another eighteen are being sold to a Japanese firm, Toyo Engineering, for a plant being built for the PRC.
- A number of US companies in the agricultural chemicals fields have been discussing pesticides, fungicides and herbicides with the Chinese.
- US imports of many agricultural products, from bristles to gelatin to cashmere wool, have been steadily increasing. In many cases US imports of such Chinese goods as rabbits have gained wide acceptance on the US market.
- Sales of increasingly specialized agricultural livestock, hybrids, and seed types are now a real

possibility. For instance, China, in the last year, has bought forty-three pedigree Herefords (from the UK, March 1973), fifty Charolais, including ten bulls and forty females (France, December 1973), and fifty Limousin cattle, including thirty-five bulls and fifteen females (France, January 1974).

- Following the visit of an Insect Hormone delegation from the PRC to the US in 1973, sophisticated scientific analysis equipment was sold to China by at least one US firm.
- Fertilizer plant is one of the biggest items on China's shopping list: During 1973 and early 1974 Peking has bought over \$500 million worth of urea and related ammonia plants from Japanese, European and US companies.
- Since September 1972, Peking has bought 4.8

million tons of US wheat and 2 million tons of US-grown corn.

• Three US cotton officials visited Peking in November 1973. (They were Carl C. Campbell, Director of Foreign Operations for the National Cotton Council, W. D. Lawson, President of W. D. Lawson & Company of Gastonia, North Carolina, and Starke Taylor, President of Starke Taylor & Sons of Dallas, Texas.)

In this report, the UCBR presents some of the more interesting facets of China's agriculture, especially those that relate to foreign trade.

What is China's agriculture? How does it relate to trade? And what are the main characteristics of that trade?

In an introductory article, some of the major elements of China's agriculture are sketched out, together with its component in foreign trade.

Two articles recently published in China's press give China's view of the present state of its agriculture and technical innovations applied to it.

Another piece tells the story of how Domain Industries of Wisconsin sold sophisticated fertilizer bagging equipment to China—a product technically more sophisticated than has yet been sold in the US.

USDA and FDA regulations are of critical importance to the development of China's agricultural exports to the U.S. China readily provides U.S. importers with veterinary certificates. But the situation is complex, as an article in this sectoral suggests.

Hogs are the head of China's domesticated animals and hog products have perhaps the greatest potential as a Chinese export to the US. Already hog bristles from the PRC feature in some of the best US paint and industrial brushes. Why China puts hogs first, and how two US firms have developed imports of bovine by-products are described in two articles.

The major US agricultural export to China, grain, is closely related to the success of harvests in the PRC. The sowing, growing and harvest periods of China's major crops are shown graphically in this last segment of the sectoral.

How are grain exports financed? The US is a relative newcomer to this field, and all grain transactions must be handled by third country banks in the US. A glimpse of what is involved is given in another article.

## Selling Fertilizer Equipment to China-Domain Industries of Wisconsin

An important element of China's program of capital investment has been import of sophisticated equipment designed to improve agricultural production, both directly and indirectly. US firms are among China's suppliers. The PRC has recently bought machinery worth more than \$3 million from Domain Industries of New Richmond, Wisconsin. The technical sophistication of this equipment is so advanced that nothing comparable to this order has yet been introduced in the United States.

Announced October 1973, the contract will provide the Chinese with 28 fully automated heavy duty bagging systems for fertilizer, utilizing continuous band sealers produced by Domain's Dobby Packaging Machinery Group. The systems also include feeding and filling units developed by Bemis of the US, manufactured under license by Mitsubishi Heavy Industries. Though the equipment could be converted to packaging powdered or dry food products, it will be bagging only ammonia, sulphate and urea in its initial operation. Other ingredients will be added before the mixture is applied on Chinese farmlands.

In Domain's system, a giant hopper feeds the material in, then the Bemis unit takes over. Automatic scales weigh net quantities and film bags are

automatically manufactured from printed rolls of seamless plastic tubing. The plastic is automatically fed, bottom sealed and cut into bag lengths before being filled and delivered into the Dobby band sealer.

Significantly, the units are completely dust free—no air pollution is involved during any phase of the packaging operation. A single attendant is needed to insure that the hoppers are filled to capacity.

Domain handled the deal through the Tokyo Office of its Swiss subsidiary, Domain International AG. Of the 28 systems, ten were purchased directly by the China National Machinery Import and Export Corp. (Machimpex), the remainder going via Toyo Engineering (TEC) in connection with fertilizer plants the company has sold the PRC.

During negotiations that took many months to complete the Chinese demanded user specifications more rigorous than anything Domain had ever experienced in the US. Machimpex negotiators wanted comprehensive details of every small part of the Domain system and the deal was concluded only after the Chinese had made a careful performance study of pilot models. Aside from Domain, Mitsubishi Heavy Industries, and Nagasaki Kiki, a Japanese trading firm, took part in the discussions. 完

# AN INTRODUCTION TO CHINA'S AGRICULTURE

Peter Weintraub

*For U.S. firms interested in selling agricultural products or equipment to China, or buying China's many specialty farm products, the People's Republic of China agricultural scene is something to be surveyed regularly. The implications for trade if China has a year of poor harvests may be far-reaching. More than this, the development of China's agriculture is at a stage where exchanges between the PRC and the U.S. relating to technological advances in both countries can only be mutually beneficial. The more value China can add to its agricultural goods at all stages will both increase the PRC's self-sufficiency and provide exports of potentially high acceptance abroad. In this primer on China's agriculture, the US China Business Review looks at the main elements of the PRC's rural development and some of its implications for foreign trade.*

\* \* \*

Agriculture is the predominant sector of the Chinese economy. More than 80% of the population lives in rural areas and some 400 million people are directly involved in agricultural production. In 1970, Premier Chou En-lai told the late Edgar Snow that \$30 billion, one-fourth of the national income, came from agriculture.

China is only now in the process of assuring that her food supply can outreach population growth; 1973 was the second year (1971 was the first) the PRC has claimed self-sufficiency in grain production.



Eastfoto

Though China has more land under irrigation than any other nation in the world, drought and flood still have a pervasive influence on harvests. Even with increased utilization of chemical fertilisers, poor weather caused 1972 grain production to decline.

If China has succeeded in feeding herself, it is only the very first step on her way to becoming a modern industrial nation. Agricultural surpluses, both in the form of tax revenue for the state, and foreign exchange earning exports, have so far played the leading role in financing the PRC's industrialization.

China's commitment to a policy of self-reliance and her inability to create instant prosperity through mass mobilization, mean that agricultural development will be slow and steady, rather than precipitous. The belief that the PRC could overtake Great Britain in industrial production within 15 years, so earnestly espoused during the early days of the Great Leap Forward (1957-59), has since been replaced with more modest expectations.

Instead, China has come to appreciate that agriculture and industry work best in concert, in a symbiotic relationship. The January 4, 1974 issue of the authoritative *Peking Review* commented:

Why does agricultural production spur industrial growth? This is because the development of industry not only requires additional equipment, materials and other means of production, it also requires grain, cloth and other consumer





Spring wheat being harvested in Heilungkiang

goods. Only when agriculture develops and farm labor productivity goes up can there be more grain and foodstuffs, raw materials and manpower for industry and a larger market for industrial goods. This is especially true for industries turning out farm machines, chemical fertilisers and pesticides which are not only closely related to farming but also with other industries, particularly the basic industries.

### Physical Environment

In the last ten years, the Chinese leadership has emphasized grain production within the context of the economy as a whole, and taken steps to infuse modern technology into an agriculture that for centuries had been strictly labor intensive. Working against this are physical and political obstacles which have tempered agricultural development as a whole.

Only 11% (or 107 million hectares) of the PRC's land mass is under cultivation. With double-cropping, the actual area sown amounts to the equivalent of 150 million hectares.

Efforts by the Chinese to expand the amount of arable land have so far met with only very limited success. Even with the application of new agronomic techniques, the almost 9/10ths of China's soil that lies fallow is either too arid, too salinuous, or too mountainous to produce marketable commodities in any more than the most modest

amounts. Thus, the area of agricultural production is effectively limited to the eastern third of the country, meaning that China has only one-fifth the per capita cultivated acreage of the United States.

### Technological Input

Technological developments in Chinese agriculture are in five main areas: irrigation, mechanization, fertiliser utilization, seed science, and application of insecticides. Progress has been greater in some areas than in others, but the overall picture is one of a still proto-technical approach to farming.

While irrigation projects have been going on in China for many centuries, the last two decades have seen the construction of an irrigation system more extensive than that of the United States. It is estimated that almost a third of the PRC's cultivated acreage, 35 million hectares, is irrigated. Most of this area is in the South and serves to provide water in times of drought and drain off floods associated with the seasonal monsoon.

In 1970, China had approximately 165,000 15-horsepower tractors, representing one for every 909 hectares sown, or about 1/40 the number in use in the United States. Since the production of China's first tractor in 1958, the mechanization of agriculture in the PRC has proceeded unevenly. Communes mechanize as they can afford it; while the richer communes may be almost fully



Eastfoto

Honan youth spray insecticide in wheat fields.

mechanized, the less prosperous have hardly begun. In addition, some combines are in use on the North China plain and electric pumps for rice paddy irrigation in the South are common.

The demand for machinery far outstrips the available supply. In 1963, the PRC said it would need 1.2 to 1.5 million 15-horsepower tractors to provide one tractor for every 100 hectares, 300,000 to 350,000 harvesters and trucks to supply one harvester and truck to every 300 hectares, and 3.5 to 4 million 5-horsepower pumps to bring one pump to every 13.3 hectares. More than a decade later, this goal remains out of reach.

China has made strides in production of non-organic fertilizer, especially in the last 10 years, but utilization is still only about 1/10th as great per unit area as in the West and Japan. Domestic production in 1973 was 24.8 million tons but much of China's chemical fertilizer still comes from abroad. Approximately 4 million tons, worth \$190 million, were sold to China in 1973. Purchases of foreign ammonia and urea complexes during the last 16 months number thirteen, worth over \$500 million, which will substantially expand China's fertilizer capacity.

A program of insecticide development has also been initiated on a large scale. A great variety of Western insecticides have been tested and at the same time experiments with native plants having insecticidal properties, such as derris and anabasis asphylla, have been carried out. One of the first Chinese scientific delegations to visit the United States

was an insect hormone study group which toured federal, state, and private insect control facilities in mid-1973, making purchases of equipment in its wake.

## Agricultural Production

China produced 250 million tons of grain in 1973, according to official figures, though some foreign observers consider 220 and 230 million tons a more realistic estimate. "Grain" includes wheat, rice (paddy, not milled), tubers (Irish and sweet potatoes, converted to grain weight equivalent at a 4-to-1 ratio), and miscellaneous grains (barley, beans, buckwheat, corn, field peas, kaoliang, mullet and oats).

Preliminary estimates from the U.S. Department of Agriculture are that, in 1973, the PRC produced 103 million tons of rice, 72 million tons of miscellaneous grain, 28 million tons of wheat, and 25 million tons of tubers. The aggregate total is a gain of more than 10 million tons over 1972, matching the record output of 1971.

Production of oilseed, including cottonseed, sunflowerseed, castorbeans, sesameseed, rapeseed, peanuts and soybeans, reportedly equalled the 1971 level of 13.3 million tons, though still falling short of 1970's record production of 13.8 million tons.

Last year's cotton output was the highest on record, at about 8.3 million bales, a significant gain over 1972, though less area was reportedly sown to cotton in 1973. Final 1973 figures for other important

crops, including sugar cane, sugar beets, and tobacco are still outstanding, but were higher than 1972.

## Livestock

China's livestock supply is large, comparing favorably in number to that of the United States in some categories. However, the relatively low level of agricultural mechanization in the PRC means that most large animals including cattle are used primarily for draft. The emphasis placed on production of food grains, and the resulting low level of nutrients available to cattle gives Chinese beef and dairy products a distinct disadvantage in the world market.

Milk cows are thought to number 900,000, buffalo 14.5 million, and other cattle approximately 40 million head. The recent PRC purchase of 50 head of Charolais cattle from France underscores what is expected to be a serious effort to improve China's nascent cattle-breeding industry.

By the end of 1973, the hog population in the PRC was thought to have climbed to 200 million, compared to 65 million in the U.S. Pork has one of the greatest potentials as a Chinese export to the U.S. Sheep number about 70 million.

## The Future

The government of the People's Republic of China now provides the Chinese people with the basic

necessities of life. Daily per capita caloric consumption is 2,050, 78% of which comes from starches. Cloth rations have not yet climbed back to the pre-1957 level, though increased production of cotton, as well as man-made fibers are gradually improving the situation.

With four times as many mouths to feed, China's agricultural production is only half as high as that in the United States. Though yearly agricultural expansion since 1951 has averaged 2-4%, population growth has kept pace and was even estimated to have climbed to 2.1% in 1971.

The PRC can be expected to continue following the principle espoused by Mao Tse-Tung: "taking agriculture as the foundation and industry as the leading factor."

China's emphasis on economic decentralization should persist, allowing individual agricultural units more leeway in making production decisions. Output should rise aided by technology, permitting a modest surplus for capital investment and export.

Technological inputs will grow. Turnkey ammonia and urea plants purchased from Japan, France and the U.S. will be onstream by 1976, though Tokyo may have to cutback on deliveries of fertilizer in 1974-1975, due to the energy shortage.

With this in mind, Chinese agricultural purchases from abroad may be expected to continue at present levels. 完

## CHINA'S AGRICULTURAL TRADE

Agriculture forms the basis of the PRC's commerce with the rest of the world, accounting in 1972 for 44% of total two-way trade. Foodstuffs alone represented 31% of China's exports and 16% of her imports. Crude materials, which include edible oils, silk and other products of animal origin, measured 20% on the export side and 19% on the import side during the same year. Preliminary figures show that this proportion was maintained in 1973.

In U.S. fiscal year 1974, ending June, 1974, China will probably import about 9 million tons of grain, more than two-thirds of which will be wheat, the rest various feed grains, primarily corn. About 45% of the wheat will come from the U.S., with Argentina, Australia and Canada supplying the remainder. (In 1973, China's wheat purchases alone cost \$0.6 billion at world prices.)

Against these worldwide grain imports, the PRC is a net exporter of rice. Shipments,

primarily to South and Southeast Asia, amounted to about 1.4 million tons in 1973, up more than 57% from 1972. At current world market prices, the value of Chinese rice sold abroad would approximate \$400-600 million. Other important Chinese agricultural exports include animal by-products and oilseeds.

Of American exports to China in 1973, 83% were agricultural. The three leading U.S. items sold to China were wheat, corn and cotton, with a value of \$277.7 million, \$132.4 million, and \$100.5 million, respectively. U.S. soybean exports to China were pegged at \$43.4 million and soybean oil accounted for an additional \$17.9 million.

About one-third of U.S. purchases from China in 1973 involved agricultural goods. Prominent among them were bristles, valued at \$5.1 million, raw silk, \$4.3 million, essential oils \$1.5 million, crude feathers, \$1.4 million, and animal hair \$1.1 million.

# AGRICULTURE AS THE FOUNDATION: CHINESE NEWS REPORTS

## China Achieves Grain Self-Sufficiency

*NCNA Peking, Dec. 18, 1973*

China has successfully solved the problem of feeding its population by self-reliance. With reserves by the state, production teams and peasant families, the 700 million people have been assured adequate food supplies in the past few years, even when some areas had lean harvests.

This significant change is a result of the Chinese people's big efforts over the years to increase production and implement state grain policies under the guidance of Chairman Mao's strategic principle "be prepared against war, be prepared against natural disasters, and do everything for the people" and the general principle of "taking agriculture as the foundation and industry as the leading factor" in developing the national economy.

There was a record harvest this year of all grains despite drought, waterlogging and other natural adversities. Total grain output was more than double the country's output in the liberation year of 1949.

China is able to meet its internal needs for grain as a result of growing grain production. The long grain-deficient provinces of Hopei, Shantung, Honan and Northern Kiangsu and Anwei can now meet their own needs. Grain is being stored everywhere, in state granaries, in production teams and in commune members' homes. Sales prices of all grains remain stable. These important changes stem from the Chinese people's hard efforts and are a victory for Chairman Mao's revolutionary line.

China has vast land and abundant natural resources. Farm production slowed down in Old China as a result of cruel oppression and exploitation by imperialism, feudalism and bureaucratic-capitalism. Annual grain output was around one ton per hectare on the eve of liberation. Grain prices skyrocketed and the labouring people lived in misery.

The situation soon changed after 1949. The Chinese people, under the leadership of Chairman Mao and the Communist Party, overthrew the rule of imperialism, feudalism and bureaucratic-capitalism, carried out land reform and embarked on

agricultural socialist collectivization. The productive forces were liberated. The per capita average of grain output in China now is 100 kg. more than in 1949. Although the amount is not big, grain supplies are secure and the prices are stable. This is something unknown in Chinese history. China imports a certain amount of grain to balance varieties and meet foreign trade commitments. It also exports grain.

The guaranteed food supplies are also attributed to the correct handling of grain distribution by the state under an over-all plan based on the needs of the population and at stable prices.

In Old China, half to two-thirds of the grain produced by the poor and lower-middle peasants was appropriated as land rent by the landlords and rich peasants, who accounted for less than ten per cent of the population. The tillers of the land went hungry, some had to flee their homes and go begging.

The founding of New China put an end to feudal ownership and irrational grain distribution. The purchase and marketing of grain is in the hands of the state, and distribution suits planned economic development. The state collects a small grain tax and purchases a certain amount of surplus grain from the peasants every year to supply people living in cities, towns and industrial centres according to their age and labour intensity. It also provides what is needed in the cash crop growing areas and disaster-stricken places.

Attention is paid to three things in this work—the interests of the state, the collective and the individual—as Chairman Mao has laid down. Taken into account are the needs of the state, the economic resources of the peasants and the seed requirement for expanding production so that the production teams can augment grain reserves and raise the peasant's personal income on the basis of increased production in normal years.

The amount of tax and purchases is set for a given period (for example, five years) to stimulate the peasants' enthusiasm for production. Should production in any unit decrease in this period because of natural disasters, the state reduces its share or provides it with supplies if necessary. When production increases, the state purchases only a small portion of the increase while the rest is left

for production team reserve, for expanding animal husbandry and raising the peasants' standard of living

The Chinese people support the policy of the party and government on grain distribution and plan the economical use of grain. The peasants strive to produce more grain to sell to the state as their contribution to socialist construction. Grain reserves by the state, production teams and peasant families are growing in accordance with Chairman Mao's teaching: "dig tunnels deep, store grain everywhere, and never seek hegemony."

The Matsungling people's commune of Taoyuan County, Hunan Province, now has collective reserves that average 170 kilogrammes per capita. Over 90 per cent of the families have a surplus, averaging 115 kilogrammes each. There are grain-storing people's communes in every part of China. Some production teams have set aside more than a year's food grain for their members.

The reserve grain will always be at the disposal of those who store it. This has become a set principle of the state. State organs advise production teams on storage methods so that the reserve grain will be ready in case of natural adversities or war.

Keeping grain prices steady is vital to the people's life, market stability and socialist construction. Shortly after liberation, the party and government adopted measures to control the skyrocketing prices and suppress profiteers who hoarded and cornered grain. Prices began to drop within half a year after liberation. The problem was solved at the root by 1953 when the state began to purchase and market grain in a planned way at fixed prices.

On this basis, the state went on to raise purchase prices several times while maintaining stable sales prices. The aim is to increase the peasants' income and stimulate farm production. The present purchase price is double that in 1950, but the sales price remains much the same as two decades ago. The state covers the difference, transportation costs and other handlings. This is another instance of the superiority of the socialist system and shows the attention the party and government pay to the well-being of the people.

## National Exhibition Shows China's Achievements in Agricultural Sciences

*NCNA Peking, Dec. 17, 1973*

China's achievements in agricultural sciences during the great proletarian cultural revolution are on show at a national exhibition now being held in Peking.

More than 500 good strains of grain, cotton, oil-bearing and fibre crops, silk cocoons, tea and sugar and other crops are on display in the Seeds Pavilion of the exhibition.

South China's Kwangtung Province has developed a number of high-yield short-stalk rice strains that can tolerate heavy amounts of fertilizer and are resistant to lodging. The province used to plant all-stock strains, but output fell because of frequent typhoons. It organized mass scientific experimental groups with 1.3 million participants to solve the problem. The new strains have brought better harvests throughout the province.

On display are rust-resistant high-yield wheat strains developed by college students and research workers in Shensi Province, Northwest China, in cooperation with local poor and lower-middle peasants. The popularization of these improved strains throughout the country had proved effective in controlling strip rust.

Graphs and diagrams and other material show that popularization of good strains has been done through experiments and demonstrations and simultaneously with the popularization of improved farming methods. Many good strains were quickly adopted on a large scale. They now account for about 80 per cent of the rice-producing acreage in Southern China and more than 70 per cent of the wheat sown in the Yellow River Valley.

"5406" bacteria fertilizer stimulates the growth of plants and raises soil fertility and pest resistance. Technicians cooperated with poor and lower-middle peasants to simplify the production procedure. This saves manpower and material and can be adopted on a wide scale. This kind of

The East Wind tractor, on display at a recent Canton Fair.



bacteria fertilizer has been used on 6.6 million hectares of farmland and raises output by 10 per cent.

Photos at the exhibition illustrate the achievements of the Chinese labouring people in scientific research. Mass scientific experiments have been increasing throughout the countryside since the cultural revolution began in 1966. Many production brigades and teams have experimental groups. Networks have been formed at the county, commune, brigade and team levels in many provinces, municipalities and autonomous regions.

How Fangcheng County in Central China's Honan Province prevents insect pests through mass efforts arouses great interest among visitors. Chronically hit by insect pests, the county established 134 pest forecasting stations or groups and trained more than 5,800 peasants for the work. They summed up experience and expressed them in simple sayings so that the people could use the method. They now know the life cycle of a dozen and more insect pests and how to deal with them.

Peasant-turned-expert Yen Tse-kuei from Szechwan Province in Southwest China gives demonstrations at the exhibition on how to prepare methane gas by a simple method. He built a 12-cubic-metre methane gas generating pit two years ago. The gas produced from a compost of night soil, pig dung and grass is sufficient for cooking and lighting for his 6-member family. The resulting fermented dung and grass is a fine fertilizer. The spread of this method helped solve the need for fuel and good fertilizer and kills insect eggs and bacteria.

Szechwan Province is spreading the experience broadly.

Many items and photos on display reflect the vigour of the scientists and technicians who are doing research with the masses in the countryside. They made achievements in ideological remoulding and scientific research.

Technicians at the Keshan Agricultural Science Institute of the Heilungkiang Academy of Agricultural Sciences did experiments with many rural people's communes and brigades in selecting, breeding and popularizing improved wheat strains. They set up 500 centres throughout the province for classifying strains. In recent years, they have bred and popularized 20 improved strains of Spring wheat that are resistant to drought and water-logging, and heavy amounts of fertilizer. These improved strains have been sown on 80 per cent of the province's wheat acreage.

A photo on display shows a car equipped with neutron source facilities to radiate Tussah silkworms to increase their size. The method was developed by technicians of the Shenyang Agricultural College and Tantung Sericultural Research Institute and the local peasants. The technicians went around 34 production brigades from 1966 to 1971 and did over one hundred experiments with the peasants.

Technicians in bee research institutions did investigations together with rural cadres and peasants in Chungching County of Szechwan Province. All Chungching County now has fine bee strains. The county gathered 350 tons of honey this year, a 180-per cent increase over 1965. 完

## CHINESE LIAISON OFFICE SERVICES

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Health requirements:

To enter China, 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.

### CULTURAL AFFAIRS

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(202) 797-9029  
(202) 797-7274

OFFICE HOURS—Monday to Friday  
9:00—12 Noon  
2:00—5:00 P.M.

# The Old and the New, China's Livestock Priorities

China's ranking of animals has changed. According to a rhyme long used in China to help children learn characters and gain knowledge, the old order was spelt out thus: Horse, cow, lamb, chicken, dog, and pig are six kinds of animals for people to feed upon and use (San Tzu Ching). Old style characters depicting this rhyme are given here.

On December 7, 1959, Peking's Jen-min Jih-pao spelt out a new order, placing the hog at the head of the six domestic animals. The ranking, spelt out in simplified characters here, is now—hog, ox, sheep, horse, poultry and dog. Apart from providing everything from bristles to bacon, the hog gained its present status because of its faster rate of propagation and ability to supply large quantities of high-quality, organic chemical fertilizer, nutritive to both crops and soil.

The Jen-min Jih-pao editorial reasoned as follows: First, hogs have a faster rate of propagation. If fed and cared for properly, a sow may give birth to five litters in two years, with each litter averaging about ten shoats, while the largest litter may amount to as many as from twenty to thirty shoats. A sow is ready to bear litters in about six months after its birth. If adequately fed, it can give birth to from forty to fifty shoats in one year. As the shoats may quickly be ready to bear other shoats, the number of hogs can multiply very rapidly indeed.

In comparison, the propagation rate of horses, oxen, and sheep is much slower. A mare can bear foals only after it is three years old, and a cow can bear calves after it is two years old. In either case they are able to bear once a year, having only one young animal each time. The most sheep can do is to bear three times in two years, each time having one lamb in general, or at most having two or three lambs. For this reason, as far as the rate of propagation is concerned, hogs undoubtedly top them all among the six domestic animals.

Second, what is more important, hogs can continually produce large quantities of high-quality fertilizer. Hog fertilizer is organic chemical fertilizer. It contains not only the three important elements of nitrogen, phosphorus, and potassium, which are urgently needed by crops, but also rich organic elements which can stimulate the activity of the bacteria in the earth. For this reason, the application of hog fertilizers will not only supply the crops with the nutrition they need, but also enrich the earth and improve the soil.

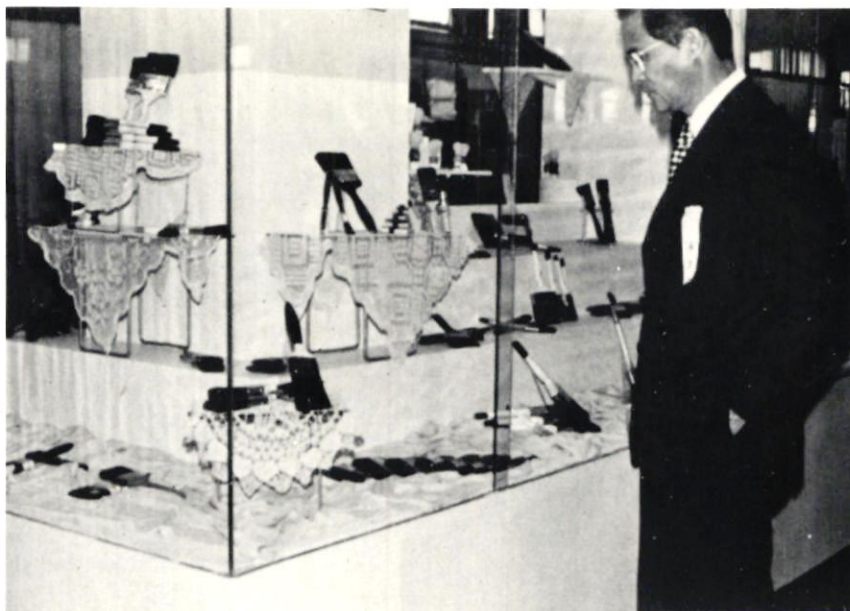
馬  
Horse  
牛  
Ox  
羊  
Sheep

雞  
Poultry  
犬  
Dog  
豕  
Hog

猪  
Hog  
牛  
Ox  
羊  
Sheep

马  
Horse  
鸡  
Poultry  
犬  
Dog

# NEGOTIATING FOR CHINA'S BRISTLES



Henry Lee of Wooster Brush looks at paint brushes on display at the Kwangchow Fair

## Two U.S. Importers Describe Their Experience

Suzanne Reynolds

*Despite their unromantic connotation, hog bristles have been China's largest agricultural export to the U.S. during the last two years. Almost a quarter of all imports of Chinese agricultural products into the U.S. in 1973 was accounted for by \$5.1 million worth of the bovine by-product used in the best paint, tooth, hair and industrial brushes. (In 1972 the amount of bristles brought in from China was greater still, at \$6.7 million.) The story below, about the experience of two firms buying bristles in China, illustrates how U.S. companies have learnt to do business with the PRC, with insights as to how the Chinese may respond to the needs of other U.S. importers of Chinese agricultural goods.*

\* \* \*

In 1972 Henry Lee, bristle dressing specialist with the Wooster Brush Company, Wooster, Ohio, was one of the few dozen Americans invited by the PRC to the Fall 1972 Canton Fair.

At the Fair, Lee met technicians from the China National Native Produce and Animal By-Products

Import and Export Corporation. They discussed bristle markets in the U.S. and China, negotiating contracts, prices, shipping schedules, exchanging technical information on bristle processing, etc. "These meetings lasted each from half an hour to three hours or longer. They were conducted under a very businesslike and friendly atmosphere with tea served continuously."

"As a rule, several Chinese delegates would be present at each of these meetings although only one or two persons did most of the talking. The rest seemed to be there in advisory capacities or just as observers. While the Chinese were very frank and candid in all the discussions at these meetings, they seemed to be reluctant to let me know all the names of the delegates I met, let alone their position or area of responsibility. The Chinese showed definite restraint in projecting any personal image of the delegation. Everything was conducted in the name of the national corporation concerned."

Production of long bristle in China prior to 1972 had declined because of the changes in breed and



the slaughtering of more young pigs Lee was told. On the other hand, domestic demand for bristle has increased. China had improved the techniques of dressing bristle; much of the work in 1972 was done by machines invented by the workers. For example, the job of separating the butts and the tips of bristle done by hand was now done on a machine built on the principle of rotating with centrifugal force.

As of July 1972, China announced the following changes according to Lee's journal: All bristle is now packed in wooden cases containing 50 kilograms (110 lbs.), thus doing away with the old 133.3 lbs. case for the Chungking, Hankow and Shanghai bristle; the original measurement in inches has been converted into millimeters to be in line with the world trend; and all bristles are now branded according to origin such as Tientsin, Hankow, Chungking, Tsingtao and Northeast. The old brand names such as Torch, Standard, Tiger, Polar Bear, have been discontinued.

In the Fall of 1972 the Chinese also planned to discard the old method of bundling the bristles with string. They now pack bristle with cardboard and paper wrapper as is normal in European countries such as West Germany. In addition, Lee was told at the Fall 1972 Fair, the Chinese would boil more and more of their bristle to further improve its quality and control its tendency to flare out to produce a product more acceptable on world markets.

\* \* \*

Mr. Gary Zeitlin of Samuel Zeitlin & Sons, Philadelphia, Pennsylvania, also in the bristle business, was able to visit a dressing factory in Shanghai while attending his second Canton Trade Fair in the Spring of 1973. Mr. Zeitlin, on the first day of the Fair, asked the China National Native Produce and Animal By-Products Import and Export Corporation if he might visit a bristle dressing factory. Very reluctant to arrange such a visit, the corporation said all business and technical exchanges could be best carried on in Canton. But, on his sixth and last day at the Fair, arrangements were made by the Corporation for a visit to a factory in Shanghai. Zeitlin left Canton by plane and was met in Shanghai by members of the bristle dressing factory.

The bristle factory was totally manual, employing approximately three hundred people. The number of persons employed was surprisingly high, considering most bristle dressing factories are mechanized and only need about sixty workers. When the Chinese were asked why the factory did not use machines, they responded saying that the primary object was not high production but full employment.

Equally impressive was the precision, the care, and the uniformity in the treatment of the bristles. Every bristle is washed, straightened, bundled or packed in cardboard and paper in exactly the same manner. (China is the only country in the world where there is no differentiation from package to package in weight, size or color of bristles.) One can be sure that every box an importer opens will be identical to the next.

The Chinese have, in some cases, altered their method of dressing but, for the most part, American bristle processors must conform to Chinese specifications. Boiling is one change made in some areas. This process, peculiar to China, involves placing the bristles in a "cup," a metal tube, which is then placed in water. The unique way in which Chinese bristles are boiled makes them particularly fine and easy to manage.

Hog bristles from various regions in China vary in size, color and texture. Tsingtao bristles from Northern China, for example, are soft while Chungking bristles in the Szechwan province are firm.

In negotiating with the Chinese, Mr. Zeitlin found it more expedient doing business in Peking or Shanghai rather than Canton. In these cities, access to technical persons with expertise in bristles was easier. Nevertheless, as noted above, preliminary dealings in Canton had to be made before these later negotiations were possible.

Mr. Zeitlin described the head of the China National Native Produce and Animal By-Products Corporation as well-educated and highly sophisticated. The representatives from the bristle division of the corporation, according to Mr. Zeitlin, were especially pleasant, friendly, straightforward and extremely ethical.

The Bristle Department was also the most efficient division as compared to, say, the Horsehair Department. Bristles was the only division to have computers used for pricing and price adjustments. As the bristles were packaged and arranged by size and quality and priced accordingly, any change made in an order would normally take some time to adjust. However, "with the computers, the adjustments could be made quickly and efficiently."

As in Mr. Lee's case, Mr. Zeitlin found everything done in the name of the corporation. Although one may remember a representative's name, contact with a specific individual when sending a telex message from the U.S. is discouraged—everyone is said to be equally competent.

The Chinese are "highly cognizant" of world prices and strongly aware of normal and abnormal profits. However, remarks Mr. Zeitlin, the Chinese will in some cases give discounts as a sort of "thank you for coming to the Fair." 完

# USDA AND FDA REGULATIONS AND CHINA

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Processed meat and poultry have a strong potential for China on the US market. The indications are that some Chinese meat products, such as processed pork, could achieve broad acceptance on the US market, given time. For uncooked fresh or frozen meats, such as beef and lamb, and poultry, the outlook is not so good.

Critical in the development of China's meat exports to the US, as in the case of exports of meat from any country, are the regulations of the US Department of Agriculture (USDA) pertaining to meat and poultry inspection, summarized in two hefty volumes of about 300 pages each. Prevention of disease transmittal and maintenance of health standards are the principal aims of the USDA regulations.

Since they were initiated, under the Appropriation Act for the Department of Agriculture in 1907, and later as the Federal Meat Inspection Act, the regulations have been amended and brought up to date, particularly in extensive revisions in 1970-72. Poultry inspection under the Wholesome Poultry Products Act was also heavily revised in 1968. Completely revised regulations for both types were issued in May, 1972.

At present 45 nations, including Australia, New Zealand, Japan, Hong Kong (for poultry) most European countries, Bulgaria, Hungary, Poland, Romania, and Yugoslavia, subscribe to US inspection standards in de facto agreements with the US covering hygiene requirements for cooked and dried processed meat and poultry.

## Informal arrangements

These informal arrangements which apply only to those plants in a country producing for export specifically to the US, are all government-to-government and non-discriminatory. That is, the same rules apply to every nation.

For uncooked fresh or frozen meat and poultry USDA standards apply to both hygiene and animal health. The principal target is foot and mouth disease which may be transmitted by raw flesh, and which is endemic in most countries, including China. Only a few countries have been able to satisfy USDA requirements on this score: Australia, the Bahamas, Barbados, Bermuda, Canada, Ireland, Japan, Mexico, New Zealand, Norway, Sweden, the UK, and all Central American nations.

All US meat and poultry imports, fresh or processed, are subject to USDA Veterinary Services Regulations. Severe restrictions apply to pork products relating to swine cholera, swine vesicular disease, etc. with stress on specific canning practices.

For meat and poultry that is to come to the US in cooked or dried processed form, inspection thus applies to hygiene and veterinary standards in processing plants.

In effect, application of the regulations entails agreement by a country's government to maintain an inspection system comparable to that of the US and permit regular inspections (e.g. four times a year for slaughterhouses) by US veterinary staff.

Normally, agreement on these complex regulations takes two-to-three years to process between governments. The final understanding takes the form of a covering letter from a nation's senior meat inspection official agreeing to US inspection regulations and regular visits of inspectors, together with a copy of inspection regulations to be maintained by that country that have been accepted by the USDA as comparable to those of the US.

For nations interested in selling meat and poultry products to the US, the regulations have not been a hindrance—some countries in fact have developed standards more stringent than those of the US. The standards cover all features of meat production, from humane methods of slaughter to rodent control.

Products not covered by USDA requirements, such as fish, game, and rabbits, come under the auspices of the US Food and Drug Administration (FDA) regulations, that is, the Federal Food, Drug, and Cosmetic Act, as amended August 1972. This Act requires samples from every shipment of imports not covered by USDA inspections to be free of decomposition, filth and disease, as well as to be correctly labelled.

FDA regulations, complementary to those of the USDA, may also be supplemented by standards of different states, though differences are usually slight.

Having veterinary certificates provided by the supplier is usually very helpful though not mandatory for FDA examiners. Domesticated (not wild) rabbit with white, instead of red meat, is one product for which one US importer, the ICD group, has readily obtained veterinary certificates from Chinese authorities (See opposite).

Another product, gelatin, derived from hides, is not held to be a meat food product amenable to the Federal Imported Meat Act, though it must pass certain sanitary standards. Gelatin from China has been imported in increasing amounts. 完

中华人民共和国对外贸易部  
上海商品检验局  
(SHANGHAI COMMODITY INSPECTION  
BUREAU)  
(MINISTRY OF FOREIGN TRADE  
THE PEOPLE'S REPUBLIC OF CHINA)

检验证书  
(INSPECTION CERTIFICATE)

兽医  
(VETERINARY)

地址：上海中山东一路十三号  
(Address: No. 13, Chungshan Road (E. 1), Shanghai)  
电报挂号：上海 二二三五  
(CABLE: 2235 Shanghai)

字第 (No.) 号 )

1973 年 3 月 29 日  
(DATE March 29, 1973)

发货人 中国粮油食品进出口公司  
(Consignor) (China National Cereals, Oils & Foodstuffs Import & Export Corporation.)

品名 中国带骨冻兔  
(Commodity) (Chinese Domestically Raised Frozen Bone-in Rabbits)

标记及号码：  
(Mark & Number)

NEW YORK  
LOT 1

报验重量及(或)数量  
(Weight & /or Quantity  
Declared)

箱  
(Cartons)

检验结果：  
(RESULTS OF INSPECTION)

副本  
COPY

1. 本批所宰家兔系采自未发现野兔热病、粘液瘤病及其他传染病之地区。  
(The slaughtered rabbits originated from the districts free from tularemia, myxomatosis and other infectious diseases.)
2. 均经兽医宰前宰后检验健康无病。  
(The slaughtered rabbits received ante-mortem and post-mortem inspections and were found healthy.)
3. 适合人类食用。  
(Fit for human consumption.)

局长  
(Commissioner) (Chao Tsu Ching)

祖青 赵

主任兽医  
(Chief Veterinarian)

世春 申

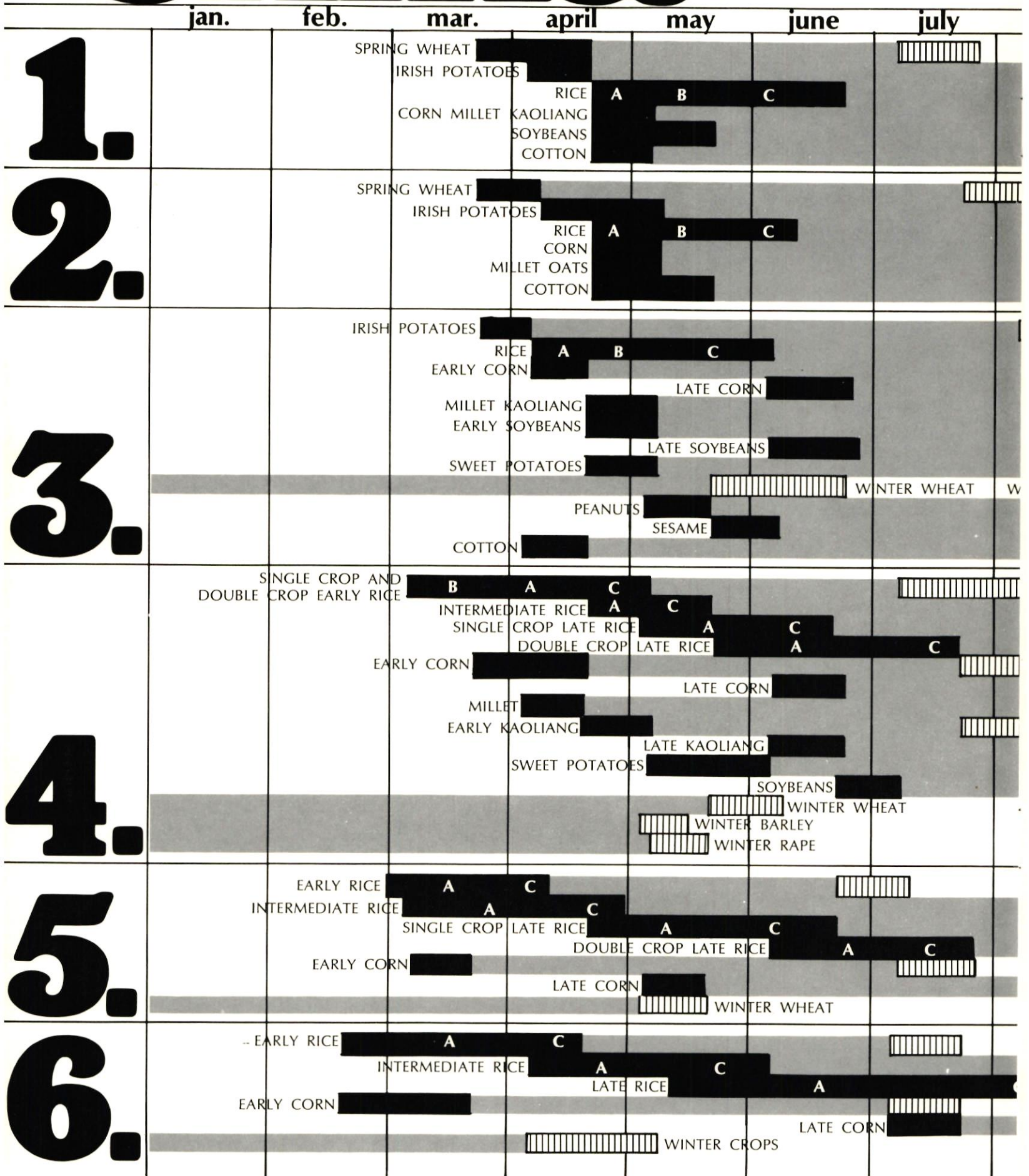
(Shen Shih Chun)

中华人民共和国  
对外贸易部  
上海商品检验局

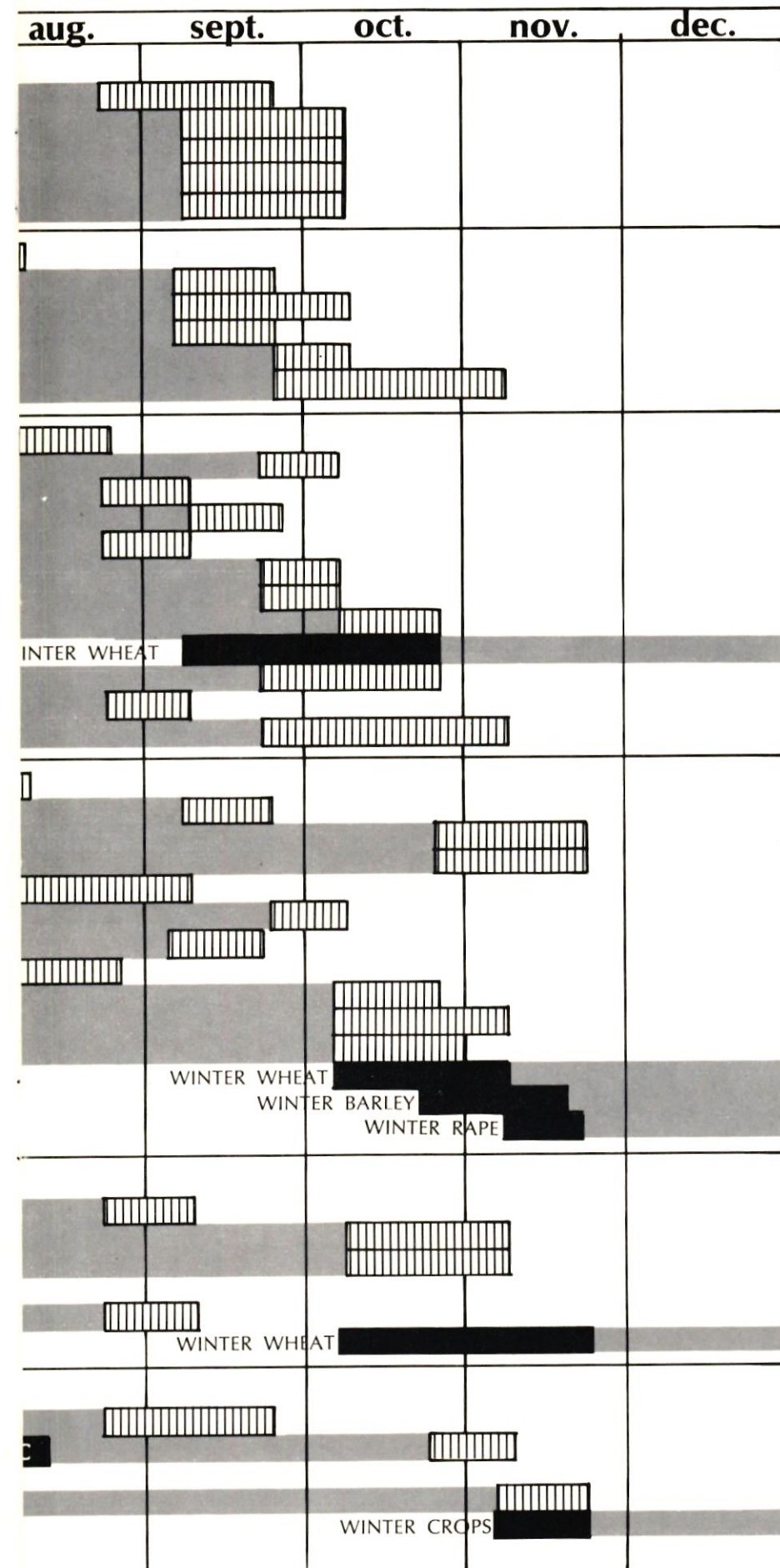
注意：本证书译文如有任何异点，概以中文为主。  
(N. B. In case of divergence, the Chinese text shall be regarded as authentic.)

# China:

Growing seasons



# Seasons for major crops



In any predominantly agricultural nation, growing seasons and crop cycles play an important role in determining the economic and social circumstances for most of the people. Every year, from late March through October, virtually the whole of China's vast rural population is caught up in the struggle for production.

The slack season of December, January and February is a time for militia training throughout the Chinese countryside. Communes, broken down into production brigades and production teams for agricultural work, retain that organization during periods of military drill.

For foreign traders the success or failure of some of these seasons may have a serious impact on prices, availability, and quality of some of China's agricultural goods. And for China's suppliers there are critical periods when demand for foreign grain and other agricultural products may be precipitous.

Since so much of China's foreign trade comprises agricultural products, what happens to the sowing, growing and harvesting periods of China's crops may seriously affect the PRC's total foreign trade—adversely or beneficially.

- 1.** Northeast and Inner Mongolia
  - 2.** Northern sections of Hopeh, Shansi, Shensi; and Southern Inner Mongolia.
  - 3.** Southern sections of Hopeh and Shansi; Shantung, Honan; Central Shensi; Northern sections of Anhwei and Kiangsu
  - 4.** Southern sections of Anhwei and Kiangsu; Chekiang, Hupeh, Hunan, Kiangsi; Northern section of Fukien
  - 5.** Szechwan, Kweichow, and South Shensi
  - 6.** Kwangtung, Kwangsi, and South Fukien
- A: Seed beds B: Direct sowing C: Transplanting  
 ■ sowing  
 ■ growing  
 ▨ harvesting

# FINANCING AGRICULTURAL EXPORTS TO CHINA

Sales of US agricultural commodities to China, especially grain, have been the predominant item in US trade with China to date.

China pays for its imports of grain in a variety of ways, and delivery terms for its purchases also vary. The present trend is toward medium term agreements calling for delivery over a period of three years or more. For example, Australia agreed to sell China 4.7 million tons of wheat in October 1973 to be shipped through calendar 1976 with actual quantities to be determined in separate subcontracts. By contrast, two years earlier, in 1971, the PRC's grain purchases were for three-to-twelve months delivery.

While a three-year agreement does not yet appear to have been reached with the US, it is possible, as Sino-US economic relations develop, that medium term supply arrangements may be made between US firms and China.

## Deferred payments

Payments for exports of grain to China during the past three years have varied from spot cash to 18 month deferred payment terms, with several different types of arrangements. Commonly Peking has paid Canada 25% down with the remainder in 18 months with interest. This interest may have been fixed.

It was reported in *Women's Wear Daily* (February 2, 1974) that J. Henry Schroder Banking Corp. in New York, wholly-owned subsidiary of Schrodgers Ltd., the British merchant banking institution, has put together "a syndicate with a group of major US banks to finance some \$135 million in exports to China." According to industry sources, this was possibly for finance of US grain shipments to the PRC on similar terms to those concluded by Canada.

In other arrangements China has taken options to buy plus or minus 5% or 10% of the contract; has paid 10% in cash with 40% in six months, the remainder in twelve months, with interest; or paid 10% in cash, 20% in six months, 20% in nine months, and 50% in a year.

There is, nevertheless, apparently reluctance on the part of some banks to accept fixed rate deferred payment terms with the world currency situation as it has been for the last two years.

It appears that, in some arrangements with individual US grain companies, China's National Cereals, Oils, and Foodstuffs Import and Export Corporation (CEROILFOOD) has paid cash—US dollars—in such large single amounts as \$50 million.

## No Risk

In these cases the Bank of China (BOC) pays the US exporter through a third country bank with a subsidiary in the US. As is regular practice with exports to China, the shipping documents and letter of credit are sent to the BOC in Peking before payment is made. There is thus a period of two weeks or more before the exporter receives payment from China during which he is without documents. While this may not be the way a US exporter is used to doing business, there is, to all intent, no risk involved; the Bank of China has one of the world's highest ratings for scrupulous honoring of transactions.

Such is the BOC's credit worthiness that a third country bank in the US may agree to assume the "risk" itself and pay the exporter immediately on shipment, charging half-to-three quarters percentage point above going market rates for the period till the money is received by the bank itself. (Part of the average 14-18 day period, perhaps three days, is reportedly taken by the BOC covering the deal with "two-day value" Eurodollars through the London interbank market or elsewhere. The rest is mailing time.)

## Reciprocity

Although parallel contracts linking payments for sales to those for purchases have not yet been made by US agricultural firms, there has been development of policies by at least two US companies to buy from China about the same amount as they sell to the PRC. This, in one case, has amounted to more purchases of one agricultural commodity for non-US destinations than have been sold direct from the U.S. (The purchases are made by one division of the company, the sales by another.)

In similar vein, banks involved in grain sales transactions in the US have tried to develop and help in expanding sales of Chinese products in the US. 完

# WHY CHINESE TRANSLATION?

There are two important reasons why firms wishing to initiate trade with China should make the effort to translate correspondence or materials into Chinese and send such translations along with English originals when communicating with China.

First, translation is a courtesy. It is an essential tool of good salesmanship in any foreign market, as true for Japan, Germany and other countries as for China. While the Chinese have not formally requested that Chinese should be an official or working language in trade affairs, they certainly welcome reliable and clear translations.

Providing Chinese translation of your business literature and correspondence shows genuine interest in wanting to do business with China. Written translations of annual reports and product catalogues, as well as Chinese sound tracks for movies or slides, can effectively facilitate Chinese understanding and acceptance of your firm's business and products.

Written or recorded translation is not the only useful means of expression in Chinese. Firms, in direct, face-to-face contact with the Chinese, have found that if their executives are able to use a few, simple Chinese phrases and evidence some understanding of Chinese culture and society, appreciation for them and their firm may improve among Chinese officials.

Second, the use of Chinese translations speeds up communications. Those in China able to use English are not numerous. Only recently has training in English been expanded. The limited number of professionals educated in the West, and other translators trained extensively in English, may not have great difficulty understanding you or your written material. But many policy level officials rely on their translators for summaries in Chinese of materials submitted by foreign firms in other languages. This process requires a great deal of time and energy.

A foreign firm translating its materials into modern, simplified Chinese can:

- minimize the chance of its material being incorrectly translated;
- reduce the workload of the Chinese foreign

trade corporation, speeding up its perusal and reply; and

- preserve the original material intact since there is less likelihood it will need to be summarized.

British firms have translated their brochures and product catalogues for promotion and for their exhibitions. The Sino-British Trade Council publishes a catalogue, *British Industry*, in Chinese. The distribution of this document to end-users in China has undoubtedly familiarized the Chinese with British firms and products. The *American Industrial Report*, also produced in the Chinese language, performs a similar function.

Chinese translation can be done well in this country. Almost every large firm in any industrial field in the United States has specialists who have graduated from Chinese Universities and received PhD degrees in the United States. Most of them are working on the frontiers of new technology of interest to the Chinese. A PhD degree does not guarantee that its possessor is good in language, but such specialists, selected carefully to be basic translators according to their special fields and language skill, can achieve accuracy in technical content and terminology. These translations can afterwards be checked by specialists acquainted with language currently used in China. Thus such translations can be brought up to an acceptable standard.

A major advantage of doing translation in the United States is that translators are on the spot. If a translator working in the United States has difficulty understanding a point, he can easily clarify it by telephone. Moreover, if he discovers something inappropriate or offensive in the original text, he can discuss it with a company contact, and improve the quality of the translation.

Modern Chinese does present certain difficulties not experienced with other languages. The Chinese presently used in the People's Republic differs very considerably from that used elsewhere in style, grammar, character construction and terminology. Style in the PRC is moving toward simplicity, concision, and popular usage. Careful translation can only be beneficial. 完

# INTERNATIONAL CHINA NOTES

## China Buying Reports

**Autos:** Volkswagen's Mexican affiliate may sell China several thousand VW Safaris, VW-Mulis (especially made for developing countries), and VW-minibuses.

**Gas Turbines:** Three, worth \$5 million, were sold China by ACEC, Westinghouse Electric's Belgium subsidiary. They will be manufactured by Westinghouse Canada; ACEC will make the generators.

**Steel Plant:** Nippon Steel is talking with China on sale of hot rolling and silicon strip mills worth about \$200 million, to be yen-based. This would be the first deal to be denominated in yen: previous plant sales have been denominated and payable in RMB. Kawasaki Steel has also been talking with the PRC on cold rolling mills, Hitachi Shipbuilding and Engineering on continuous casting plants.

**Petrochemical Plant** Sold by Heurtey Industrie on Feb. 19, two 1,000 ton a day ammonia plants and one 1,740 ton a day urea plant, using Topsoe and DSM technology, worth \$118 million (F.Fr 600 million), to Techimport, for start-up mid-1976 through mid-1977.

**Data switchgear** has been under negotiation in Peking by ITT's French sub CGCT (for electronic switching apparatus type DS-4, with 200 line capacity), with Collins and RCA of the US reported in competing talks. The equipment is possibly for a domestic air-traffic control network.

**Color TV unit** equipped with four LDK color cameras has been bought by China from Pye TVT of the UK. The order, worth about \$570,000, the largest China has made from a European firm, came in January after negotiations since August 1973.

**Catalyzer Plant** worth \$4.7 million (Yen 1.4 billion), to produce titanium tri-chloride, a catalyzer for polymerizing polypropylene, was sold China in January. First of its kind bought by China, the 220 ton a year plant will be delivered late 1976 for use at a polypropylene plant being built by Mitsui group companies.

**Computerized oil exploration equipment** worth \$5.5 million is to be supplied the PRC by Applied Magnetic's Houston Geo Space division.

**Mill-boring machines** have been sold China by the French firm of Ernault-Somua. The contract, for four machines weighing 700 tons, is worth \$2 million.

**High-voltage electron microscope** with magnification of 500,000 and production of 500-1000 kilovolts in accelerated generation, has been brought by Machimpex from Tokyo Boeki. Price is listed at about \$900,000. The microscope, of the JEM-1000 series, is made by Japan Electron Optics Laboratory, and is one of the world's most advanced.

**Textile machinery** worth \$1.14 million has been bought by China from Mather and Platt of the UK. The contract is for continuous pressure textile processing machinery.

**High voltage power capacitor units** from Britain's BICC have been ordered by the PRC, worth \$228,000.

**Mining Equipment** Scotland's Anderson Mavor concluded a contract in February 1974, after talks initiated in November 1971, for 21 double-ended ranging drum shearers for fully mechanized longwall coal face systems, to be equipped with maximum power motors with capacity of 400 kw. The machines, some of which will be fitted with radio control enabling an operator to control them from up to 15 meters, incorporate some of the most up-to-date technology available.

**Bleached softwood kraft woodpulp** has been sold China by Simpson Timber of the US.

**Mobilecranes** have been sold the PRC by Ransomes and Rapier, a British equipment firm, announced Feb. 13, 74. No value was given for the sale.

**Fork lift trucks and bucket tractors**, 915 units altogether, worth \$8.33 million have been sold the PRC by Toyo Umpanki of Japan.

**Automotive transmission part heatment furnaces**, three all told, have been bought by China from Birlec of the UK. The order, worth about \$274,000, follows installation of ten other Birlec furnaces in China over the past seven years.

**Flight system equipment** worth about \$6.84 million will be made by Smith Industries of the UK for the British Tridents bought by the CAAC. Equipment to be supplied includes an automatic flight control system for automatic landing facilities such that scheduled services may be maintained in visibilities down to 270 meters.

**Polyester spinning and stretching plant** capable of spinning 48 tons daily of short and long polyester fibers has been purchased by China from Teijin of Japan. The contract, worth about \$16.7 million, calls for deferred payment in RMB over five years, the equipment to be installed during 1975-76.

**Medium-size passenger cars:** Machimpex has ordered 1,040 Crown passenger cars (440 2600cc and 600 2000cc) from Toyota Motor Sales. The order, shipped March-April 1974, is worth \$2.7 million.

**Color TV** Two color TV broadcast relay vehicles have been bought from Toshiba, worth about \$830,000, each with three color cameras and a portable camera.

**Thermoelectric Power Station**, the largest ever to be exported by the Italian firm GIE will be delivered to the PRC under a contract signed February 1974.

**Mining equipment** by the Britain's Gullick Dobson has been sold China, following display of an 11.5 ton impact ripper at the UK's Industrial Technology Exhibition in Peking in 1973. The firm is supplying China with over 1,000 longwall roof supports for Chinese mines, and is also installing the supports.

**Oil equipment** A number of Japanese firms have reported negotiations for oil exploration equipment, including Mitsui Shipbuilding and Engineering for supply boats, Hitachi Shipbuilding and Engineering for five supply boats and two large tugboats (the latter worth \$16.7 million), Sumitomo Shoji, Ocean Systems



(Japan), and Niigata Engineering for two undersea survey craft and a 500-ton survey ship, Tsurumi Seiki for two sets of a mini-computerized measuring equipment (the STD System), Kaijo Denki for stratum measuring equipment, and Japan Drilling Corp., which has invited Nippon Steel, Mitsui Ocean Development and Engineering, Japan's World Oil Devt Co., and Italy's ENI to discuss submarine pipelines to link an offshore discovery to the land.

## China Selling Reports

**Oil:** Japan will pay \$14.80 FOB per barrel for Chinese oil delivered to Japan during the first half of 1974, according to a contract concluded by Japan's International Oil Trading Company. China has asked Japan about a barter deal, to supply Japan with caprolactam, polyester tips, DMI, ethylene glycol, vinyl chloride, high, medium and low pressure polyethylene, polypropylene, polystyrol and ABS resins in exchange for crude oil. Talks, proposed through IOTC, are expected to begin by individual companies soon.

**Bicycles:** Chinese bicycles will be sold through the Kawasaki Motorcycle Sales Motor network in Japan by Kawatetsue Trading Company of Osaka. The bicycle will sell for about 24,000 yen or \$80.

**Vegetables:** Tokyo's Maruichi Shoji Company has imported 100 tons of vegetables from China to sell at near cost through department stores and super markets, bypassing wholesalers. The shipment—50 tons of cabbage and 50 tons of carrots were on sale at 30 percent below current local prices.

**Stationery:** Other recent new Japanese imports of Chinese goods include stationery, imported by Seiyu Stores, a major supermarket chain, at prices less than domestic retail prices. (Seiyu also plans to import toilet tissue.) Among the stationery items—20 color pencils (\$1.27), 60 sheet notebook (\$0.33), 18 tube color set (\$1.33), and set of 12 tube colors (\$1.00).

**Detergents:** Sugiyama Pharmaceutical Co. of Nagoya is selling Chinese-made synthetic detergents at its 18 stores. A 906 grams bag sells at \$0.87, 8% less than Japanese equivalents.

**Sports Equipment:** Chinese tennis rackets, tennis balls, and ping pong paddles will be testmarketed in Jordan Marsh stores in Miami and Boston by Allied Stores.

**Electronic Components** are being made by China for export. The volume is small but growing. About \$500,000 worth were bought by Hong Kong manufacturers in 1973, a rise of about 270% from the year before. Ferrite cores and plating circuit board are being made by China. Taiwan and Japan have increased prices by 20-40% due to energy shortages, but last Fall Fair prices for the components, which were competitive with makes from other sources, may be upped at the Spring Fair.

**Lavatory tissue** China has also become source of supply for toilet paper for Yokohama's municipal government: some 50,000 tons of it have been bought during an emergency shortage in Japan during the last couple of months by the Japanese municipality.

**Chinese walnuts** in shell arrived about 10 hours late in the UK, prior to the Christmas season, causing some traders to take advantage of the deadline clause. The walnut supply situation for the holiday period remained



Oil drillers at Taching: China's oil price is upped.

Eastfoto

healthy, however.

**Oil and petroleum products** Hong Kong will be provided with 300,000 tons of oil and petroleum products during 1974, by China: this represents 20% of the amount China has so far agreed to sell Japan (1.5 million tons) for the year.

**US fashions from China** Vera Neumann, designer of the Vera line of scarves, household linens, and sportswear, has recently returned from a two week private trip to China, and has picked up many ideas: According to the New York Post March 15, she is quoted as saying her "greatest inspiration has always come from folk art, the people's art, for which China could be such a rich source."

**Alarm clocks** Trafalgar Watch of the UK says "The Trafalgar range of clocks manufactured in China has met with instant success in the trade", according to a recent report. The volume of Trafalgar's business is substantial.

## Air and Sea

**Air Transport:** Canadian Pacific Airlines is to inaugurate regular flights between North America and the PRC in May 1974 between Vancouver and Peking, via Anchorage, Alaska and Shanghai, not stopping in Japan. There is no word about reciprocal flights by CAAC. CPA joins Air France, Ethiopian Airlines, Pakistan International Airlines, Aeroflot, and Iran Airlines in obtaining traffic rights. Japan Airlines and BOAC also expected to fly to China within the year. China and Belgium are discussing regular air connections. Scandinavian Airlines (SAS) however, has been stymied in its negotiations by the Soviet Union, which says it is not prepared to negotiate a SAS route to Peking via Moscow.

**Shipping:** Using three berths recently allocated for the China trade at London's Albert Docks, have been the first of many Chinese chartered vessels. Among the ships docking in London have been a number owned by the Nan Yang Shipping Company of Macao,

registered in Mogadishu, Somalia. Nan Yang now owns more than 70 ships, all on charter to the PRC. One of the vessels, the Sulthana, brought in 1400 tons of frozen food stuffs.

**International passenger line?** Several reports have it that Peking may be interested in buying the liner France, one of the world's most famous passenger vessels. Is China to have a passenger line of its own? Could the France be a useful floating exhibition-cum-convention vessel for the PRC?

**Port construction** China's maritime commerce now extends to over 550 ports in 140 countries: reflecting the growth in port handling, many of China's ports have been undergoing considerable improvement. Oil handling facilities at Talien and Chihuahngtao's have been completed, and two new 35,000 ton berths at Tientsin, plus a coal handling wharf at Lienyunkang and rebuilding of three berths at Shanghai are almost complete. Chanchiang and Whampoa facilities have been enlarged; fueling amenities for diesel ships in Shanghai and oil storage tanks at Tientsin are under construction. According to *Sino-British Trade* China plans to build container terminals at Tientsin and

Shanghai, the latter to be very large. Japan's Shinwa Kaiu Co. hopes to inaugurate regular container service to China, following a first visit of one of its container vessels to Shanghai in late 1973.

**Refrigerator ships:** ten worth about \$18 million have been ordered from Japan's Kanazashi Zosen, for delivery April 1974 through March 1975.

**Barges and tugboats,** totalling \$2.3 million worth and numbering seven, have been purchased from Malta by the PRC. 完

The article on the convertibility of the renminbi has been held over till the next issue.

**Erratum:** the caption for the front cover of the US China Business Review Vol 1 No 1 should have read: The Chairman of the National Council's mission to Peking, D.C. Burnham, talking with Li Hsien-nien Vice Premier of the People's Republic of China in the Great Hall of the People, Peking, November 8, 1973.

## NEWS OF MEMBERS

### Sino-US trade exchanges with member firms: Business is healthy.

**Dr. Harned Hoose**, of HOOSE CHINA TRADE SERVICES, recently in Peking, was quoted in the New York Times as having been assured by Chinese trade officials that Sino-American commercial exchanges would continue to improve. While in China Dr. Hoose signed contracts with the China National Native Produce and By-Products Import and Export Corp. worth more than \$4 million on behalf of clients. In addition, Hoose said that larger deals with Machimpex and Techimport were proceeding well.

**David Cookson**, Manager of China Trade for New York's ICD GROUP, announced that ICD, the leading distributor of Chinese musical instruments in the US, is now handling the complete range of instruments produced in China through its nationwide distributive organization. ICD will exhibit some of these instruments, including the only Chinese manufactured piano in stock in the US, along with seeds, spices and other foodstuffs at the World Trade Center in New York on April 2 in conjunction with the conference on "How to Sell to and Buy from the People's Republic of China," co-sponsored by the National Council.

#### PAN AMERICAN WORLD AIRWAYS

has reminded potential participants in the upcoming Canton Fair of its air service to Hong Kong. The airline will arrange hotel accommodations and cargo delivery to the Colony, as well as printing Chinese language business cards for Fair-goers.

**At an April 2 conference** at New York's World Trade Center on "How to Sell to and Buy from the People's Republic of China," Kurt Reinsberg of ASSOCIATED METALS AND MINERALS and David Cookson of the ICD GROUP will speak on what China has to sell, while Harvey Plonsker of UNIVERSAL OIL PRODUCTS and Thomas Greenish of WESTERN UNION INTERNATIONAL will discuss what China wants to buy. The conference is co-sponsored by the World Trade Institute, the National Committee on U.S.-China Relations and the Council.

**CHINA TRADE CORPORATION** now has on hand a varied selection of PRC films being syndicated to US television stations nationwide. Charles Abrams, President, announced that the New China TV Corp., a joint venture of CTC and Crestwood Advertising, were distributing over 20 titles, including "2100 Year Old Tomb Excavated," "Acupuncture Anesthesia," and

"Industrial Front," a documentary on the Taching Oil Fields.

**Robert P. Piccus**, President of ITT FAR EAST LTD. and Vice President, ITT Far East and Pacific, Inc., and Regional General Manager, Asia Pacific, has just been appointed Director of China Trade Relations. Mr. Piccus will be responsible for developing a corporate program for ITT companies around the world as they develop trade relations with the People's Republic of China.

**M. W. KELLOGG** (Division of Pullman, Inc.), a new member of the Council, has signed contracts with the PRC for eight ammonia plants, furnishing design, equipment and engineering. Chinese technicians recently visited its Houston facility in connection with the contracts.

**The Picker International Corporation**, a subsidiary of CIT Financial Corporation, recently sold advanced technological medical equipment to the People's Republic of China through its representative MAY LEE INDUSTRIES, CA, INC. Included in the sale was a high-speed radioisotope scanning system that detects and displays radioactive pharmaceuticals in human organs and a scintillation-camera embodying the most advanced techniques in gamma image display, manipulation and data quantification.

# POSTAL RATES FOR CHINA

As of March 1974

## Regular Surface Rates

Ounces	Letter Mail	Printed Matter	Small Packets
1	18¢	10¢	18¢
2	31¢	10¢	18¢
4	41¢	16¢	18¢
8	92¢	32¢	35¢
16	\$1.74	56¢	58¢
32	\$2.89	85¢	\$1.04
64	\$4.62	\$1.16	
Each additional 32 ounces		58¢	

### Airmail

26¢ per half ounce up to and including 2 ounces, 21¢ each additional half ounce. Aerogrammes, air post and post cards 18¢; printed matter and small packets 70¢ for the first 2 ounces and 35¢ for each additional 2 ounces.

### Parcel Post

\$1.55 for the first two pounds and 45¢ for each pound or fraction thereof with a 44 pound limit.

Greatest combined length and girth 6 feet.

Greatest length, 3½ feet except that parcels may measure up to 4 feet in length, on condition that parcels over 42 and not over 44 inches in length do not exceed 24 inches in girth, parcels over 44 and not over 46 inches in length do not exceed 20 inches in girth, and parcels over 46 inches and up to four feet in length do not exceed 16 inches in girth.

The following are prohibited items: arms, ammunition, and explosives of all kinds; radio telegraphic receivers and transmitters; Chinese currency, bills (including checks) and securities; printed matter, manuscripts, notes and memoranda, paper matrices, negatives, photographs,

phonograph records, cinematographic films, loaded sound receiving tapes (wire), which are harmful politically, economically, culturally and morally to China; narcotics, opium morphine, heroin, cocaine and implements for smoking them; poisonous drugs; undeveloped exposed photographic plates and films; medicine without packing and trademarks.

**Air Parcel Post**—\$2.48 for the first 4 ounces, \$1.10 for each additional four ounces or fraction thereof.

### Registered Mail

Postal Union Mail, which includes first class airmail, postal cards (both air and surface), aerogrammes, printed matter and books may be sent registered mail to the PRC. The cost of registration is \$0.95 per piece. (This service has been available since December 27, 1973.)

\* \* \*

All mail to China must be addressed to "The People's Republic of China" otherwise it may be returned by the Postal Service of the People's Republic of China.

Airmail to and from China normally takes four-to-seven days.

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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.