

THE MAGAZINE OF THE NATIONAL COUNCIL FOR US-CHINA TRADE MAY-JUNE 1974



U.S. CHINA BUSINESS REVIEW

T.M.



TRANSLATION SERVICES OF THE NATIONAL COUNCIL

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

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

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

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

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

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

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

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

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U.S. CHINA BUSINESS REVIEW T.M.



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Front Cover: The brand new Canton Fair complex is opened amid balloons and fire-crackers. For more details, see page 42.

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

COUNCIL CALENDAR

WASHINGTON, 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 on 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.

NEW YORK, August 12

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

KWANGCHOW, October 15-November 15

The 36th Chinese Export Commodities Fair.

CHICAGO, October 22

Eugene Theroux, Council V-P, will address the Scientific Apparatus Manufacturer's Association Conference on East-West 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.

LIBRARY SERVICES OF THE NATIONAL COUNCIL

The National Council now has a library for the use of all members with comprehensive data relating to China, the Chinese economy and foreign trade information. Member companies have already made a considerable use of the library. These facilities are free to all members at any time.

Reference books

A considerable number of books relating to different aspects of China's economy and trade are stocked, including most new books issued on these subjects in the US and elsewhere.

Periodicals

All leading periodicals carrying information about China's foreign trade and economy are available for reference. These include a number of statistical journals, including OECD statistics, and publications by organizations outside the US.

Files

An extensive filing system includes information under such headings as Economy, Government and Politics, Industry, Trade Relations and Statistics, Banking, Finance and Currency, and Export and Import Products.

Each of these sections is broken down into numerous sub-categories. For instance, under Industry there are sub-categories such as Electronic and Electrical, Vehicles, Shipping,

Transport, Textiles, Construction, Power and Fuel, and Agriculture.

These files are kept up-to-date by means of a world wide information service, together with articles from specialized publications, and analyses carried out by Council staff.

Chinese Catalogues

The National Council has an extensive collection of Chinese export catalogues available, from all of China's Foreign Trade Corporations. These have been one of the most useful of the Council's library services to date for member firms.

US Trade Data

The Council maintains a stock of US trade information, including Federal Regulations and Tariff Schedules as well as reference materials relating to companies and products throughout the country.

The library is at the disposal of all member firms. Members wishing to use its facilities should first call Suzanne Reynolds.

FOODSTUFFS

from the People's Republic of China

David Cookson

This article refers to both the product lines of China's Cereals, Oils and Foodstuffs Corporation and the Native Produce and Animal By-Product Corporation which handles numerous basic foodstuff raw materials and unprocessed foodstuffs.

At present, there are two main barriers on the US side restricting development of foodstuff imports from China. The discriminatory import duty structure is one. Secondly, there are requirements of the FDA and the Department of Agriculture. The Trade Reform Act, which would potentially give China MFN treatment, languishes in Washington, though I believe that MFN will be granted—when, I am not sure. The National Council for United States-China will, of course, continue to be the spearhead and coordinator for efforts to achieve MFN.

On the other hand, the requirements of the FDA are likely to be with us much longer and will, in all probability, gradually become more strict as standards are revised upwards. The Chinese do not guarantee their goods to pass the FDA, and if the experiences of other countries are anything to go by, they will not offer such guarantees in the near future.

This article is a digest of remarks made by David S. Cookson, Director of the Far-Eastern Division and Manager, China Trade, of the ICD Group, at the conference held at the World Trade Center, New York, on April 2, 1974, cosponsored by the National Council for US-China Trade, the National Committee on US-China Relations, and the World Trade Institute. Mr. Cookson has attended numerous Canton Fairs.

The onus and risk are therefore firmly on the shoulders of the importer.

The size of the country, and thus, in turn, the range of climatic conditions, enables China to produce literally every type of food (including wheat and soybeans, which they have been buying from the US in vast quantities—China even exports soybeans to Europe and Japan on a regular basis) ranging from canned vegetables, fruit and meats to rice; from nuts and seeds to tea, and from edible oils to frozen seafood . . . not to mention traditional oriental foods.

All foodstuffs and foodstuff raw materials that China exports are prepared under State control, and this predicates that they are to the very highest standard. Nevertheless, it is still a risk to buy an item like Chillies at say 30¢ per pound CIF which might fail the FDA due to the presence of microscopic amounts of extraneous matter and then be confronted with a bill for more than 15¢ per pound to have the goods recleaned here—even though such recleaning by no means guarantees a "green ticket."

Insurance

For items such as seafood it is established trade practice, on all origins, to insure against the risk of an FDA detention with Lloyd's of London. But this is becoming increasingly expensive. And if, by chance, a number of rejections occur over a short period of time, a policy can be suddenly cancelled with all the resulting consequences.

Not to insure seafood is courting disaster. I can personally testify having had a detention on a cargo worth more than \$75,000: Detention means that

the the shipment either must be destroyed or re-exported, either of which tends to be very costly for an importer.

The most logical people to issue rejection insurance on Chinese goods are the Chinese state insurance entity, the People's Insurance Company, which covers most types of insurance risks and functions in the same manner as any Western insurance company. Their marine policies are modeled on Lloyd's clauses (with a few notable exceptions), and they are represented here by Toplis and Harding, Inc., the Lloyd's agents. Representatives of the People's Insurance Company are willing to discuss matters—and have done on a number of occasions—but it will probably be some time before they start offering FDA rejection coverage.

In the meantime, the Chinese attitude towards detentions has not been encouraging.

A Word of Caution

The terms and conditions of Chinese insurance policies and certificates are basically in accord with internationally recognized practices and there is no fear of their not honoring valid claims. However, one word of caution: Chinese insurance does not cover Strikes, Riots and Civil Commotions Clauses which just might give US importers some problems if the longshoremen should eventually walk out when their contract expires in October.

Pricing and Other Problems

We in the food business also suffer from many of the problems importers are encountering in other product areas such as pricing practices which do not distinguish between an importer, broker, stockist, jobber, distributor or retailer. It is all very well the Chinese selling direct to a retailer, but to expect an importer to pay the same price when he will be buying in far greater volume than the retailer and probably giving the Chinese a much broader exposure in terms of a distributive network, is neither fair nor reasonable.

Many importers have taken considerable risks and invested time and money pioneering markets for Chinese goods—quite naturally with the objective of building a sound and, needless to say, profitable long-term business relationship. It is, therefore, very disheartening to do all the spade work only to find that suddenly and quite inexplicably the supply has dried up . . . Continuity and large-scale volume are two of the main principles on which a successful importing business is built.

An example of a related problem is that of a limited availability of a product being spread over too many buyers, some of whom probably heard, through flowery journalistic efforts (something else from which we are still suffering), that these items

were good products to handle. This oversell has in a number of instances disrupted the market structure and will undoubtedly result in sales being much harder in the future.

Who can afford to risk importing a specialty-type item with limited outlets only to find that all the other guys on the block are doing the same thing?

One item in this category, which seems to have caught the journalistic eye as a novelty but which is, in fact, a very substantial export for China to Europe and Japan, is frozen rabbits. Here in the US the outlet for rabbits is limited to certain ethnic tastes, but it is interesting inasmuch as it is about the only meat product which, legally, can be imported. The reason is that rabbits (domestically raised, white meat rabbits) do not come under the auspices of the US Department of Agriculture. All the other red meats are banned until such a time as Peking allows the Department of Agriculture to inspect Chinese slaughtering and packing facilities.

Labelling

Apart from quality standards the FDA also, of course, enacts government regulations covering labelling which is another cause of headaches to importers, and there have been numerous detentions due to inconspicuous or misleading labels. This is something the Chinese can, and they have told this writer they will, resolve, so hopefully this is a passing problem.

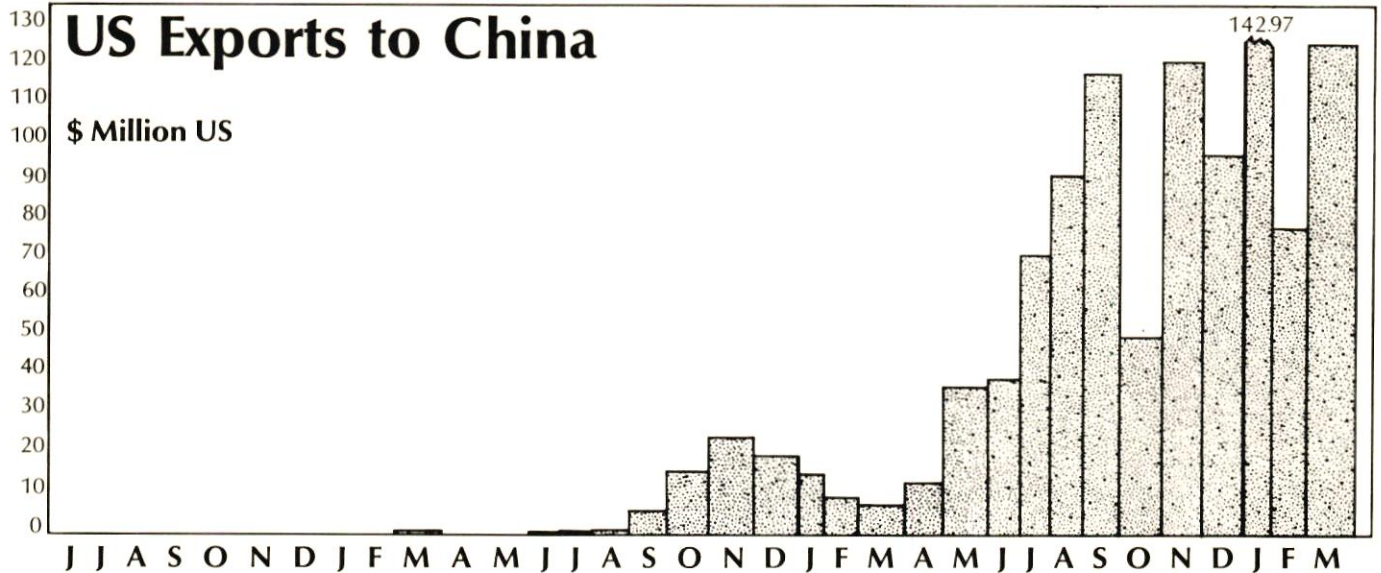
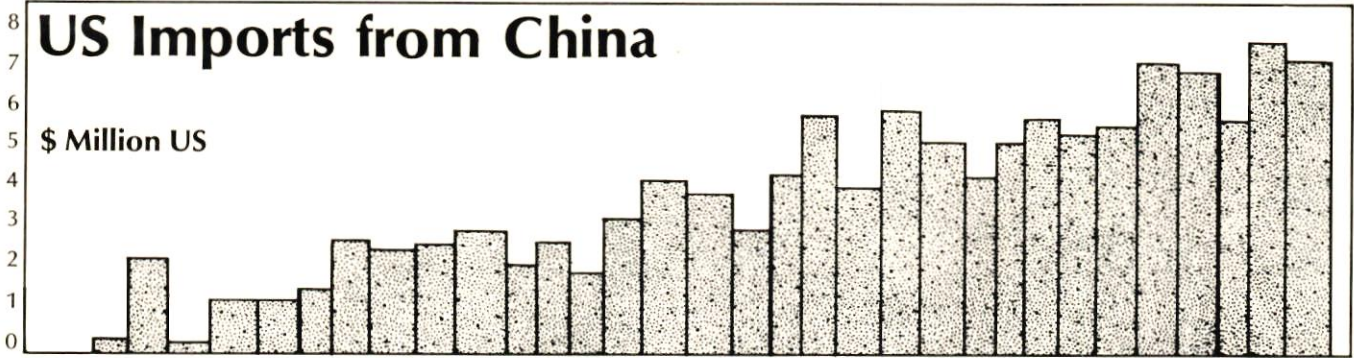
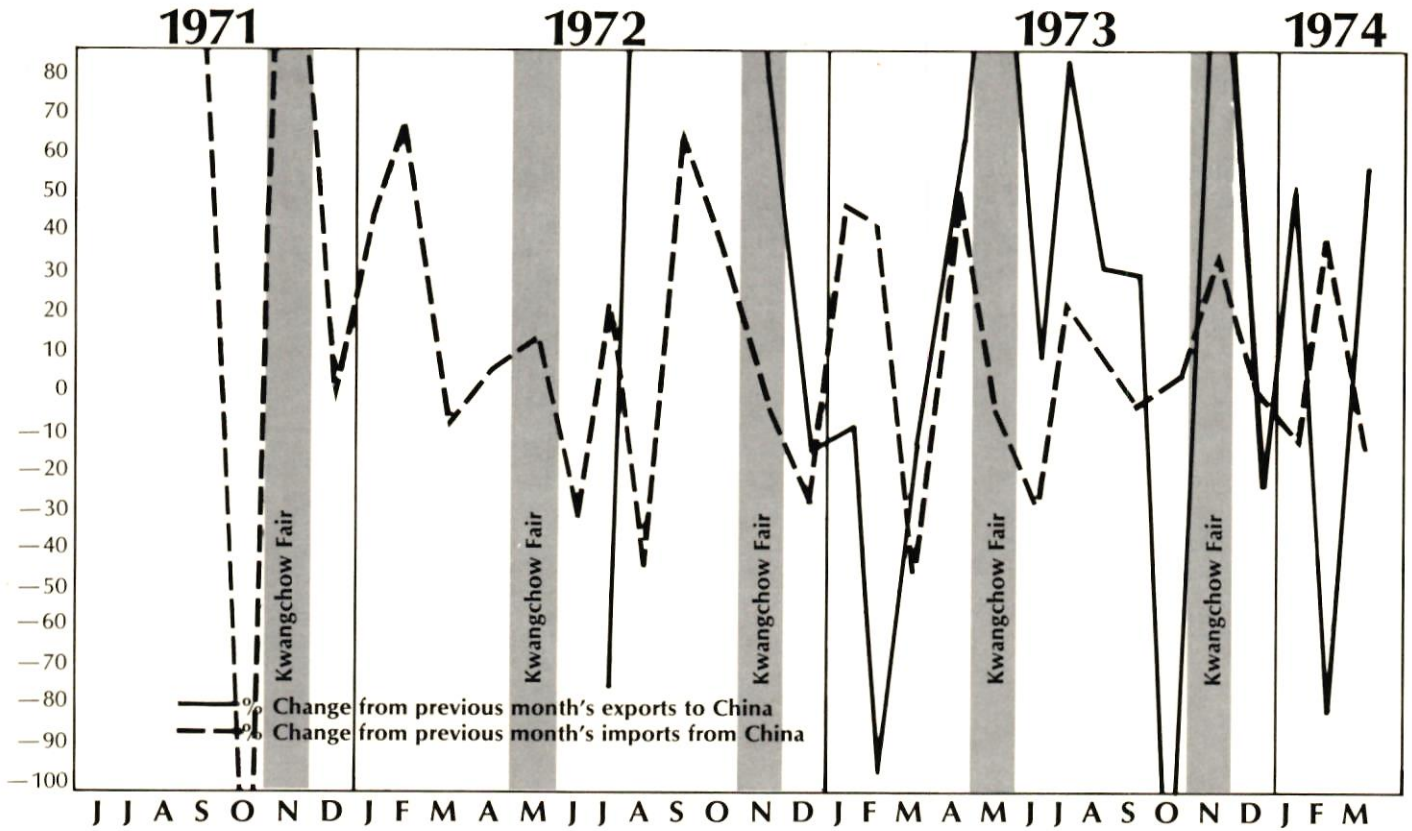
A potentially more disruptive market practice than these mentioned above is the continuing large-scale exports of Chinese goods from places like Hong Kong, in many cases of items which the American importer cannot buy direct or can, but only at higher prices! In other words, the available supply is not being sold direct to the market with the largest demand which not only gives the US distributor a problem, but equally means the Chinese sellers are not getting the best return for their merchandise.

In the meantime, specialized "China Traders" will probably become more and more predominant, not only due to their expertise, but also because the larger and broader-based product range of the more well established traders will enable them to survive when others have had to withdraw due to the limiting profit potential resulting from the small quantities which are offered.

Today's differences will be resolved . . .

In terms of Chinese business philosophy, this is still very early days in Sino-US trade. Today's differences will gradually be resolved, mutual understanding will increase and the rewards will be reaped by those with a total long-term commitment. Patience and persistence continue to be prime requisites for those engaging in trade with China! 完

SINO-US TRADE 1971-1974



US FIRMS, TRADEMARKS AND CHINA

Ann Fisher

One of the immediate consequences of the current thaw in Chinese-American relations is a quickened interest on the part of American businesses in obtaining trademark protection in the People's Republic. American corporations have learned from bitter experience that many foreign legal systems do not protect the user of a trademark in the absence of trademark registrations.

The threshold question with trademark registration protection in the People's Republic of China is: can you obtain it? There are measures for the "control of trademarks" promulgated April 10, 1963, and reported in the periodical, Patent and Trademark Review, Vol. 62, p. 247. The PRC Commercial Office of the Canadian Embassy in Ottawa provides power of attorney and application forms along with a list of the categories in which trademarks may be filed.

The office cautions, however, that foreign enterprises wishing to apply for trademark registrations in the PRC must be domiciled in a country with which China has signed a reciprocal agreement on trademark registrations. There is at the present time no such agreement with the United States. So it would appear that at this moment no registrations are possible. This, however, is not the end of the inquiry for companies with foreign subsidiaries.

A number of countries have concluded agreements with the PRC: Denmark, Finland, Italy, Sweden, Switzerland, the UK and, recently, Canada. How can an American corporation with a subsidiary, preferably wholly owned, in any of these countries

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鑽石牌
"DIAMOND"

Some Chinese Brands

take advantage of these reciprocal trade treaties? And should they? Some attorneys have suggested that the way to handle the problem is to assign the trademark registration in the country chosen to the foreign subsidiary, with a deed of trust to ensure that whenever the parent corporation wants to regain ownership, it may.

This procedure has a number of disadvantages. For one thing, it is an obvious subterfuge in the case of a famous trademark known to be the property of a US corporation. Also in the country chosen as the vehicle for the application in the PRC, the registration no longer belongs to the parent corporation. If an infringer is found in, for example, Sweden or Denmark, the subsidiary is forced to vindicate the parent corporation's trademark rights, which may be difficult or impossible. Moreover, trademark attorneys have a horror of dividing ownership in industrial property between more than one owner. Ideally, a mark should be owned by the same entity worldwide.

"Conzerne" Registration

A more sophisticated way of handling the matter is available in Switzerland. Section 6(bis) of the Swiss trademark statute permits what are called "conzerne" registrations which can be owned by a subsidiary at the same time that an identical mark is owned by the US corporation. This avoids the assignment. The Swiss subsidiary files in its own name for the trademark, obtains it, and uses it as the basis for an application in the PRC.

This does not avoid the obvious falsity of a Swiss corporation filing for a famous US trademark. Would the PRC enforce such a registration, if it became evident that the owner of record and the party in interest were, though related, not the same. Since to the writer's knowledge there are no cases in



Chinese jurisprudence on this question, one can only speculate that the Chinese might regard the "conzerne-based" registration as a clever trick to avoid the restrictions imposed by the need for reciprocal treaties, and unenforceable.

A further interesting question as yet unanswered is, assuming you obtain the registration and it is enforceable against an infringer, whom and how do you sue? Since the government owns all means of production, it would appear that you must sue the government which is responsible for this misuse. In a governmental system which has abolished most forms of private property, and, moreover, places the government in the position of the custodian and protector of the people's material welfare, there would be a strong tendency on the part of a Chinese court to find that the foreigner's trademarks rights, even if registered, were subordinate to the public need for local goods, however labeled.

US Registration

A recent visitor to China brought up the question of obtaining trademark registrations on behalf of US nationals in a private interview with a member of the Legal Affairs Department of the CCPIT (the China Council for the Promotion of International Trade) in Peking. The visitor to China told this writer that the response by the official initially was that application was impossible in the absence of a reciprocal trade treaty.

In rebuttal it was pointed out by the visitor that at the present time PRC businesses trading in the US are able, on the same basis as all other trademark owners, foreign and domestic, to register their marks in the United States Patent Office. The US legal requirement is merely that a trademark, in order to be registered, must be "used" in trade in or with

the United States, or else registered on the basis of a provision of the Lanham Act giving a foreign trademark owner six months after his foreign filing to do so in the US.

The official who had initially insisted that there should be reciprocity in trademark rights then backed off, saying that the problems barring trademark registration essentially had to be viewed in the context of "other matters," presumably political. The final position reached in the meeting was that US corporations could not "for the moment" register their marks directly.

When a bilateral trademark agreement is reached remains speculation. The PRC, however, probably will not encourage its people's dependence on brand name merchandise, particularly of foreign manufacture. It will probably be many years before COCA-COLA and LEVI's are advertised on the billboards of Peking, if ever. 完

One item that may not find high market acceptance in the US: The product itself is good.

WHITE ELEPHANT
Leak proof
BATTERY

白象
全封闭电池

中华人民共和国制造 MADE IN THE PEOPLE'S REPUBLIC OF CHINA

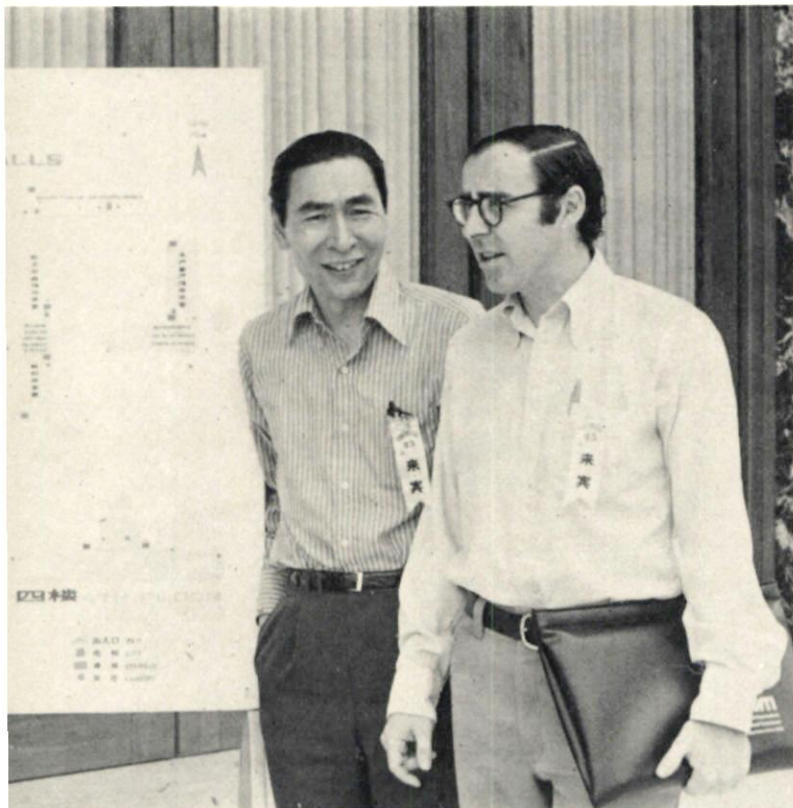
AMERICAN INDUSTRIAL REPORT

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

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

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

Chou Tsai-fei, Vice President of China Consultants International, Ltd., co-publisher of the *American Industrial Report*, talking with Eugene A. Theroux, Vice President of the National Council at the Spring 1974 Kwangchow Fair. A plan of the location of the new Exhibition Halls at the Fair is on the left.



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

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

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

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

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

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

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

The Organization of CHINA'S FOREIGN TRADE

Gene T. Hsiao

China's foreign trade is carried out by a vast complex state organization centering around the Ministry of Foreign Trade (MOFT) with the assistance of the China Council for the Promotion of International Trade (CCPIT) and a host of other government agencies, banks, and insurance companies. The following discussion addresses itself to the basic organizational structures of the MOFT and the CCPIT as well as their main functions in trade operations.

The MOFT works under the direct supervision of the State Council and its Staff Office of Finance and Trade, and is coordinated by the Department of Finance and Trade Work of the Central Committee of the Chinese Communist Party. Vice Premier Li Hsien-nien heads both the Staff Office and the Department, and Mr. Li Ch'iang is currently Minister of Foreign Trade. Specialized in engineering and telecommunications, Minister Li has been a top trade official of the People's Republic since November 1952 when he served as trade counselor in Moscow. Two years later, he became Vice Minister of Foreign Trade until his appointment to the present portfolio in October 1973.

In between, however, he twice left the MOFT for other assignments. The first time was in the latter half of the 1950's when he undertook positions in the Institute of Technology of the Chinese Academy of Sciences, the China Electronics Society, the Electronics Research Institute, the Sino-Soviet Joint Committee for Scientific and Technological Cooperation, and the Scientific Planning Commission of the State Council; the second time was in the early 1960's when he was assigned to the Commission for Economic Relations with Foreign

Countries as Vice Chairman (the Commission later became a Ministry). With this background, his new appointment may be seen as an expression of China's increasing interest in the importation of Western technology.

The Organization of the MOFT

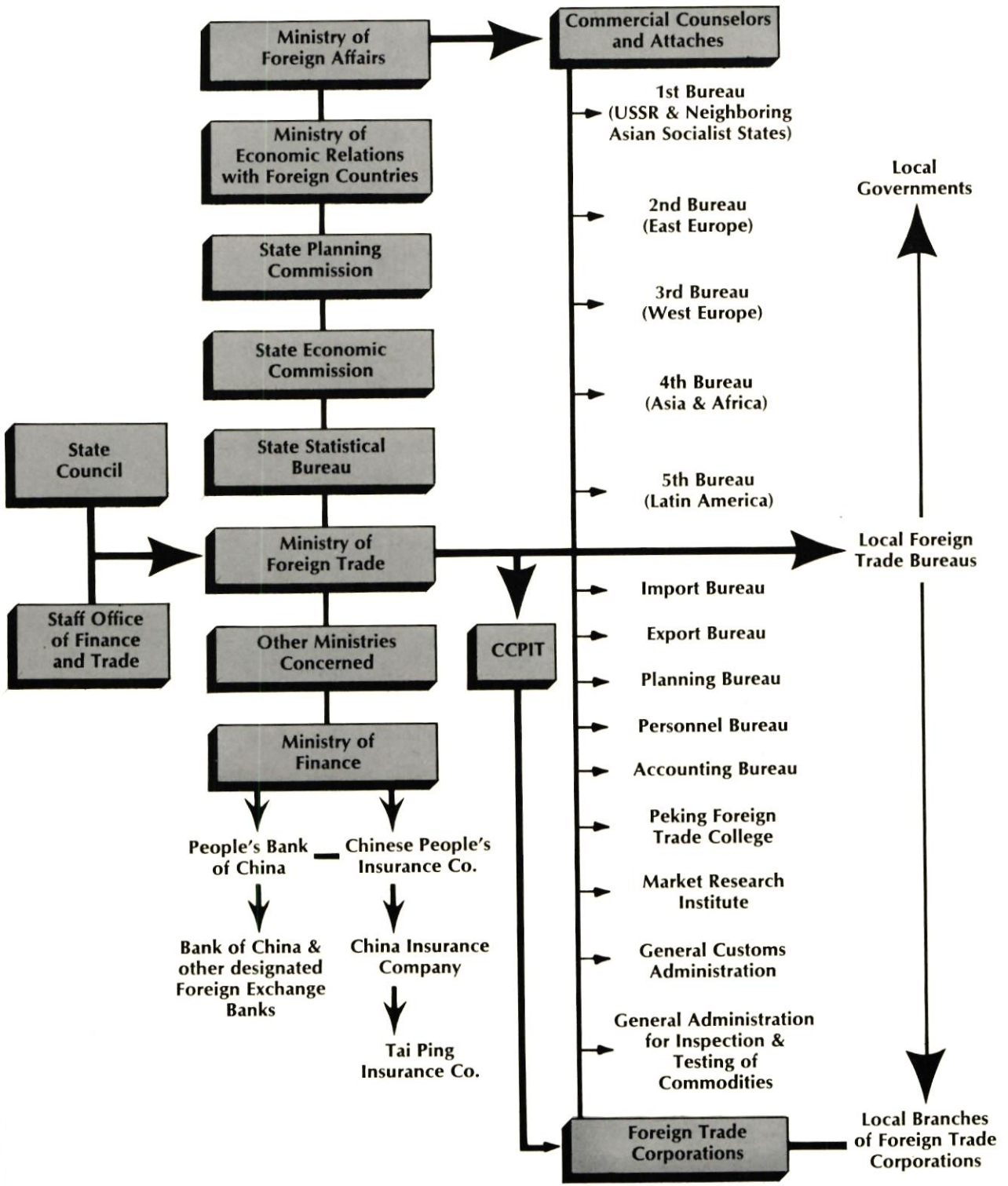
Organizationally, the MOFT is divided into five regional bureaus dealing with the Soviet Union and other neighboring socialist states, East Europe, West Europe, Afro-Asian nations, and Latin America; three functional bureaus handling import, export, and planing affairs; two administrative offices managing personnel and accounting matters; two specialized agencies for customs affairs and commodity inspection; one market research institute; one foreign trade personnel training school; eight national foreign trade corporations; one chartering corporation; one transportation corporation; and one publication center. As China's trade with the United States has begun to develop, it seems likely that this may be reflected in some rearrangement of regional bureaus in the near future.

In addition, the MOFT exercises direct supervision over its local counterparts, called "foreign trade bureaus", appoints commercial counselors and attachés to the Chinese diplomatic missions abroad, assigns permanent or visiting official trade delegations overseas, develops trade relations and technical cooperation with foreign states, and concludes trade treaties and agreements with foreign governments on behalf of the People's Republic.

Under the Chinese socialist system, foreign trade is an integral part of national economic planning. The MOFT receives control figures from the State Planning Commission and the State Economic Commission for annual and long-range imports and exports on the basis of the overall economic goals of the nation, and then maps out general import and export plans in accordance with China's political relations with each individual trading nation, its existing contractual commitments to foreign partners, the nature of import and export commodities involved, world market conditions, the

Gene T. Hsiao, Professor of Government and Director of Asian Studies at Southern Illinois University at Edwardsville, has written many articles and monographs on the legal aspects of China trade, and on Sino-Japanese trade relations. "Sino-Japanese Detente and its Policy Implications" edited by Professor Hsiao has recently been published by Praeger.

The Organizational Structure of China's Ministry of Foreign Trade



Source: Gene Hsiao

sources of foreign supply and demand, domestic demand and export capability, as well as the amount of foreign currencies and external financing available.

These general plans are then transmitted to the national foreign trade corporations as guidelines for the making of specific import and export plans. After review by the MOFT, these specific plans become part of the general plans which, in turn, become an integrated part of the national economic plan. Finally, after approval by the State Council, the MOFT assumes the ultimate responsibility of supervising the national corporations in executing the specific plans.

Local Bureaus

In order to protect the national economy and facilitate socialist economic planning, the MOFT requires all state and private import and export firms to register with local foreign trade bureaus. In the case of foreign firms, such registration is to be recommended by a local Department of Foreign Affairs and approved by the MOFT before the firms can operate at a designated place. Permits are required for the importation and exportation of all goods except those exempted by the MOFT. Imports exempt from licensing consist of twenty-three categories, such as gifts; and exports exempt from licensing, seventeen categories.

Traders are classified into three general groups: (1) foreign trade corporations exclusively owned by the state or under state-private joint management, (2) private traders of Chinese or foreign nationalities, and (3) other enterprises, state organs, social groups, schools, and individuals. Procedures for the application of import or export permits are basically the same for all three groups, namely, each applicant must fill out an import or export form to be approved by an MOFT bureau of a local foreign trade bureau. With this approval, he then prepares another application, known as a Schedule of Import or Export Goods, for the examination and release of his cargo by the customs office.

The application, however, must be accompanied by specified documents for customs scrutiny. In the case of imports, these are: bills of lading, invoices and their duplicate copies, packing lists, and contracts, manufacturer's invoices, certificates of origin, certificates of provenance and other documents when required. In the case of exports, the specified documents are: shipping orders or consignment notes, invoices, packing lists, contracts, testing certificates and other documents when required.

Customs

In conformity with the state's policy of control and protection, the Chinese Customs was assigned a critical role in the operation of foreign trade. Prior to

the founding of the People's Republic, there were a total of 173 customs houses in China with a staff of 12,000, including 234 Europeans and Americans. In addition to its normal duties, the Customs also exercised such functions as coastal guard patrol and administration of harbor affairs. In fact, customs revenues were held as securities against the payment of indemnities and loans to foreign countries by the pre-1949 Chinese government.

Under the new government, all these extra functions of the Customs were either abolished or transferred to other government agencies and the 173 customs houses were reduced to seventy-eight, of which thirty were district customs offices (*kuan*), thirteen were branches (*fen-kuan*), and thirty-five were subbranches (*chih-kuan*). The General Customs Administration is a subordinate unit of the MOFT. The organizational establishment, alteration, or abolition of its branches and subbranches is within the sole jurisdiction of the MOFT, subject only to the advice and consent of other central and local government agencies concerned. Operationally, local customs offices, like local foreign trade bureaus, work under the dual leadership and supervision of local governments and the MOFT.

Protective Tariff Policy

China adopts a protective tariff policy by which the state provides either low rates or exemptions for capital equipment, industrial raw materials, agricultural machinery, grain seeds, fertilizers, and other things which China produces only in limited quantities or cannot produce at all. On the other hand, the state imposes high duty rates on goods abundantly produced or manufactured in the country and on manufactures and semi-manufactures not amply produced in the country at present but which may be developed in the future.

For luxuries and nonessentials, the state stipulates even higher duty rates. In addition, the government provides reduced duty rates for imports purchased and shipped from countries having "mutually beneficial" trade treaties or agreements with China, while general duty rates are levied on imports from countries which do not have such treaties or agreements with China. The reduced duty rates for imports range from 5 to 150 per cent, and the general duty rates from 7.5 to 400 per cent.

Imports are classified into 17 groups, 89 types, and 939 items. Customs valuations are on the basis of CIF prices. For exports from China, all but 96 export items are exempt from duties. The dutiable value of these items is assessed on the basis of FOB prices. If the normal wholesale market value for imports or the FOB value for exports cannot be ascertained, the duty-paying value shall be determined by the Customs. Beyond those provided for in the tariff, duty exemptions are accorded to certain imports and exports.

Inspection

For the purpose of developing foreign trade and protecting standards of domestic production, the MOFT operates a General Administration for the Inspection and Testing of Commodities with about twenty-seven bureaus throughout the country. The local bureaus and their branches are equipped with modern apparatus and instruments, and staffed by experienced technicians to meet their particular requirements. At the request of the concerned foreign trade corporation, a local bureau determines the weight of export merchandise and inspects the quality of the materials used in packing and the packing itself. In addition, the local bureau also handles notary work relating to a foreign trade transaction. In all, the bureau issues four types of documents to assist the operation of foreign trade: Certificate of Origin, Certificate of Inspection and Testing, Survey Report for Weight, and Notary Certificate.

Trade Corporations

China started its state trading operations with six national corporations in 1950. After a long process of expansion, merger, and reorganization, there are now a total of eleven under the MOFT. Of these, eight are engaged in regular merchandise trade. They cover: cereals, oils, and foodstuffs; chemical products; light industrial products; machinery; technical import; metals and minerals; native produce and animal by-products; and textiles. The China National Publication Center (*Guozi Shudian*) imports and exports books and periodicals in Chinese and foreign languages, and arranges subscriptions to newspapers and periodicals published in China on behalf of foreign readers. The China National Chartering Corporation handles the chartering of vessels and the booking of shipping space required for Chinese import and export cargoes, does similar business on behalf of principals abroad, and canvasses cargoes for ship owners. The China National Foreign Trade Transportation Corporation arranges customs clearance and delivery of import and export cargoes by land, sea and air, or by post. Each of these eleven corporations has branches in China, and most of them have agents or representatives overseas.

The corporation, unlike the other MOFT organizations mentioned above which are state organs and usually do not participate in civil law activities, engages directly in trade and is responsible for its own losses and profits. As such, it assumes juristic personality and implements the foreign trade plan through the formation of contracts with both domestic and foreign partners.

In theory, a juristic person must meet four requirements. First, it must be an organization approved by the state and governed by a charter (i.e., articles of corporation). Second, it must possess a property sepa-

rate from its own members and other organizations and independently controlled by its own will. Third, it must be able to assume property liabilities in civil matters; the treasury of the state is not responsible for its obligations. Fourth, it must be able to use its own name to participate in civil lawsuits as plaintiff or defendant. In practice, China has never published any corporation charters and the state treasury supports all corporation business activities, including liabilities arising from foreign claims.

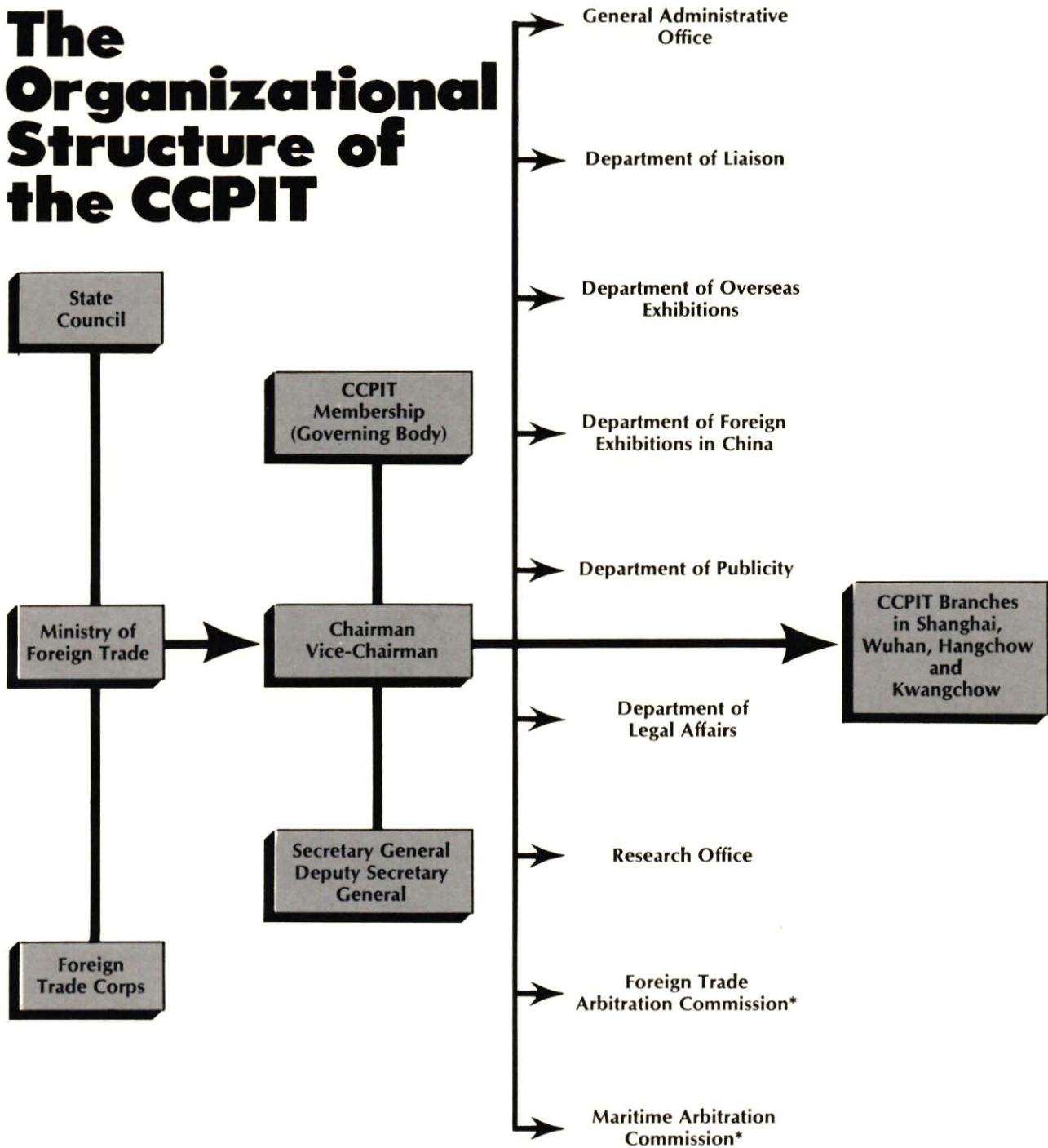
A Chinese foreign trade corporation is not a consuming or producing unit but a middleman in the planned economy. As such, it does not have fixed assets but a working capital which is appropriated to it by the state and is controlled by the People's Bank of China. For transactions with socialist countries, all payments, clearing accounts, and exchange quotations are managed by this bank according to the agreements between the parties concerned. In trade with non-socialist countries approximately fifteen semi-government banks serve as foreign exchange agencies for settlement of international payments with the Bank of China as the principal agent.

Another important element in China's trade operation is the insurance business which is represented by the Chinese People's Insurance Company and assisted by two major state-private establishments: The China Insurance Company, Limited, and the Tai Ping Insurance Company, Limited, the latter being incorporated in Hong Kong. Together, they maintain an extensive network throughout the world, and write various types of policies such as Ocean Marine, Land Transportation, Aviation, Postal Sendings, and Hulls.

The CCPIT and the MOFT

The formal structural relationship of the CCPIT to the MOFT is ambiguous. The degree or corporate charter that created the CCPIT in 1952 after the International Economic Conference in Moscow has never been made known. In official English literature, such as the *Peking Review*, the CCPIT is positively identified as "a public body and an independent legal person . . . composed of the state foreign trade enterprises, representatives of joint state-private exporters and importers, economic, trade and legal experts and foreign trade workers." In Chinese publications, the CCPIT as a "legal person" is never mentioned. It has always been defined as "a permanent agency performing duties similar to those of the Chamber of International Commerce in other countries." The discrepancies between these two versions, however, seem to be not a serious issue if account is taken of the facts that the CCPIT itself does not engage in direct transactions, and its agreements are all private pre-contract arrangements without legal binding force upon other parties. Judging from the composition of its membership and its activities, however, the CCPIT is clearly a component part of China's state foreign

The Organizational Structure of the CCPIT



* The two arbitration commissions are independent units under the CCPIT.
Source: Gene Hsiao



Mr. Wang Yao-ting, Chairman of the CCPIT (right), with D. C. Burnham, Chairman of the National Council's mission to China, November 1973, during talks in Peking.

trade organization supervised by the MOFT.

Initially the membership of the CCPIT consisted of seventeen prominent bankers, economists, and trade union workers with Nan Han-ch'en, then President of the People's Bank of China, as Chairman. Near the end of the 1950's, this membership was expanded to twenty-three, who formed the governing body of the entire CCPIT organization. During the Cultural Revolution, the old membership was dissolved and Mr. Liu Hsi-wen replaced Nan Han-ch'en as acting Chairman.

Mr. Liu has long been associated with MOFT: Deputy Director of the Third Bureau in charge of West European affairs (1955-1960), director of the fourth Bureau in charge of Asian and African affairs (1960-1964), Assistant Minister (1964-1969), and Vice Minister since December 1969. In addition, he also served as "a leading member" of the China-Japan Memorandum Trade Office from 1968 to 1974 when this particular office was closed down as a result of the conclusion of an intergovernmental trade agreement between China and Japan. A few months before that, in October 1973, a new trade official, named Wang Yao-t'ing, became Chairman of the CCPIT. However, no information is available about his previous career, nor has the new membership been made known.

The Structure of the CCPIT

Directly subordinate to the Chairman are four Vice Chairman (Wang Wen-lin, Li Yung-t'ing, Li Ch'uan, and Li Hsi-fu) and a staff headed by a Secretary-General and a Deputy Secretary-General. As it was originally formed, the staff consisted of the following units:

General Administrative Office, responsible for daily administrative, financial, secretarial and personnel work.

Department of Liaison, responsible for establishing contacts with Chinese and foreign corporations and trade institutions, organizing overseas tours in connection with trade, economic and technological affairs, receiving foreign visitors, and handling private trade agreements and protocols signed in the name of the CCPIT.

Department of Overseas Exhibitions, responsible for organizing and operating economic and trade exhibitions overseas.

Department of Foreign Exhibitions in China, responsible for assisting foreign institutions in operating exhibitions in China.

Department of Publicity, responsible for publishing foreign trade periodicals and other information concerning China's trade and economy.

Department of Legal Affairs, responsible for handling legal and administrative problems in connection with foreign trade and maritime affairs as well as registration of foreign trademarks.

Research Office, responsible for studying international economic institutions and relations.

In addition to the above, the CCPIT has four branches in Shanghai, Wuhan, Hangchow and Kwangchow (or Canton), each consisting of a governing body and a staff similar to those of the CCPIT. The Foreign Trade Arbitration Commission and the Maritime Arbitration Commission under the CCPIT were both created by the government.

In carrying out all these activities, the CCPIT works very closely with the various administrative units of the MOFT and the national foreign trade corporations. In fact, there is evidence that the personnel of the CCPIT are interchangeable with those of the MOFT and the Ministry of Foreign Affairs. Such a practice obviously arose from the need to maintain a certain degree of semi-official contact with those countries in which China does have a trade interest but does not have formal diplomatic representation. Indeed, it should be noted that the People's Republic was recognized by no more than twenty-eight states when the CCPIT came into being in 1952.

Until the Sino-American detente in 1971, China was still represented diplomatically in no more than sixty countries whereas her trade relations had expanded to more than 130 countries. In all these years, there was no doubt that the CCPIT played a very useful role in handling those trade affairs which the government of the People's Republic could not officially and directly handle. Now since China has established diplomatic ties with more than ninety states, the political aspect of the CCPIT's function is likely to diminish. Particularly in relationship with the United States, the CCPIT's major function is likely to be one of handling matters concerning bilateral trade, as interstate affairs of a diplomatic nature can be properly dealt with by the Liaison Office. 完

THE IMPORTER'S COMMITTEE EXPANDS ACTIVITIES

The National Council, with its special responsibility to assist American importers in promoting Chinese exports to the United States, helping smooth the present flow of Chinese products to the U.S. and expanding the range of Chinese exports on the U.S. market, has taken further steps to increase the activities of its rapidly expanding group of special importer members.

Kurt E. Reinsberg, a Director of the National Council and Senior Vice President of Associated Metals & Minerals, is Chairman of the Importers Committee. In March, 1974, a Steering Committee of the Importers Committee was formed to work on implementing the Council's policy of servicing its importer-members. The Steering Committee, includes, besides Mr. Reinsberg (Chairman): Robert Boulogne (J.C. Penney & Co.—general merchandise), Simon Katz (New York Merchandising—general merchandise); Harold Potchtar (Toscany Imports—ceramics & glassware); Herbert Roskind (Koch International Trading—chemicals); Sidney Sweet (C. Tennant Sons & Co., a subsidiary of Cargill, Inc.—textiles, metals and minerals), and Veronica Yhap (Dragon Lady Traders—textiles; machinery).

Meetings

On March 18, the Committee set before it the tasks of establishing a dialogue with the Chinese trading authorities, arranging for the imports-related itinerary of the visit of the CCPIT, enlarging the Steering Committee to be representative both in product areas and geographically.

Subsequently, Mr. Reinsberg had a meeting with Chinese officials on March 26, to discuss the Steering Committee and to introduce its work. Future meetings are planned with the Committee as a whole.

Testimony on MFN

On April 3, 1974 Christopher Phillips, President of the National Council, delivered testimony to the Senate Finance Committee, advocating most-favored-nation (MFN) status for China in the

Trade Reform Act, on behalf of all importer members. Copies of this testimony are available to all importer members.

After the Fair

After the Spring Kwangchow Fair at which all importer members had full use of the Council's facilities, Steering Committee members will meet again to further discuss ways of establishing a regular dialogue with Chinese officials to help promote trade and to air mutual concerns. By prepared reports and oral presentations, the Steering Committee hopes to be able to represent the general attitudes of all importers.

The Steering Committee plans to expose the CCPIT delegation to a good representation of marketing, American-style. A seminar-type meeting with importers, a visit to showrooms and merchandising marts, port facilities, and an importer's warehouse are part of the plans being discussed.

A special relationship has been established between the Council and the American Importers Association and its China Committee. The National Council and the AIA will work together to sponsor educational programs, visits by Chinese delegations, and exchange information of mutual benefit. Several Board Members of the AIA also serve as members of the Steering Committee—it is hoped that this concerted effort will increase Chinese exports to the United States substantially.

Future Plans

Future plans of the Steering Committee include arranging for exhibition space at various trade shows across the country to acquaint specialists in areas such as hardware, ceramics, leather goods, etc. of the availability and quality of Chinese products, as well as the services of the National Council. A questionnaire to importer-members of the Council is being developed to solicit ways in which the Council can better serve the interests of importers. The Steering Committee also welcomes any suggestions on how to more effectively represent the collective interest of American China traders. 完

COAST TO COAST- COUNCIL SPONSORS CHINA TRADE EVENTS

Mini Canton Fair Staged in New York

A comprehensive display of Chinese products in the United States was arranged by the National Council at a New York World Trade Center Conference on April 2. It was the first attempt in this country to present for American businessmen a sample of the variety of items shown at China's twice yearly Canton Fair.

A rich array of goods from each of China's export corporations, together with over a hundred export catalogues, added a note of realism to the conference whose theme was "How to Sell to and Buy from the People's Republic of China." The exhibition was held simultaneously with the conference.

Products of China's Light Industrial Corporation included woodwind, brass and percussion musical instruments, hardware items, vinyl briefcases, microscopes, surgical tools and a large variety of handicrafts, cloisonne, household goods, jewelry and footwear.

Tsingtao beer, Great Wall Vodka, wines, tea, and several hundred varieties of canned and dried foodstuffs and cooking oils and sauces, represented China's Cereals, Oils and Foodstuffs Corporation. Canned fruits alone included apples, peaches, oranges, cherries, papaya, pears, apricots, grapefruit, lichees, longans, prunes, lemons and mixed fruits.

China's textile exports were represented by a selection of goods, men's, women's and children's apparel, and tablecloths, handkerchiefs and silk scarves. Also included were women's "Mao" jackets, brightly colored and stylishly custom-tailored to specifications by Dragon Lady Traders, a National

Council member firm.

Chemicals, marble and granite construction materials, essential oils, spices, baskets, mats, carpets, skins, bristles, brushes and other goods, completed the display.

Held on the eve of the famous Chinese Export Commodities Fair, the conference included the first New York screening of a thirty minute Chinese-made color film describing the Fair. The film, available for use by members, is circulated in this country exclusively by the National Council.

In keynote remarks, Council President Phillips called on Congress to pass a trade bill permitting most-favored-nation tariff treatment for China, a recommendation he repeated the following day in testimony before the Senate Finance Committee. He said that the current campaign in China, which some journalists have suggested may be disruptive of U.S.-China relations, had no discernible adverse effect on American business with the Chinese. Both of these themes were also stressed by former U.N. Ambassador Charles Yost, another speaker.

In a departure from the usual practice at other conferences on China trade, two intensive and practical afternoon sessions were held, one chaired by Vice President Theroux for exporters, and one for importers, chaired by Kurt Reinsberg, a member of the Council's Board and head of the Council's Importers Committee. Rand Corporation's Dr. William Whitson addressed the conference luncheon.

The meeting was held in cooperation with the National Committee for U.S.-China Relations and the World Trade Institute.

EAST

Center: Nearly sixty participants attended the conference-cum-display of Chinese products held in New York at the World Trade Center on April 2, 1974. Here Professor Robert F. Dernberger of the University of Michigan, discusses Sino-US trade prospects.

Below left: Taking a look at items displayed, from left to right, are Eugene Theroux, Vice-President of the National Council, Veronica Yhap, consultant to the World Trade Institute, which co-sponsored the conference, Edward F. Swift, Executive Vice-President of Esmark Inc., and Arne de Keijzer of the National Committee on US-China Relations, also co-sponsoring the event.

Below right: Products of China's foreign trade corporations on display—beer, mushrooms, vodka, mello seeds and cassia lignia from China National Cereal, Oils and Foodstuffs Import and Export Corporation are shown here. Goods from China's Light Industrial, Textiles, Machinery, Chemicals and Native Byproducts corporations were also shown.



WEST

Council Conference in San Francisco

As part of its expanded program of regional China Trade forums, the National Council co-sponsored an executive session on "Planning Perspectives for Trade Relations with the People's Republic of China" at San Francisco's Hotel St. Francis on March 20.

Arranged in close cooperation with the Greater San Francisco Chamber of Commerce, the meeting brought together over one hundred senior business leaders from all over the western United States, including some from as far away as Montana and Colorado. David Packard, Chairman of the Board of Hewlett-Packard and Charles W. Robinson, President of the Marcona Corporation represented the Council's Board of Directors at the program.

Among Council member firms in attendance were Baker & McKenzie, Bank of America, Bendix Corp., Bentley Engineers, Chemical Bank, Robert Dollar Co., First National City Bank, French-American Banking Corp., Foremost McKesson, Kaiser, Manufacturers Hanover Trust, Pan American World Airways, Southern Pacific, Stauffer Chemical, United Air Lines, Wells Fargo Bank, Westinghouse and Weyerhaeuser.

Panel Discussion

After welcoming remarks by San Francisco Chamber President William M. Witter, President Phillips moderated a morning panel which included presentations by China trade experts from business, government and the academic community.

Gen. William Seawell, Chairman and Chief Executive Officer of Pan American World Airways, Byron Miller, Director of International Sales-

Australasia and Southeast Asia for the Boeing Company and Holger Hansen, General Manager of the East Asiatic Company, all of whom have recently visited China, presented their impressions of doing business with the PRC. One of the highlights of this discussion was Mr. Miller's description of negotiating with the China National Machinery Import and Export Corporation for the sale of Boeing 707 passenger jets.

Charles W. Freeman, Jr., China Desk Officer at the Department of State, outlined the government role in promoting mutually beneficial Sino-American trade. In addition, Mr. Freeman offered some valuable insights on the political milieu in which commercial relations between the two countries have developed.

Finally, Dwight H. Perkins, Professor of Modern China Studies at Harvard University, discussed China's trade in the context of the PRC's overall economic policy. Professor Perkins noted that in his opinion it is pragmatism rather than politics that is the primary determinant in China's commercial relations with the rest of the world.

After a lively question and answer period, the group adjourned for lunch where Wyoming Senator Gale McGee delivered an address on the developing commercial relationship between the US and PRC. Senator McGee, a member of the Senate Foreign Relations Committee and a recent visitor to China, pointed to the current trade imbalance between the US and China as potentially detrimental to a long term Sino-American commercial relationship. In his remarks, the Senator pushed for the adoption of Most Favored Nation tariff treatment for the PRC as a first step in overcoming the problem.

Center left: Governor Ronald Reagan of California and Christopher H. Phillips, President of the National Council, (right), discuss China trade at a reception held in conjunction with the San Francisco conference held March 20. On the left is Mr. William M. Morison, Chairman of the Chamber's US-China Relations Committee.

Center right: Panelists Charles W. Freeman, Jr. (left), China desk officer at the US Department of State, and Holger Hansen, general manager of the Copenhagen-based East Asiatic Company, examine their notes prior to formal presentations.

Below: Ambassador Phillips confers with panel members (from left): Byron H. Miller, international sales director for Boeing Commercial Airplane Co.; Gen. William T. Seawell, chairman of the board of Pan American World Airways; and Professor Dwight Perkins, associate director of Harvard University's East Asian Research Center.



Veronica Yhap (right) with friend.



FASHION GOODS FROM CHINA

Suzanne Reynolds

Each issue of the UCBR contains sectoral report on an area of major significance concerning Sino-US trade relations. In this issue fashion goods are the subject of the report.

Honan pongee, Shantung, Crepe de Chine, Habotai, Brocade—silks from China! Chinoiserie of all kinds, direct from the People's Republic of China, is now a familiar sight along the fashion aisles of US department stores.

Fashion goods from China are not confined to fine silks. Staple items, such as children's clothing and jackets, have been finding their way to men and women in the streets of America's cities and towns, bought and distributed by a growing number of fashion buyers doing business with the PRC.

It is these staples fashion goods—many of them worn by the sweetest-looking children in China's catalogues—that have a strong market potential in the US over the long term.

In this sectoral, prepared by Suzanne Reynolds, the status of trade in fashion staples from China is surveyed. Problems indeed exist, but none that cannot be solved by the efforts of the parties involved.

In related stories, the fortunes of Veronica Yhap, a pioneer in placing fashion goods from China among the salons of haute couture across the USA, via Dragon Lady Traders of New York, provides another dimension to this sectoral.

What materials are the stuff of Chinese fashion goods? A brief rundown of the fabrics is given in another article.

In addition, those regulations concerning imports of fashion goods are summarized, and a page of charts indicate the place of the garment trade in China's foreign commerce.

Overall, this sectoral gives some practical and educational insight to one area of developing trade relations between two nations long separated.

CANTON TO SEVENTH AVENUE—IMPORTING FASHION GOODS FROM CHINA

More than 1,300 years ago Byzantine merchants rode across the deserts of Sinkiang to China where they exchanged goods for silks and other riches. Today traders are still travelling to China to purchase not only silk but other fine textiles and a variety of Chinese-made garments at the semi-annual fair in Canton.

Among the traders are American buyers from clothing associations, department stores, small retail and large wholesale businesses. Drawn by good quality and fine workmanship, Americans are today among China's customers for clothing, buying among other goods, pajamas, shirts, jackets, sweaters, denim goods, khaki "safari jackets" and children's garments.

The following survey, based on interviews with American importers of chinoiserie, paints a picture of present US trade in fashion goods from China—a portrait of trade relations in their infancy.

A Difference in Styles

Often difficulties in the clothing trade stem from a lack of understanding of the other country's market. The gulf between the multifarious world of "Seventh Avenue" and the Chinese ethics of

frugality, modesty and practicality is vast. The idea of producing great quantities of clothing in a multitude of styles to suit the diverse and ever-changing tastes of more than two-hundred million Americans is alien to the Chinese experience today.

During a recent meeting between executives of a US department store and the representatives of the China National Textiles Import and Export Corporation, one of the Americans noted a Chinese gasping as she skimmed through the company's thick catalogue she had slipped onto her lap. When an American buyer was ordering four different styles of jeans, a Chinese representative kept asking

why one style was not sufficient. To a country producing garments for the main purpose of clothing its population, it is hardly surprising that the immense variety of clothing illustrated in US catalogues astounds its officials.

For the most part, China's apparel industry is geared to producing the practical, for easy movement, winter warmth and summer coolness. There are no seasonal style changes in the PRC—and no equivalent to Paris showings, influencing the local market. These differences and the major difference in life styles make the American and Chinese garment industries as different as the ideology separating them.

Negotiating at the Canton Fair

American businessmen praise their Chinese counterparts for their hospitality, honesty and pleasant manner. Fine food, accommodations and service in Canton remain in the memories of most US importers long after they have left the Fair. When it comes to negotiations, courtesy and cups of tea are the order of the day.

Negotiations, nevertheless, for many US importers, are not permissive of broad shopping.

Buyers with large orders sometimes find the Chinese insistence on buying at the Fairs difficult, for there is little time to consult the various departments in their home firms. Some also say they are unable to obtain catalogues from Fair officials.

At the Fair, clothing exhibits are divided according to factory. After choosing styles, the buyer must make an appointment with the National Textile Import and Export Corporation to negotiate with the factories involved. Although experiences have differed, most importers have had to negotiate separately with the factories which manufactured the item, rather than with the Textile Corporation.

If a buyer has chosen five items, each made by a different factory and branch of the textile trade corporation, he must negotiate with five different groups and sign five separate contracts.

Although the Chinese representatives are well-versed and informative, American buyers often find it time-consuming having to negotiate with so many teams instead of one representative group. In addition, if a buyer desires style modifications, there are frequently delays to permit the representative to consult with the proper authorities on price adjustments.

Communication

After orders have been placed, all communications from the United States are referred to the factory concerned. Answers are received promptly in response to cables sent to factories. Letters take more time to be answered.





Children's garments on display at the Spring 1974 Canton Fair.

Letters from China also tend to be addressed to the US company rather than to the individual executive concerned, which has sometimes caused complications. In the case of one US firm, the company's mail clerk could not decide to which of the 8,000 employees he should refer the letter. The omission of an individual's name reflects the Chinese preference in being referred to by corporation rather than by family name.

Samples

If a company has a Hong Kong agent, it may have samples forwarded of target objective items for testing or modifications. Once an order has been placed, samples are generally sent to the US within three to four months. If a sample is not right, another is sent as soon as possible. The Chinese have been commended for their willingness to make adjustments until a sample is perfect.

Factory Visits

A number of clothing buyers feel that it would save time and costly mistakes if importers with large

orders could visit the factory concerned to negotiate terms, and delineate style modifications with technicians.

Old customers may have more chances of obtaining an invitation to visit a factory than new customers. One such familiar face did receive an invitation to visit a factory. This particular factory was composed of six buildings or production units and employed some 1200 workers. In each building there was one cutting line, four sewing lines, one pressing line and a finishing line.

The factory was comparatively up-to-date in production practices using modern cutting techniques and sewing machines made in China or Japan. Thirty percent of the work was done by hand and about two-and-a-half million shirts per year manufactured, with 80% geared to export. Employees work six days a week, eight hours a day, with one shift.

Within the factory there was a kindergarten, a dining room, a dormitory for singles, and a library. In addition, the workers explained, the

factory was going to expand next year. At the time of the visit, European shirts were in production which were well-made through the cut was unsuited to the United States market.

Prices and MFN

The prices for Chinese clothing, on the average, are competitive with those of other places in Asia. But for American buyers, the prices tend to be high because of China's lack of "Most Favored Nation Status" in US. The US duty, for example, on plain cotton blouses is 21% for countries with preferred status against 45% for other countries. For clothing with embroidery or other decoration, which is a more popular buy in China, the US duty is 35% for MFN countries and 90% for others.

One buyer who ordered 800 dresses, some with embroidery, finds he must sell at cost because any retail markup would be too high for the market. To save on duty, some importers are having items finished, lined or decorated outside of China.

If and when MFN status is granted, prices are likely to improve. But the change will probably not be drastic as the Chinese are very conscious of world market prices and are anxious to improve the balance of payments between the US and China.

Labels

There does not seem to be any consistent policy on labeling in China. Most of the labels found on Chinese apparel are now in English. Some labels include fiber content and country of origin and sometimes percentage of shrinkage.

As Chinese labels do not always contain all the information required by the Federal Trade Commission, it is advisable to send a label stating country of origin, fiber content, the firm's RN number, care instructions, sizes and shrinkage. The Chinese will either sew in labels or, if not much additional information is needed, attach a hanging tag. Labels should also be printed in the US and sent in sufficient quantities to China.

Although the Chinese have been reluctant to sew in individual store names, some progress is being made in this area. For instance, they did offer to put in the name of an association but not the names of the department stores it represents. Another compromise made with an importer was an agreement to give his firm exclusive rights to a particular brand name. This name can be put on any article the company buys from China's Textile Corporation.

Even though a buyer may not have his own name sewn in, he may have a brand name changed. Some importers have been able to select such names as Radiance, Panda, Snow Mountain, Sunflower, over names less likely to appeal to US customers.

Shrinkage

If shrinkage is not included on the Chinese label, a percentage will be gladly quoted. To be on the safe side the Chinese may quote up to 8%, although one buyer has found that a Chinese garment, when washed, may shrink only 4%. The overstatement is honorable but, ironically, has tended to turn some US importers away, since, for acceptance on the US market, shrinkage should not be more than 5%. Buyers have not yet been successful in persuading the Chinese to use sanforization.

Packaging and Delivery

The standard method of packing clothing for shipment in China is in polybags, which has been successful with US buyers. The Chinese, until recently, preferred to ship in bulk to a single US port. As trade increases, individual packaging is being done and shipments are being made to several ports. Buyers must clearly specify the number of items per bag and the exact assortment to be included in one package.

Delivery of staple goods has been generally good. If there is a delay, it is usually no more than a month and the buyer is notified at once. There is still, however, no way of predicting how many months delivery usually takes. Delivery times vary from factory-to-factory and shipment, commonly via Hong Kong, is made whenever a ship is available.

After the goods have left Hong Kong, the buyer is sent a notice of transshipment stating the arrival date. The Chinese arrange transshipment, selecting the carrier from Hong Kong on the basis of a convenient departure time.

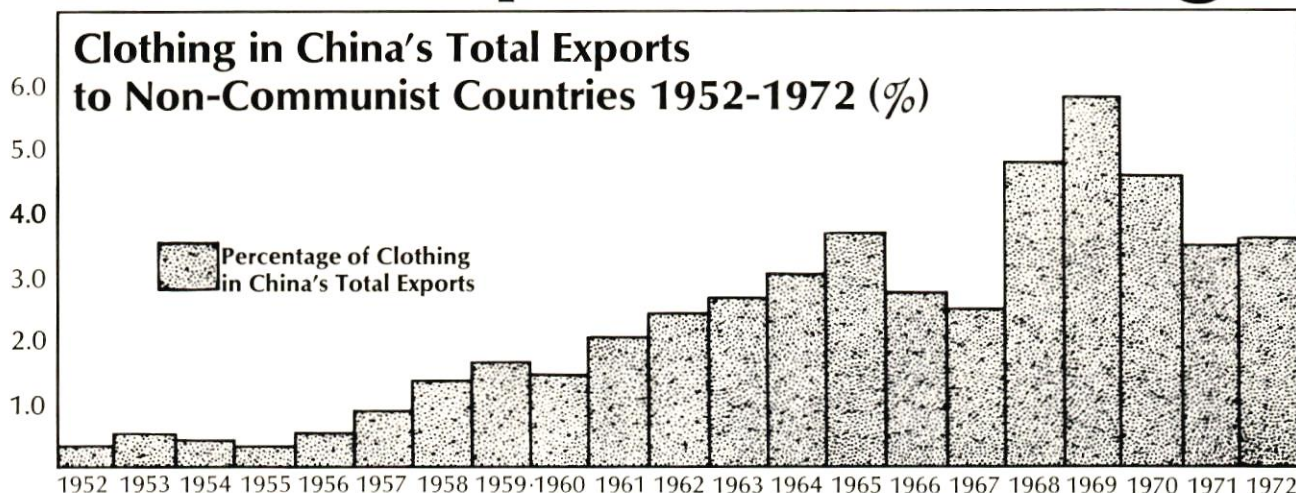
Exchange Visits

Many American clothing importers feel that a visit to a Chinese factory and a chance to speak with the workers would help in understanding the Chinese market. At the same time, they believe a visit by the Chinese to US manufacturing and testing centers would also be beneficial.

An introduction to American production and marketing methods could help clarify the need for widespread distribution, standardization of sizing, individual store labeling and regular delivery schedules. The Chinese would also be able to study market needs such as more modern styling and an increased variety of apparel fabrics—more wash and wear, permanent press, water repellent, and Sanforized garments. They could study the US distribution structure and visit department stores, their branches, and mail order centers.

With better understanding of both markets and the granting of MFN status, the clothing trade with the People's Republic of China is potentially a most viable proposition. 完

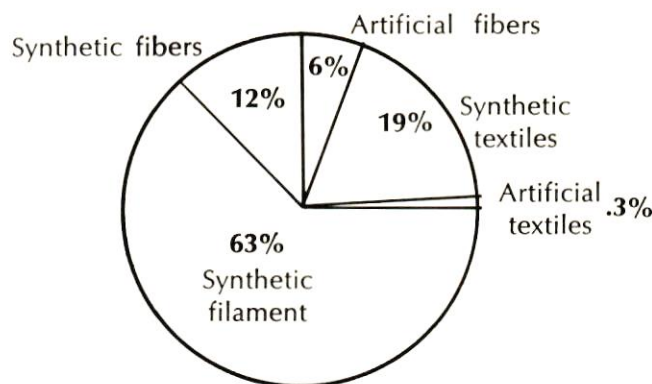
China's Exports of Clothing



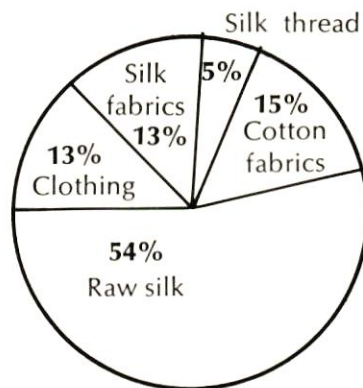
(For 1952-1954 the figures include footwear. No separate data for these two items are available.)

Sources: 1952-67—The Foreign Trade of Mainland China, Mah Feng-Hwa (Aldine, 1971), p. 200; 1968-72—U.S. Government

China's Trade with Japan—1973



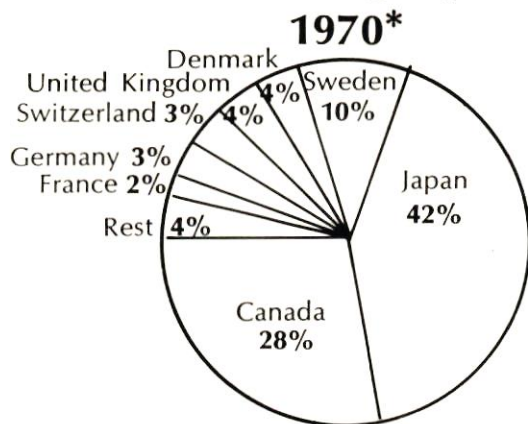
Textile Exports to China
TOTAL: \$100.5 million



Textile Imports from China
TOTAL: \$359.7 million

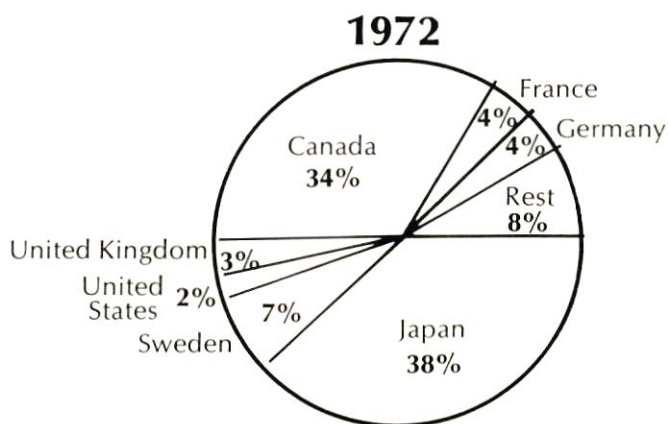
Source: JETRO

China's Clothing Exports to OECD Countries 1970 and 1972



Total \$23,734,000

Source: OECD



Total \$46,051,000



Photo from "W"

FASHIONS FROM CHINA—DRAGON LADY VERONICA YHAP

Veronica Yhap was the first importer of Chinese fashion goods into the US, and one of the first Americans ever to attend the Kwangchow Fair. During the past three years Ms. Yhap has probably done more than any other individual to establish pre-made Chinese fashion goods in the US. The story below describes Ms. Yhap's experience and provides a practical perspective that should be of interest to all parties involved in this blossoming area of US imports from China.

Veronica Yhap was a New York architectural planner until discovering a market for fashions made in China. She now owns Dragon Lady Traders, a firm that has been importing Chinese clothing since 1971, subsequently diversifying into other areas.

Before she began her business, Veronica often wore workers' jackets, pants and coats she had purchased in a Chinese department store in Hong Kong. It was not until a friend suggested she modify these outfits to follow the new cuts and styles, that she seriously considered having clothes made to order in China.

When she tested the US market stores were eager to carry what was sure to be the next fad. She sent her first patterns to a partner in Hong Kong who began negotiations with representatives of the China National Textile Import and Export Corporation (Chinatex) in Hong Kong.

In October 1971, she managed to attend the Canton Trade Fair where she began direct negotiations.

In the early stages of Chinese fashions, department stores including Bloomingdale's and Lord & Taylor, were taking everything and anything Veronica could import, overlooking cut and fit. The Chinese goods had quality workmanship and were well-finished. But, as the initial novelty wore off, problems in importing these fashions developed. In an interview Veronica outlined the features of her experience in importing fashions, as well as some of the excellent qualities of Chinese clothing.

Fine Quality

The most appealing factor of Chinese clothing is the fine quality of the finished product. The workmanship, according to Veronica, is especially good, with tight stitching, careful finishing and more hand-work than done in the US. Fabrics, too, are of particularly fine quality.

Cotton is the best buy in terms of quality and price. The only problem here, which is being resolved, is that the widths sold in China are 36" whereas American sizes demand a wider size of 48" to 57". Cotton goods made in US sizes tend to be more expensive because the wider widths have to be used.

Among the wools, Chinese cashmere is said to be the finest in the world. Chinese flannel and gabardine make excellent men's and women's suits and there is a wide range of wool sweaters.

Timing

In ordering fashion items from China, timing must be taken into account.

The Kwangchow Fair, held each year from October

15 to November 15 and from April 15 to May 15, is the major opportunity for shopping in China. These dates, however, are incompatible with two of the heaviest buying periods in the United States: August for the "Back to School" season and December for the Christmas season. If patterns are taken to the Spring Fair, delivery cannot be assured by July, even though airfreighted from Hong Kong.

For the Christmas season the Fall Fair is also late. If ordered at the Spring Fair, however, the seven-month time lag tends to put any new fashion out-of-date. In addition, the Canton Fairs do not coincide with the Paris showings in July which introduce the new collections for Fall.

Thus timing considerations are important; a visit to China outside of the Fair periods, if it can be arranged, may be of greater benefit than trips to the Fairs.

Season-to-Season

Delayed shipment means disaster for anyone selling fashions to the American market, a consequence not well understood in China, perhaps because there is no domestic fashion industry. In the West fashions change from year-to-year and from season-to-season. Skirts may be short in the fall but long in the spring, loose in the winter and tight in the summer.

The rate of change is so fast that anything a month late may hit the market just as the style has changed. If delivery from China is late however, as it sometimes is, negotiations to ameliorate the situation may be possible.

Specifications

Having clothes made exactly to US specifications within a time framework understandably had to be worked out over a period with Chinese manufacturers. As Chinese and American cuts differ, Veronica had to provide detailed instructions concerning cut and fit. In China clothes tend to be looser, with pant legs and sleeves shorter than worn in the United States. In addition, Chinese manufacturers are accustomed to using general sizes such as "small," "medium," and "large," and are only just beginning to understand American measurements. With these style differences and little knowledge of western fashions, it was difficult for the Chinese to know where adjustments had to be made.

As there was often not enough time to have samples sent back and forth to the US for approval, Veronica often took (or sent) a muslin pattern, which she had professionally designed and cut, to China with size gradations and other specifications. The pattern was then distributed by Chinatex to various factories.

Factories in China vary in terms of styling and cutting. At the present time buyers may not choose factories. However, it would seem beneficial if importers could select the factory appropriate to their individual needs.

European influence

Although it may not be feasible to import large quantities of fashions from China at present, this area does have potential and is improving as more and more items are produced for the European markets. European buyers without high tariff barriers are already influencing styles. The Chinese, for example, have begun manufacturing designs by Margit Brandt of Denmark whose fashions are popular in the United States.

Shoes and Jewelry

Two other promising fashion areas for import are in shoes and jewelry. Veronica has had Italian designed shoes with American "lasts" manufactured in China. The shoes were ordered in basic colors, and samples of each, including size gradations, were taken to China.

The only complication arose when she ordered men's high-heeled shoes. The Chinese refused to believe that these were men's shoes and labeled the package "women's shoes." These mod shoes (see photo) sell in the better shoe departments and have gay plaid or flowered lining inside with the "Golden Deer" label. The leather is fine quality, the stitching good and the soles strong and well constructed.

Jewelry strung or metallic is not a good buy because of high US import duties, but loose beads

Made in China: A man's shoe. This was made for Veronica Yhap, to specifications, and is an example of fine quality Chinese workmanship.



A GLOSSARY OF CHINESE SILKS

- Crepe de Chine —A soft fine clothing crepe (crepe—a light crinkled fabric)
- Shantung —A plain woven silk having a slightly irregular texture. The Shantung worm produces a yellowish, thick silk.
- Tussah silk —From the tussah worm. Any of several oriental silkworms that are larvae of saturniid moths and produce a brownish silk which is shiny, smooth and heavy.
- Brocade —A silk fabric with raised patterns.
- Habotai —Finely woven thin silk often with brocade.
- Honan Pongee —Thin raw silk—soft and loosely woven.
- Twill —Diagonally woven silk—usually used for men's suits.
- Crepe Georgette—Similar to chiffon but not as sheer.
- Taffeta —A strongly and closely woven silk.

These are all available in a catalogue from the Shanghai Silk Branch of the China National Textiles Import and Export Corporation.



are well worth considering. One can obtain semi-precious stones, laquered beads, tortoiseshell, ivory-carved beads and a variety of others. The beads Veronica has imported have been made-up into jewelry pieces and are now a popular item in department stores. To avoid any loss in time, beads can be brought in by hand or airshipped.

Two Suggestions

In buying any of these goods, especially clothing, Veronica advises the buyer to find a Hong Kong agent who can communicate directly with representatives in Hong Kong or in China. She also recommends that importers consider what China has to offer rather than bringing Paris "haute couture" to China. She suggests that it is best to buy what is shown at the Canton Fair or in catalogues, to bring (or send) specifications, but basically to use the Chinese model. 完



SILK, COTTON, WOOL, MAN MADE FIBERS

THE MATERIAL OF FASHION GOODS

FROM CHINA

As the textile industry provides one of the basic needs of life, the Chinese have emphasized its development in their Five-Year Plans. This industry, which must produce for domestic consumption as well as for a sizable amount of exports, is not likely to diminish in the years ahead. Under the impetus of new investment priorities set by Peking in 1972-73, China's textile industry should not only expand but also be capable of manufacturing a much more modern and varied array of products. China is already a world producer and exporter of cotton textiles and raw silk and has plans to develop a large-scale synthetic industry.

The Year of Silk

With an established market abroad almost 2,000 years before Marco Polo, China is still a major supplier of raw silk to the rest of the world. The principal area of mulberry silk cultivation and of the silk industry is Eastern China, especially Chekiang and Kiangsu. Tussah silk production, is concentrated in the northeastern province of Liaoning.

Weaving capacity is put at approximately 250 million linear meters a year, though actual production is thought to be somewhat less. Finished silk is produced primarily for export.

As recently reported from Paris, silk is the big fashion story this year. Never has there been more Chinese silk used in Paris, Rome, London or New York and all silk that China produces is committed for months ahead. The big promotion, begun in Europe, will increase demands for silk fabrics and consequently make expanded production essential.

China has recently been exporting increased quantities of silk fabric in sophisticated colors and designs. Chinese silks used in dresses by designer Valentino were hailed by buyers and fashion writers as new and beautifully textured. Other silks made in China were used in Paris collections, where they stood up to competition from sophisticated Italian and French fabric designers.

The future of silk, however, depends on China and its capacity for increased production of raw materials and fabric. If the PRC's present export policy remains unchanged, Chinese silk could establish itself as the world's leading fashion textile.

One of the World's Largest Cotton Industries

China ranks as one of the world's four largest producers of cotton textiles. Its cotton industry is the largest industrial employer in China with more than a million persons working in at least 200 mills. There are approximately 250,000 looms and 12 million spindles and indications are that China's spindleage is being expanded. Shanghai and Tientsin are the principal centers of production. Of the large mills most are integrated spinning and weaving operations and many are also equipped for printing and dyeing. Production capacity in cotton cloth is estimated at 10 billion linear meters. Recent production, however, has been on the average of around 7-8 billion linear meters on an annual basis. This level probably does not meet the full needs of China's population and export requirements.

As a result China has been importing raw cotton for many years. In 1972-73 it is estimated that imports were 1.6 million bales. Approximately the same amount will probably be purchased from abroad in 1974. Imports are likely to increase due to expanding population and the need to devote



Above left—Holding a rose, a young model from the Shanghai branch of Chinatex.

Left—A worker's jacket brought into the US by Veronica Yhap. Photo from "W"

Above—Woolen knitwear from Shanghai—apples appliqués!

additional acreage to food production. In 1973 China purchased \$100,526,916 of raw cotton from the US.

Wool—Leading Exporter of Cashmere

The Chinese textile industry has not emphasized wool for two reasons: Priorities for land involve feed grains and cotton, and the Chinese people prefer to use thick cotton padding for warmth rather than wool material.

Production capacity is estimated at about 30 million linear meters a year with roughly half in Shanghai, Tientsin and Peking.

Foreign trade in wool has declined together with production and consumption. Prior to 1949, China imported large quantities of yarns for weaving but, in keeping with its present trade policies, now relies upon what it can produce itself.

China is, however, the leading producer and exporter of cashmere wool which is of lighter quality than that in other Asiatic regions. In addition, China produces angora, camel hair, mohair, antelope wool and lambs wool, all of which are also exported.

Man-Made Fibers

With orders for petrochemical facilities in 1973 worth over \$1 billion (see UCBR, Vol. 1, No. 1), China will possess the potential for becoming a world producer of synthetic and other man-made fibers.

Domestic output of synthetic fibers is now around 100,00 metric tons a year. With an additional 60,000 tons in fiber imports, China's present supply is sufficient for annual production of more than one

billion linear meters of fabric. This figure could rise to six or seven billion when imported facilities come into production in the late 1970's.

China presently appears to be producing cellulose and synthetics in almost equal amounts. The cellulose produced are viscose rayon, cellulose acetate, and triacetate. The synthetics are nylon-6 and nylon-66 types, vinylon, acrylic, polyester, polypropylene and polyvinylidene chloride. China has constructed at least 25 plants producing cellulosic fibers, most of them equipped with domestically-made equipment. There are at least 45 synthetic fiber plants, about 70% of which are equipped in whole or part with equipment purchased from Japan and Western Europe.

The future

China's position as a buyer and seller of textiles in the world market is unlikely to change appreciably within the remainder of this decade. It will certainly retain its role as a major exporter of cotton cloth and raw silk. Sales of cotton cloth will become tougher as demands for synthetics, especially among the less-developed countries increase. Exports of silk and woolen products will be maintained at present levels and imports of synthetic fibers will decline as China's capacity expands.

In textile machinery, China has a well-established domestic capability. It has recently purchased textile machinery from a number of foreign makers, including several British companies and will almost certainly expand its synthetic production capacity in the next few years. 完

TEXTILE MACHINERY SOLD TO CHINA, 1974

Company	Product	Price in Local Currency	Date of Sale
Mather and Platt Ltd. of Manchester (Textile Machinery Division)	1 plant with 3 "vapoloc" ranges for the continuous open-width pressure-bleaching of cloth.	(£500,000+)	Early January 1974
Bonas Machine Company, Ltd.	Two looms for elastic fabrics.	NVG	March 1974
Platt-Longclose Machinery Co. (Lancashire)	Four XD Unicon high temperature dyeing machines complete with hank dyeing frames, reserve tanks, semi-automatic control panels, and dye-house laboratory equipment and spares.	NVG	March 1974
Platt-Longclose Machinery Co. (Lancashire)	3 Rapid Flow Horizontal beam machines, semi-automatic control panels, perforated stainless steel dye beams, transporting bogies and batching equipment.	NVG	March 1974
Teijin Ltd.	Polyester fiber and yarn plant with a daily capacity of 48 tons.	¥5,000m	March 1974

Song of the Textile Workers

While the outskirts of the town are
still veiled in thin morning mist,
A crowd of girls appears in the woods
on their way to work;
They sweep into the mill like a flock
of orioles,
And the mill is filled with spring.

Here spring sows seeds of a marvelous
kind,
Rich seeds scattered over the spindles;
The spindles seem like a breeze whirling
over a silver band,
As the cotton yarn becomes a thousand
tiny springs.

Faster, faster, weave a piece a million
yards long!
The dyers make a myriad flowers bloom
over the cloth;
The lovely flowered cloth becomes clothing,
Adorning the girls like angels

The cloth carriers push the cloth cart
by them,
And they call it a carload of spring;
"People say that spring comes first in
the south,
But they don't know that spring is
always in our mill!"

Han Yi-ping, United Cotton Mill
Translated by Daniel Bryant

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FTC REGULATIONS ON IMPORTING TEXTILE FIBER PRODUCTS

Crucial to importing textile fiber products are the Federal Trade Commission regulations on labeling, fiber identification and flammability. These acts apply to all articles of wearing apparel, handkerchiefs, scarfs, neckties, etc. Unless properly labeled and identified no such product may enter the United States. The regulations specifically applying to textile products are the Textile Fiber Products Identification Act (Amended November 3,

1969), the Wool Products Labeling Act of 1939 and the Flammable Fabrics Act (amended May 4, 1967).

Labeling

All textile goods entering the US must be stamped, tagged or labeled in English and affixed securely and conspicuously to the product.

The label should designate, by generic names and percentages by weight, the constituent fibers, exclusive of ornamentation, amounting to more than 5%. These must appear in order of predominance by weight with fibers of less than 5% listed last as "other fibers." The generic names are established and listed in the FTC regulations. There are also specific regulations dealing with inclusion of hair or fur in fibers, unknown fibers and products of sectionally distinct fibers. Swatches, samples and specimens must also be labeled accordingly or keyed to an information chart.

Wool garments

Wool garments are subject to similar identification requirements with the exception of woollen articles made more than twenty years prior to importation. Wool carpets, rugs, mats and upholsteries are also excluded from the Wool Products Labeling Act.) The tag must contain the percentage of the total fiber weight, exclusive of ornamentation, of wool, reprocessed or reused wool and of each fiber other than wool if exceeding 5%. The percentage of the total wool product of other nonfibrous matter must also be included.

Buyer and Manufacturer Identification

In addition to fiber content, the name of the buyer or the name or registered identification number issued by the F.T.C. must be designated on all labels. A word trademark, used as a house mark, registered in the United States Patent Office may be used on labels if presented to the F.T.C. prior to its use.

Labels should also bear the name of the country

where the product was principally manufactured or processed.

Care Instructions

Care instructions pertaining to washing, ironing, or dry cleaning should appear on all labels. (Although required by the F.T.C., they are not necessary for Customs and may be attached in the US prior to selling.)

Label Design

Naturally woven labels are preferred and should be sewn in the center of the neckband or waistband. The label must be designed so that the fiber content and the name of the seller appear separate or distinct from non-required information. If the original label does not satisfy F.T.C. regulations, it may be corrected or removed by an authorized person. The new label need not show the original label's name as all information should be preserved in private records.

Invoice

A commercial or customs invoice covering a shipment of textile fiber products exceeding \$500 is subject to the labeling acts and is therefore required to show the same information which appears on the label.

Flammability

In view of potential danger to the consumer, regulations concerning flammability are complex and multi-layered. Any article of wearing apparel or any fabric or related material intended for use in clothing (or interior furnishings) cannot be imported into the US if it fails to conform to the flammability standard issued under Section 4 of the Flammable Fabrics Act. Testing of fabrics during production and processing is specifically set forth under commercial standard 192-53 (16 CFR 302.3).

Flammable fabrics may be imported for flammability treatment if the exporter states on the invoice or other paper relating to shipment that the shipment is being made for that purpose. These flammability standards and treatments do not apply to fabric which is imported, dyed, finished or stored in the US for export provided such material is labeled as exports and is, in fact, exported.

Pamphlets containing all regulations can be obtained from American consular offices or directly from the Federal Trade Commission, Washington, D.C. 20580. In addition, the US Department of the Treasury, Bureau of Customs, has published a booklet entitled *Exporting to the United States*. This is a general guide to import regulations and procedures. 完



An Introduction to the Renminbi—Part II

THE CONVERTIBILITY OF THE RENMINBI

"Convertibility of the Renminbi is a myth."

This opinion of one international business specialist is commonly held, and with reason. One cannot go to a bank anywhere in the world outside of China with a wad of deutschemark, sterling, or US dollars and obtain the equivalent in Chinese Yuan in return. Convertibility, in its fullest sense, exists only when anyone, resident or non-resident, can use a currency for commercial and invisible payments from one country to any other free from any restrictions on transfer.

This is certainly not the case with China. Chinese currency cannot be exported, except illegally. Transferability of Renminbi both within China and from residents of China to other countries is strictly controlled. Transfers by citizens of China to free-market economies is forbidden and residents of the PRC cannot own foreign bank accounts or currencies.

While they cannot own foreign currencies, residents in China can keep accounts in China in various denominations, including Hong Kong dollars, pounds sterling, Swiss francs, and Japanese yen. It is also possible for non-residents of China to maintain bank accounts in Renminbi at branches of the Bank of China (BOC) in the PRC, the account converted into Renminbi at the spot rate on date of deposit or withdrawal.

Convertibility Today

The RMB, one of the world's strongest Communist currencies, is, at the other extreme, not by any means inconvertible. During the last few years, and especially since the August 15, 1971, de facto devaluation of the US dollar, the whole meaning of convertibility has been in transition.

To what extent was the yen convertible, or still is? What does the "convertibility" of the pound mean this day among the mass of loopholes and restrictions of sterling regulations? Whereas residents of the UK can import the bank notes of other countries, there are restrictions on them owning foreign currencies or bank balances abroad and in transferring British bank notes abroad.

In many countries today restrictions on transferability of currencies abroad at the personal, company, and even official levels are widespread.

Convertibility of the RMB

The RMB is basically nonconvertible, but it can be bought by firms with China contracts, for either spot or (for non-US firms) future purchase. There is enough Renminbi available that markets in RMB have developed within countries—and even trading blocs—among banks and companies involved in trade with China.

Non-residents of China can maintain bank accounts in China for personal use, as mentioned above. Overseas Chinese can remit foreign currencies to China, for deposit at 8%, half transferable back to the owner at a later date in Renminbi, the other half in the original currency. These accounts cannot be shifted from one owner to another, but certainly represent a massive infusion of foreign currencies into China [estimated at about \$263 million in 1972, probably more in 1973].

It is reasonable to say that RMB is in that twilight zone of convertibility within which many of the world's currencies now operate.

Buying and Selling Rates

For many years China conducted its trade in transactions almost entirely in terms of the Hong Kong dollar and the British pound. Following the devaluation of the dollar and the floating of major world currencies, Peking began nominating its sales contracts in Renminbi and later, many of its purchase contracts too.

At the Spring 1972 Canton Fair trade rates for the US dollar were first quoted. But Renminbi quotes were still given vis-a-vis sterling, as a single buying and selling rate. Forward cover was also available, based on a premium established by the BOC. No market forces entered into either spot or forward rates.

In August 1972 buying and selling rates for the Renminbi were offered by the BOC in London, with the central rate used for remittances by overseas Chinese. By spring 1974 buying and selling rates for fourteen major currencies were quoted at the opening at the Canton Fair, on April 15. Over twenty-five major currencies are quoted by the BOC, and Peking, on December 19, 1973, stated that "more than sixty

countries and regions use the Renminbi in their economic accountings with China."

The bandwidth between buying and selling rates quoted by the BOC April 15, 1974 is modest, about 1.0 percentage point in all cases: that is to say with a 50% margin either side of the central rate [modest compared to the 2.25% fluctuation of the Smithsonian parity range].

Convertibility and Trade

For US firm's trade, transactions with China at present can only be carried out by third country banks in the US. In their agreements with BOC, these banks can hold mutual accounts with the BOC, and RMB can be transferred between branches of third country banks anywhere in the US with correspondent relations with the BOC. This arrangement is similar to those in other countries. In Eastern Europe there is also apparently a transferability of RMB between bloc nations. There is some unconfirmed evidence that the clearing account system China has with Eastern European countries can be used for switch-trade.

Agreement with the BOC

A correspondent bank's agreement relating to the opening of an account in RMB with the BOC in Peking normally limits credit to the account to a working balance not to exceed a given amount of RMB, payments and charges for imports by China, and purchase of RMB to be used for Chinese export payments, against the foreign currency, in connection with contracts signed with one of China's FTCs.

The account in Peking may be drawn down for payments relating to exports from China, and non-commercial expenses in China, payment within the corresponding foreign bank's own country, and for conversion into the currency in the country in which the foreign bank is located. Monthly statements of account provided by the BOC must be confirmed by the foreign correspondents.

The account in Peking can be used for payments between any of the branches of the BOC in China and the branches of the correspondent bank within its own country. In each country the situation is slightly different. For instance, the agreement with Japan was negotiated with Japan's chief foreign exchange bank, the Bank of Tokyo and its agreements in August 1972-1973 were extended, by the end of 1973 to nineteen Japanese banks.

So far as US firms are concerned, trade with China may be transacted via the third country banks in the US with correspondent relations, which receive daily RMB quotes from the BOC but cannot engage in futures. Convertibility of the RMB, for US importers, means adhering to whatever rate is going at the time a letter of credit is opened, which may be quite different from when the contract was signed. Many of

China's export contracts are denominated in RMB. There are now buying and selling rates available for US dollars. US importers should consider denominating contracts in dollars as RMB revalues.

Parity and Convertibility

If one views China's currency as one increasingly used by all major nations in trade with China, one backed by China's substantial hard currency foreign exchange reserves [\$1.25 billion plus], and the currency against which the BOC's increased international finance and Euro-dollar activities must be

China's Trade Payments Agreement With Japan, 1972

August 18, 1972

(Main points of agreement reached between Bank of China and Bank of Tokyo. Source: Nihon Keizai Shimbun).

1. The yen and yuan will be used for settlement of trade.
2. The problem of whether to use the yen or yuan will be decided by those involved in trade, though the right of choice will be held by the importing party.
3. The conversion rate of the currencies will be set at 1 yuan = 135.84 yen (though it will be possible to set a new fixed rate in the event a change in foreign exchange rates occurs, such as an upward revaluation of the yen). The banks will charge a fee separate from the exchange quotation.
4. The Bank of China will open a yen account with the Bank of Tokyo. The latter will open a yuan account with the Bank of China. Their use will be limited to trade and related aspects.
5. The Bank of China will allow the Bank of Tokyo to convert the balance of its yuan account with the Bank of China into pound sterling if it so desires.
6. Such conversion will be carried out at the yuan-pound exchange rate prevailing at the time.
7. The Bank of Tokyo will allow the Bank of China to convert the balance of its yen account with the Bank of Tokyo into pounds if this is desired.
8. The conversion rate will be carried out at the yen-pound exchange rate prevailing at the time.

measured, the parity of the Yuan could easily be a nonchanging rate unacceptable to foreign banks.

The fact is, the RMB is one of the world's most stable currencies, handled with a care and mastery that the purest Pennsylvanian Republican would applaud. The BOC's management of the development of China's currency as a means of payment for trade and other matters has been outstanding.

The movement of the RMB dollar rates tend to parallel those of the Swiss and French francs to the US dollar. It is difficult, nevertheless, to establish precisely which cross rates the BOC uses and how it derives its US dollar rates, if it does use a set formula. What is clear, nevertheless, is that the rates the BOC chooses for the RMB against the US dollar are one of the most accurate reflections of the strength of the US dollar world-wide and, even though they are non-market rates, are close to being a de facto market rate.

During 1974, some twenty RMB:\$ rates have marked revaluation of the RMB, concomitant with the loss of ground of the greenback against most major European currencies during recent months.

Japan

In August 1972 the yen first came into play as a settlement currency in Sino-Japanese trade. The Bank of Tokyo could open a Renminbi account in Peking and the BOC a yen account at the Bank of Tokyo, accomplished on September 12, 1972. In the year following, 85% of transactions were carried out within a 3% band, almost equivalent to that of the Smithsonian parity.

In August 1973 the banks in Tokyo and Peking agreed to establish a new settlement agreement in which remittances could be made in either yen or RMB by either party. Previously remittances from Japan had only been in yen and remittances from China in Renminbi for non-trade transactions.

As of August 8, 1973, the yen-yuan rate was calculated on the basis of the RMB-pound quoted by Peking, on the previous day's dollar-sterling rate in New York, and on the prevailing Tokyo yen-dollar rate. Undoubtedly this system has helped to facilitate trade between Japan and China.

In the Sino-Japanese trade agreement, signed January 5, 1974, Article IV welcomed the "effective operation of arrangements regarding the settlement services between the concerned banks of the two countries." Subsequently in April 1974 the Japan-China Economic Association established a working committee to study improvements in the yen-yuan trade settlement formula to smooth transactions further. Negotiations on revision of the formula by the committee, comprising fifteen member banks, trading and manufacturing companies, of the association, are scheduled to begin in July.

Future Convertibility

Total convertibility of the Chinese yuan does not exist, and may never. A limited convertibility can be said to exist, nevertheless, and almost certainly will continue to broaden its scope as the BOC increases its monetary activities world-wide. The relationship of the RMB and the US dollar will probably continue to grow closer and dealings in invisibles are likely to increase.

Many firms, doubtless, might be very interested in using the RMB themselves by whatever means are available to them. Tied closely and conservatively to China's self-reliance, steadily expanding economy, the RMB is just what the Chinese themselves have claimed. To quote Hsinhua, December 19, 1973: "The Chinese currency, RMB, has remained stable all along as China's industry and agriculture expand steadily and state revenue grows. It enjoys increasing prestige and is one of the few stable currencies in the world."—NHL 完

China's Invisible Payments Agreement With Japan 1973

August 8, 1973

(Main points of agreement reached between the Bank of China and Bank of Tokyo. Source: Nihon Keizai Shimbun).

1. The yen-yuan settlement formula also will be applied to invisible trade.
2. The yen-yuan transaction rate in Japan henceforth will be determined on the basis of the arbitrated rate of exchange as compared to the previous accord which provided that Japanese foreign exchange banks would handle exchange transactions with Japanese traders on the basis of official quotations of the People's Bank of China and any differences between it and the actual market rate would be cancelled out in the form of adjustments.
3. The period of validity of the new accord will be one year but will be automatically extended if neither of the party involved raises an objection.
4. Under the new agreement, the yen-yuan rate will be arbitrated by the Japanese foreign exchange banks on the basis of three factors—the official yuan-pound quotation of the People's Bank on the previous day's dollar-pound quotation of the New York foreign exchange market and the prevailing yen-dollar rate on the Tokyo foreign exchange market.

DOING BUSINESS WITH CHINA

American Trade Opportunities in the 1970s

Edited by William W. Whitson
Praeger Publishers 1974
Price \$25.00

Packed into no less than 593 pages, this volume contributes a great deal to our knowledge of China's economy and somewhat to the facts of doing business with China. Its editor, William Whitson, Director of China studies at the Rand Corporation and one-time political analyst to the US Government, has compiled articles on most major aspects of potential Sino-US trade relations, with key chapters describing individual industries and their relation to foreign trade.

The first of the book's five sections is on the "Chinese experience," China's foreign trade in the political context. The second covers China's trade with other countries including Communist nations, the third world, Europe and Japan, and describes US restraints on trade with China. The third section, core of the book, deals with individual Chinese industries, including arts and crafts, air transportation, automotive, chemicals and fertilizers, food products, home furnishings, agricultural machines, machine tools, electronics, paper, petrochemicals, shipping, and textile industries.

The fourth section, the weakest, details Chinese trade procedures, with an introduction to the legal framework of China trade, the organization of China's Foreign Trade Corporations, and various aspects of negotiations and doing business with China's FTC's. The last part of the book provides sources of information on China's trade and economy. In addition, 11 appendices provide factual backup such as the names and addresses of China's FTC's, regulations governing entry and departure of foreign vessels into and from ports of the PRC, and Hong Kong agents for China's Foreign Trade Corporations.

The material contained in this hefty volume is substantial but uneven. Its strength is in the core chapters on Chinese industries and the potential for Sino-US trade in these areas. Particularly good are chapters on the air transportation industry, the paper industry and the arts and crafts industry. (The chemical and petrochemical chapters are much less thorough.) Most of these chapters, written by experts in each field, provide an insight any company in these industries should know about.

The Home Furnishings chapter suggests that—"The sale of Chinese furniture and accessories will not be limited to homes with Oriental decor. Chinese pieces do very well as accents to almost any kind of styling when done in tasteful fashion. So, between the growth of Chinese as a distinct style of furniture and its use as an accent to other styles, it should enjoy great acceptance for some years to come." (Page 257) . . . "A strong possibility is that decorators in the United States will combine Chinese furniture with the more exotic styling from Southeast Asia, creating a new Oriental modern." (Page 256)

The interesting section on paper products, indicates that the major constraint on the development of China's paper industry is the lack of raw materials, with China's timber resources quite inadequate to supply the needs of the paper industry. It has been a constant concern of China's management to find substitute raw materials for pulping: reeds, straw, rags, bamboo, cotton stems, bagasse, etc. Cotton lint could be an important raw material. Since China's timber development is unlikely to keep pace with China's economic development, international trade may well afford brighter opportunities than reliance on the domestic natural timber resources.

The book's practical information in some chapters stands out, such as the Implications of Sino- Japan Trade for Sino-US Commerce, and Potential for Joint Ventures in China (none, but certain cooperation arrangements may be possible.) The chapter on banking is good too.

Beyond these core chapters the book is not strong. The sections on the Canton Trade Fair, the PRC as a trade partner, entering the China market, and how to negotiate with the Chinese of the PRC tend to be gossipy, poorly researched, and inaccurate. Typically, on Page 441 it is stated that Sohio's Export license is believed to be the first granted for the sales of high technology equipment to the PRC, with a footnote saying that "This is the claim of Sohio, although, in fact, the first sale of high technology equipment was made by RCA." The fact was that the license granted Sohio was

for technological data, not equipment and was the first such license for sale of data to the PRC.

There are shoulds and musts in these chapters, many of them useful advice, but others not helpful. At the first actual negotiation session, for example, "Accept the cigarettes unless you are a strict nonsmoker, in which case, it is wise to state that your health does not permit you to smoke," and "Do not complain about anything."

These chapters suffer from their temporal terms, e.g., on Page 443 in a chapter about China as a trading partner, viewed after three Canton Fairs, there is a statement that "There is, nevertheless, a mellowing trend." In another reference to Sohio on Page 439, "This is the most substantial US licensing arrangement to date." After this book has been around for a year or more, these statements may not mean very much.

The chapters on practicalities of doing business are written by either non-businessmen, or executives with a limited experience of doing business with China. In this respect, the splendid 22 case examples in Business International's *Doing Business With The PRC*, reviewed in the first issue of the UCBR, provide an insight which, in a sense, fills the void in the area of practicality in Whitson's book.

But, as BI's publication is worth buying almost for those case examples alone, so should Whitson's compendium be bought for its articles on China's industries alone.

Whitson's introductory chapter is enlightening. There is interest in every paragraph, particularly that on Taiwan. "As we approach the second half of the 1970's, a host of factors will probably conspire to enhance the value of American investments in Taiwan. At the broadest level of power politics, the PRC has a profound

THIRD COUNTRY BANKS IN THE US THROUGH WHICH TRADE WITH CHINA CAN BE TRANSACTED*

Lloyds Bank International Limited
95 Wall Street
New York, New York 10005
Tel: (212) 944-1500/14

Algemene Bank Nederland NV
84 William Street
New York, New York 10038
Tel: (212) 944-5500

* Additions to list published in the UCBR
Vol. 1, No. 1, page 48.

interest in precluding Soviet access to the island. For that reason, the PRC must not give the impression that Taiwan will be seized soon after the United States withdraws diplomatic recognition. Instead, the PRC must prefer a relatively paced American withdrawal from Taiwan while simultaneously reassuring Taiwan's leader of Peking's friendly intentions. . . It seems likely that American businessmen will continue to be encouraged to invest in Taiwan for the purpose (among many others) of reassuring the PRC, Taiwan, and the United States alike that Taiwan need not seek refuge with Mother Russia." (Page xxi)—NHL. 完

1974 RMB-DOLLAR RATES

Date	RMB: \$	US¢/RMB	% Change
January 8	2.0406	49.0052	-1.01
February 5	2.0202	49.5000	+1.01
February 23	1.9940	50.1505	+1.31
February 26	2.0080	49.8008	-0.70
March 12	1.9980	50.0500	+0.50
March 21	1.9780	50.5561	+1.01
March 26	1.9582	51.0673	+1.01
March 28	1.9680	50.8130	-0.50
March 29	1.9523	51.2216	+1.01
April 4	1.9621	50.9658	-0.50
April 10	1.9719	50.7125	-0.50
April 11	1.9818	50.4592	-0.50
April 12	1.9739	50.6611	+1.00
April 18	1.9640	50.9165	+1.01
April 23	1.9503	51.2742	+1.01
April 24	1.9308	51.7920	+1.01
April 27	1.9211	52.0535	+1.01
April 30	1.9019	52.5790	+1.01
May 3	1.9114	52.3177	-0.50
May 7	1.8923	52.8457	+1.01
May 9	1.8828	53.1124	+1.02
May 14	1.8640	53.6481	+1.01

Source: Chartered Bank

PLANT SALES TO CHINA
January-March 1974

COMPANY (Affiliation)	TYPE OF PLANT Yearly Output Metric Tons * (Technology)	PRICE US \$ million (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Teijin	Polyester 13,200 staple; 26,401 filament	\$16 (¥5m)	January 1974 Onstream 1976 35% down payment; 65% over two years, payable in yuan.
Dobson Park Industries	Pit Prop Factory	\$35m (£15m)	(January 1974)
Toho Titanium C. Itoh & Co. Kosho Co.	Polypropylene plant for polypropylene polymerisation. Output capacity: 220 tons of titanium trichloride, for production of fibres, films, moulded and extended products.	\$4.6m	February 1974.
Haldor Topsoe (West German firm)	Catalyzer plant for hydrogen, ammonia and methanol (Topsoe) Vinyl chloride monomer	NVG \$19m	February 1974. February ?
Heurtey et Cie	Two ammonia plants 330,000 each. Urea plant, 574,200. (Topsoe and DSM)	\$118 (F.Fr. 600m)	February 19, 1974. Start-up mid-1976 through mid-1977. Terms 35% down, 65% payable over five years.
Toyo Engineering Corp. Mitsui Toatsu Chemicals	Fertilizer plant. 330,000 ammonia (or 528,000 urea).	\$42m	(March 19, 1974)
Demag AG Schloemann AF (Sub of Gutehoff- nungshutte Aktienverein) Siemag Siegener Maschinenbau GMBH ACEC (Belgian sub of Westing- house Electric of the US) Allgemeine Elektrizitats- Gessellschaft en AEG-Telefunken August Thyssen-Hutte AG-Rasselstein AG Brown Boverie Cie AG (sub of AG Brown, Boverie & Cie of Switzerland) DSD Dillinger Stahlbau GmbH Gewerkschaft Kermachemie Hochtief AG Fur Hoch- Und Tiefbauten, Vorm. Gebr. Helfmann Otto Wolff AG Maschinenfabrik Sack GmbH Siemens AG Waagner-Biro AG (Austrian sub of Osterreichische Landerbank AG) Ed. Zublin AG Bauunterneh- mung	Cold strip steel rolling mill 1,000,000	\$198m (DM500m)	March 27, 1974 Onstream 1977. Bank of China to deposit 90% in Deutschemark into Deut- schebank in Duisburg; 10% of this as down payment, 10% in January 1975, 70% over delivery period April 1975-January 1977, 5% and 5% in two payments on final operation.
Nisso Petrochemical Nisso Engineering Toko Bussan Mitsui & Co.	Oxygen, Ethylene, Glycol	NVG	March 1974
Dutch State Mines (DSM)	Three urea plants 574,200 (DSM)	\$35m	March 1974
TOTAL		\$429 million +	
PLANTS UNDER NEGOTIATION			
Japanese firm	Automated corrugated cardboard plant. 66,000	NVG	August 1972
Nippon Seiko Kaisha Koyo Seiki Kaisha	Plant for making large roller bear- ings and ball bearings.	\$103m (¥30 billion)	(February 12, 1974)

* Daily output times 330 where applicable

EQUIPMENT SALES TO CHINA 1972-1974
Medical, Mining, Packaging and Power Generating Equipment
MEDICAL EQUIPMENT

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Pye Unicam Ltd. (Philips Electronic and Associated Industries Ltd.)	Spectrophotometers	\$100,000. (£ 40,000.)	(July 1972)
Pye Unicam Ltd.	Atomic absorption spectrophotometers, gas chromatographs and other instruments.	\$100,000.	(May 1973)
Cambridge Scientific Instruments Ltd. (George Kent Ltd.)	Stereoscan S4-10 scanning electron microscope; T.V. attachments; monitors. (A second requisition received from Chinese for stereoscan accessories totalling £20,000 and another S4-10 unit worth £20,000)	\$ 80,000. (£ 32,000.)	(May 1973) Following exhibit at British Industrial Technology Exhibition in Peking, March 1973.
Lucas Medical (Joseph Lucas Industries) Ltd.)	Haemodialysis equipment	\$ 25,000.	(June 1973)
Perkin-Elmer Ltd. (The Perkin-Elmer Corp., US)	Analytical instruments	\$ 50,000.	(June 1973)
Cossor Electronics (Raytheon Co., US)	Oscilloscopes and Ramp Test Equipment	\$ 25,000.	(June 1973)
Kent Cambridge Medical Ltd. (George Kent Ltd.)	12-channel fiber optic medical recorder; electro- cardiograph units; synchronised defibrillator and other instruments.	\$ 21,000. (£ 8,000.)	(June 1973)
Pye Unicam Ltd.	Spectrophotometers (additional to those sold at Peking exhibition).	\$ 97,200.	(July 1973)
Taiyo Koeki Goeki Koeki Nomura Trading	Electro Cardiographs 100 Units 30 Units 20 Units	\$73,000 (¥22m.)	(August 1973)
British Insulated Callender's Cables Ltd.	X-Ray cables for medical use.	NVG	(October 1973)
AEI Scientific Apparatus (GEC- Marconi Electronics Group) U.K.	MS 5074 mass spectrometer and associated computerized data processing system for research institute.	\$281,000. (£ 120,000.)	(January 1974)
Picker International Corporation (CIT Financial Corp.)	Diagnostic equipment; a high- speed radioisotope scanning system and a scintillation camera.	NVG	March 1974 Sold via May Lee Industries
Japan Electron Optics Laboratory Co.	Ultra high voltage Electron microscope with magnifica- tion of 500,000. Produces 500 to 1,000 kilovolts.	\$900,000.	(January 5, 1974)
TOTAL		\$1,752,200 +	

MEDICAL EQUIPMENT—UNDER NEGOTIATION

Pye Unicam Ltd.	Analytical equipment	\$145,800-\$170,000	(July 1973)
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MINING EQUIPMENT

Gullick Dobson (Export) Ltd. (Dobson Park Industries Ltd.)	Manufacture & installation of 1,000 long wall roof supports.	\$13.36m (£ 5.3m)	June 1973. To be supplied between November 1973 and June 1974.
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EQUIPMENT SALES TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Consortium of: Anderson Mavor Ltd.	Double-ended ranging boom shearers (21) conveying equipment.	(£ 2.5)	
Baldwin & Francis Ltd.	Electrical panels for operating the face machinery.	—	
Brush Transformers Ltd. (Hawker Siddeley Group Ltd.)	Transformers	—	
John Davis and Son (Derby) Ltd. (S. Pearson & Son, Ltd.)	Face communications and signalling equipment.	—	
Pye Unicam Ltd. (Phillips Electronics and Associated Industries Ltd.)	Cooling equipment for a mining plant.	NVG	July 1973
Dowty Mining Equipment	Powered roof support, 4 leg, 280 ton.	\$29.52m (£ 12m)	July 28, 1973
Consortium of: Dowty Meco (Dowty Group Ltd.)	Armoured face conveyors, drive units, gate belt conveyors, stage loaders.	—	
Anderson Mavor Ltd.	Power loading machinery double-ended ranging drum shearers, face lighting, signalling equipment, switchgear.	—	
Dowty Mining Equipment Ltd. (Dowty Group Ltd.)	Mining equipment for working coal seams less than 1 meter thick. (four complete sets)	\$5m (£ 2¼m)	December 1973 Payment over five years on a deferred payment scheme.
Herbert Cotterill Ltd. (Dobson Park Industries Ltd.)	Steel fabrication work for the Gullick Dobson installation.	\$12m (£ 5m)	(December 14, 1973)
Bucyrus—Erie	Blast hole drills (25) Power shovels (5)	\$20m	December 1973
McNally Pittsburgh	Coal sampers (4)	\$25,000	March 1974
H. Ernault—Souma	Drilling Machines (4)	\$2.07m (F. Fr. 10m)	March 1974
Guttenhoffnungshuette	Steam shovels (23)	\$7.49m (DM 20m)	March 1974
Kawasaki	Mechanical shovels (40)	\$347,000 (¥2.5m)	March 1974
GHH Sterkrade AEG Telefunken	Conveying Machinery (23 units)	\$5 DM20	April, 1974
TOTAL		\$95 million	
PACKAGING EQUIPMENT			
Rose Forgrove Ltd. (Baker Perkins Group)	Biscuit and confectionary wrapping machinery model R75WT producing 4 styles of wrap for sweets at 650 p/m, and a medium-output single or double wrapping machine for round, square or rectangular biscuits.	\$119,000. (£49,000)	(July 1972)
Toyo Canning	Canning plant equipment.	\$260,000. (¥78m)	October 6, 1972. March/April 1973 shipment
Molins Ltd. P. Leiner and Sons, Ltd.	Cigarette-making machinery. Soft gelatin encapsulating machine for use in pilot pharmaceutical plant.	\$285,000. \$126,000.	(June 1973) (June 1973)
Domain International A.G. (Domain Industries, Inc.)	Heavy duty packaging systems for bagging fertilizer (28).	\$3m +	October 1973—10 systems sold direct; 18 via TEC of Japan.
Mahlkuch Machiner (FRG)	Heavy duty packaging systems for bagging fertilizer.	\$1,870,000. (DM5m)	(March 1974) Delivery 1976

EQUIPMENT SALES TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Baker Perkins (Rose Forgrove)	Tea Packaging Machines	\$1,732,000. (£750,000)	(March 1974)
TOTAL		\$7,392,000 +	
POWER GENERATING EQUIPMENT			
John Brown Engineering (Clydebank) Ltd. (John Brown & Co., Ltd.)	Gas turbine driven power generation equipment (8). At I.S.O. base rating is 23.3 MW at peak rating 25.1 MW. (Modifications for China include river water for lube oil cooling and a rearrangement of exhaust system.) (G E)	\$14m (£5.5m)	June 1972 first three ordered for delivery. Fall 1973 another five ordered.
Karlstade Mekaniska Verkstaeder & ASEA (Sweden)	Complete generating sets for a hydro-electric station (3).	\$4m (Kr. 30m)	July 1972. Delivery to begin June 1973 onstream first half of 1974.
Cie Alsthom S.A. (Francais-Thomson-Houston-Hotchkiss-Brandt S.A., Cie) and Ste Cruesot-Loire S.A. (Schneider S.A.)	Hydro-electric plants (2). Output 75,000 KW each.	\$10m (Fr. 50m)	December 13, 1972 Delivery through 1975.
Hitachi	Steam turbine, Thermal generator, oxygen generator.	\$13m	(January 1973)
U.S.S.R.	Turbo generators (11).	NVG	(January 12, 1973)
GIE (Italy)	Thermal generator (1).	\$1.7m	(January 12, 1973)
Alstholm-Neyrpic Creusot-Loire	Hydroelectric Power Plants (2). Capacity 150,000 KW.	\$10m	(February 1973)
Czechoslovakia	110 MW units for power stations.	NVG	(March 1973)
Thirst Mouldings & Seals Ltd. Creusot-Loire	Large rotary shaft seals for major hydroelectric water turbine projects; 1 ton each; diameter 4 ft., employing metal and glass reinforced polystyrene casting.	\$50m	(June 1973)
Hitachi, Ltd.	Large thermal power plants (2), output capacity 250,000 KW each. Generators (2), steam turbines (2). Electric control gear, high pressure water supply pumps, valves, piping and other equipment except boilers.	\$72m (¥4,500m)	August 31, 1973; finalized September 26, 1973. Denominated in RMB, payable in sterling. Shipped by April 1974, onstream spring 1975. Terms: five years at 6%.
Gruppo Industrie Electro-mechniche per Impianti All Estero (GIE)	Thermo-electric power station; oil fired, 320 MW.	\$86.2m	November 1973. Terms: Five years at 6%.
British Insulated Callendar's Cables, Ltd.	High voltage power capacitor units.	\$227,000.	January 31, 1974
A.C.E.C. Ateliers de Construction Electrique de Charleroi (Westinghouse Electric Corporation, US)	Electric power station (3) Charleroi will provide alternators and Westinghouse- Canada turbines.	\$5m	(February 1974) Delivery early 1975.
Compagnie Electro-Mechanique (French Company)	Thermo-Power; capacity 300 MW. Electric power plant.	\$50m \$41.4	1974 1974
TOTAL		\$357.5m +	
POWER GENERATING EQUIPMENT—UNDER NEGOTIATION			
West German Firm	Soft-coal fuelled power station. Capacity 300 MW.	\$60m	(January 8, 1974)

Where it all began—the original Canton Fair Building, now the Machinery Hall and core of the spectacular new Fair complex unveiled in Canton in April.



THE SPRING 1974 CANTON FAIR

The Spring 1974 Canton Fair opened April 15, with a thunderclap of fireworks under a balloon-filled sky in an impressive new center over one million square feet in size. Overseas telex was available for the first time. A large railroad station ten minutes from the Fair complex was also newly opened, and construction of a hotel over thirty stories high underway. Amid this innovation, Eugene Theroux reports on the atmosphere for business at the Fair.

The 35th Chinese Export Commodities Fair, the largest ever, was held between April 15 and May 15 at Canton. Americans at the Fair numbered in excess of 250, from some 175 firms, but this was only about ten percent of the Japanese present and substantially fewer than noticeably larger numbers of Germans, British, Arabs and overseas Chinese. Total Fair attendance, according to officials, exceeded 25,000.

It is always impossible to generalize about prices, though most Fairgoers agreed that prices have yet to come down sufficiently from the startling increases of last year's Spring Fair. There has been some downward trend, but Chinese prices generally continue closely to track world levels. Non-antique jade and ivory carving and mao-tai chiew prices were the few which dropped sharply.

U.S. Participation

American firms with export interests were far fewer in number than they have been at previous Fairs. Due no doubt in part to the sizeable imbalance of trade with the U.S., the Chinese concentrated heavily on invitations to importers, wholesalers and retailers alike. The China National Technical Import Corporation had no representatives at the Fair. This corporation deals exclusively with firms selling to China.

With the notable exception of the American Importers Association, and of course the National

Council, no trade associations or Chambers of Commerce from the U.S. were invited to the Fair. This, too, is a departure from past Chinese practice. The emphasis was clearly on selling.

The current campaign to criticize Lin Piao and Confucius, so widely reported in the Western press, was for practical purposes invisible to Fairgoers. Only on streamers from large red balloons which filled the sky on opening day were slogans in evidence in Canton. Negotiations conducted by the Chinese were free of political overtones which characterized Fairs during the Great Proletarian Cultural Revolution between 1966 and 1969. Nor was there any evidence in Canton of anti-foreign sentiment which has also been reported in a few recent press accounts.

Many Courtesies Shown to Americans

Pre-fair reports by some of a cooling in Sino-U.S. economic cooperation were contradicted by many courtesies shown to Americans at the Fair. A reception and buffet dinner for U.S. Fairgoers and Chinese officials hosted by the National Council mid-way through the Fair was attended by an official delegation led by the Fair's Secretary General Wang Yun-chien and a senior CCPIT official, Po Shu-shin. This delegation included two or three senior negotiators from each of China's foreign trade corporations.

A similar high-level delegation visited an earlier reception given by Herbert Horowitz, the Fair



View of the main wing of the Tung Fang Hotel as seen from the roof of the 800-room new addition.

representative of the United States Liaison Office in Peking. These occasions were invaluable opportunities for the informal exchange of views on Fair business matters.

Lack of MFN

For Americans, many imports from China are out of reach so long as China sticks to international prices, because discriminatory US tariff duties on Chinese goods in many cases make them noncompetitive with similar products from other countries. This was an unhappy revelation to importers new to the Fair who found "good buys" wiped out after consulting the National Council's copy of the Tariff Schedules. Foodstuffs, manufactured goods and textiles are in this category, though Chinese textiles are of such unusual quality that buyers generally are less deterred by the higher duties.

Quantity

On the import side, problems other than prices and duties remain. Buyers of everything from chemicals to groundnuts rarely seemed satisfied with quantities offered them. The Chinese made an effort to point out, however, that there is no discrimination involved where low quantities for export are concerned.

First, China's exportable surplus, like that of all countries, is not inexhaustible. While output has increased in all sectors over the past several years, China has also significantly expanded the number of countries to which she exports. This means in some cases that the larger export pie must nevertheless be finely sliced to insure at least something for all trading partners. Second, China's own needs are growing. Domestic consumption of manufactured goods as well as raw material is on the rise.

Labeling

Other obstacles are likely to continue to make export sales, especially those to the US, grow slowly. Chinese canned fish, fruits and vegetables would undoubtedly sell better sooner bearing private labels of major American wholesalers or retailers. This adaptation to the US market is one the Chinese Foodstuffs Corporation is unwilling to make.

Foodstuffs officials told the National Council at the Fair that their own brands are sold and are known worldwide, and that they wish to develop a US market for Chinese brands and not become anonymous suppliers to large wholesale houses or retail chains. Even large purchases, say the Chinese, are no inducement to alter this marketing course.

Red meat exports to the US are unlikely until the Chinese are willing to permit on-the-spot inspection by US Department of Agriculture officials of China's packing and canning houses. This may not be possible, from the point of view of the Chinese, without diplomatic relations.

Apparel

For apparel, where garments may be made up in accordance with designs and sizes strictly for the American market, and where orders are substantial, the Chinese may be willing to sew in private labels. Here again, however, they would likely insist upon keeping the Chinese label in the garment as well. Unfinished silk and cotton piece goods were available at competitive prices, but the world shortage of synthetic fibers meant there was little available of finished or piece synthetic goods at the Fair.

Where so required by Federal regulations, the Chinese have readily agreed to furnish country of origin and other consumer information on labelling of food, clothing, toys and household goods. In a few instances, importers have received goods shipped without proper labels despite clear contractual provision requiring them.

There is no known case, however, in which this kind of difficulty has not been resolved satisfactorily, sometimes in discussions at the Fair. As

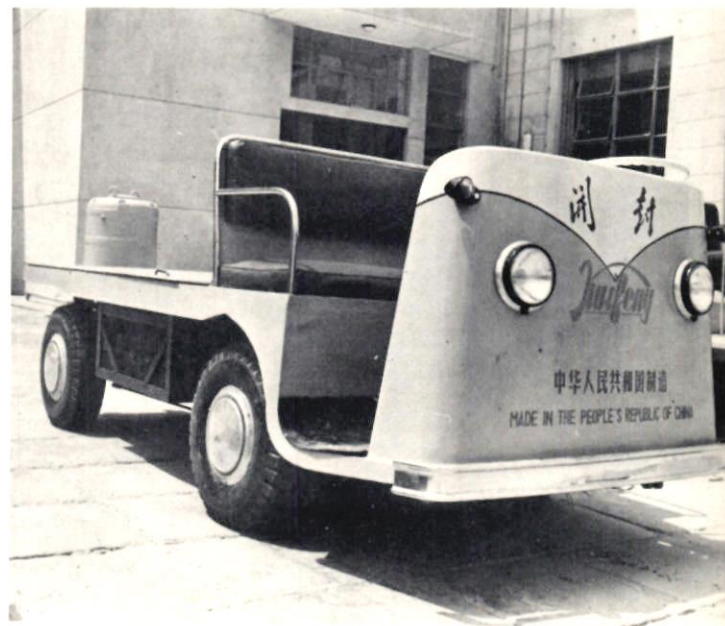
VEHICLES

Right—China's new Bei Jing ("Peking") passenger bus displayed at the Canton Fair.

Center—China's luxurious Red Flag limousine, complete with wood-paneled interior. Council Chairman D. C. Burnham is among visiting dignitaries who have enjoyed its smooth-riding elegance.

Below left—This tractor was among several agricultural machines displayed in the yard adjacent to the Machinery Exhibition Hall at the Fair.

Below right—An electric powered towing tractor.





The lobby of the main entrance to the new Canton Fair Building.

a precaution, some firms reiterate this and other key contract terms in their letter of credit.

Manufactured Goods

Manufactured goods at the Fair showed improved quality and sophistication over last year's goods. Cameras, radios, portable and console television receivers, electronic desktop calculators, toys,

sporting goods, women's footwear, and a growing variety of household goods are generally well designed and competitive with all but the most stylish products of a like kind.

American importers were surprised to see, among other things, ladies shoes in fashionable platform styles, a growing selection of brass, woodwind and string instruments, hockey sticks with curved-wood blades, large varieties of hand tools and transistor radios in a range of sizes, types and colors which promise keen future competition for the Japanese.

THE DOCTOR IS IN . . .

Medical care in China? American Fairgoers have not only seen it, but experienced it. American Canton Fairgoers have received acupuncture treatment for arthritis and migraine headaches, had teeth capped and filled, had a tonsillectomy, been to the hospital with intestinal disorders, had eyes tested and glasses replaced, and even one had stitches for a bottle of scotch which, on arrival in Canton, fell from a train rack onto his head. The medical treatment available to Fairgoers will be featured in the next issue of the UCBR.

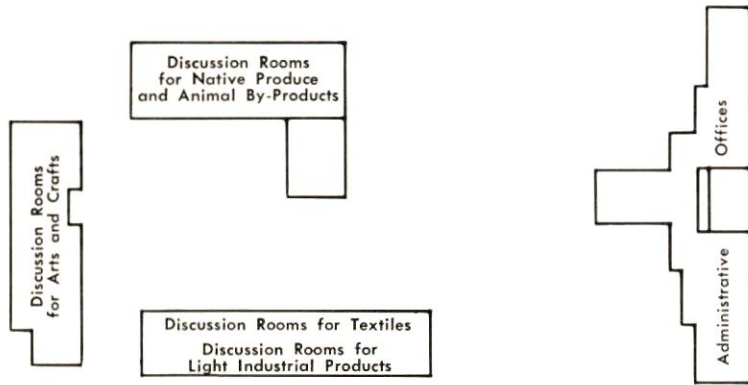
Arts and Crafts

Arts and crafts displayed at the Fair continue to show China's contemporary artists to be every bit as skillful as any in China's history. Jade, ivory, wood, and stone carved pieces displayed were exquisitely fashioned, and hand knotted carpets of silk and wool, whether of traditional Chinese motif, or designed after Persian or Turkish styles, are unique in the world. These as well as bamboo, straw, and rattan products, China's famous cloisonne, laquerware, and embroideries continued to attract American buyers. In an interesting innovation, many of China's artisans were at work demonstrating their skills in the display areas of the Fair.

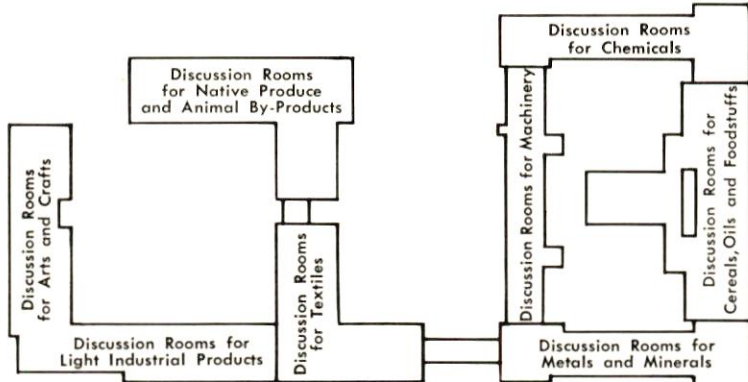
The New Canton Fair Building

Biggest innovation of the Spring 1974 Chinese Export Commodities Fair: a new four story building double the size of the old, right across from the Tung Fang Hotel. The 110,000 square meter premises overlook a number of lakes, including Lihua Lake, in the northwestern part of Kwangchow, and are replete with banking, communications, restaurant and other facilities. On the left: a guide for US visitors to the new exhibition halls.

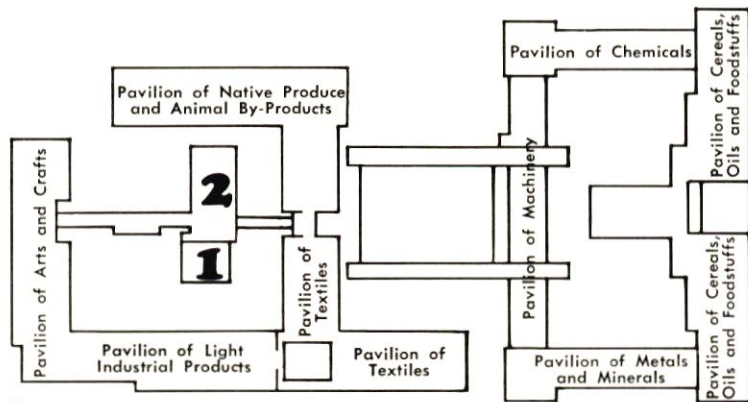
Fourth floor



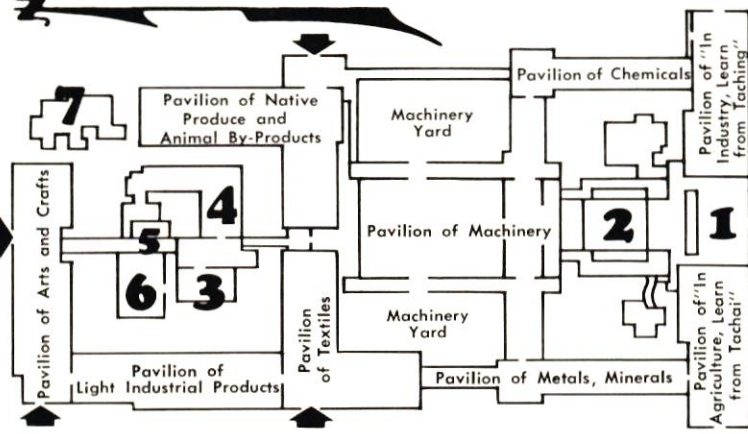
Third floor



Second floor



First floor

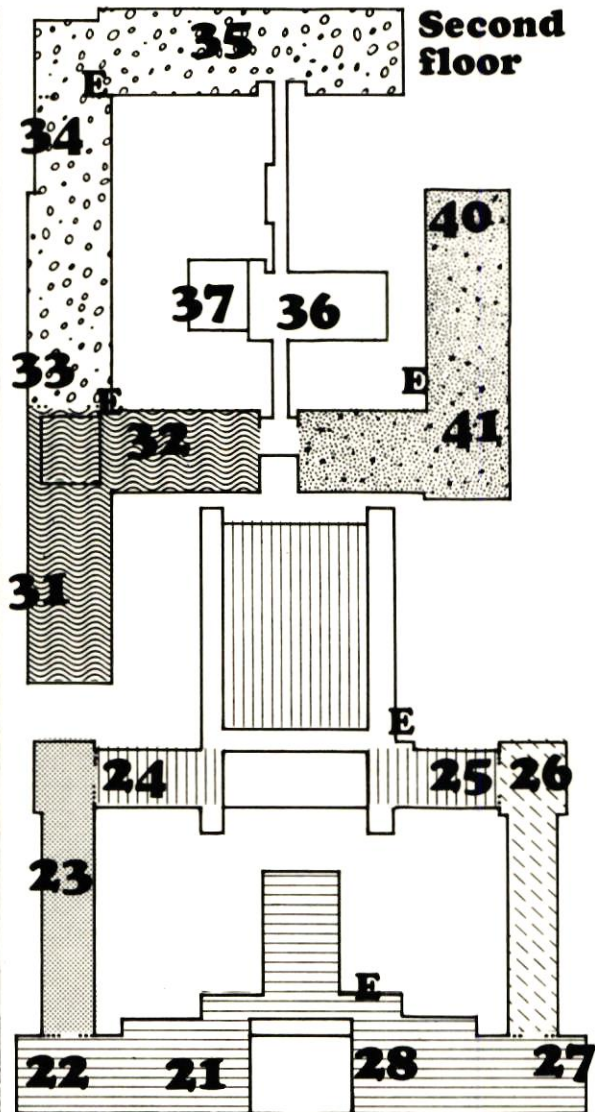
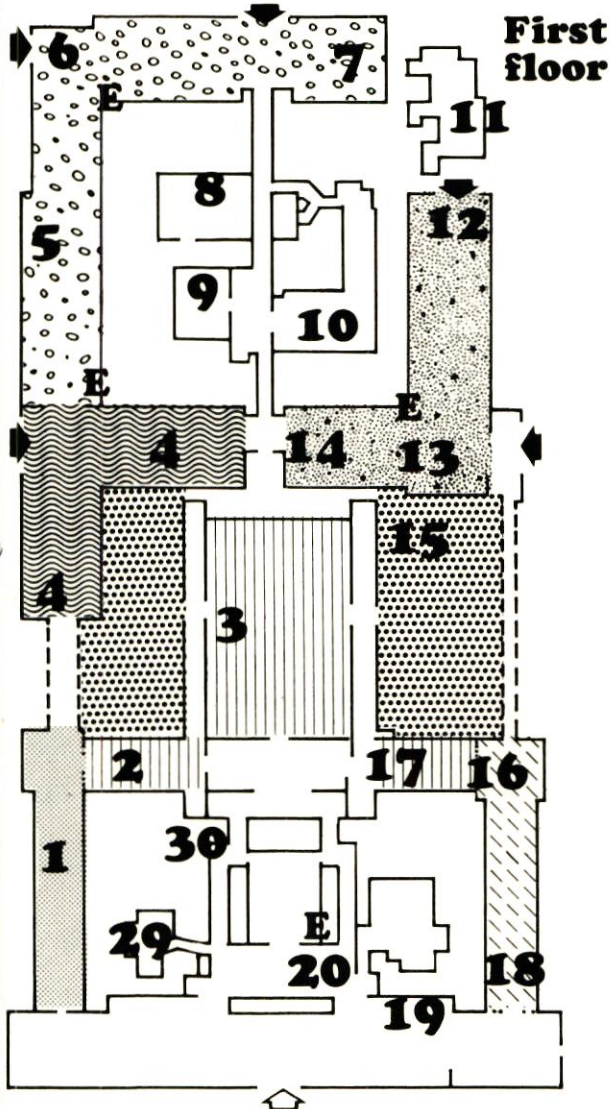


Ground floor (above): 1, Main Hall where opening and closing ceremonies are to be held; 2, Library containing works by Marx, Engels, Lenin, Stalin and Chairman Mao; 3, 4, 5, Services (Shops, Bookstore, Restaurant); 6, Cinema; 7, Miniature garden.
 First floor: 1, 2, Services (Telegrams, Banks, Insurance).

Overleaf: a complete guide to where everything is in the new building, from agricultural implements to zippers. . .

The Chinese Export Commodities Fair

- Light industrial 
- Textiles 
- Metals, minerals 
- Machinery 
- Native produce 
- Cereals, oils, foodstuffs 
- Chemicals 
- Outdoor display area 
- elevators **E**

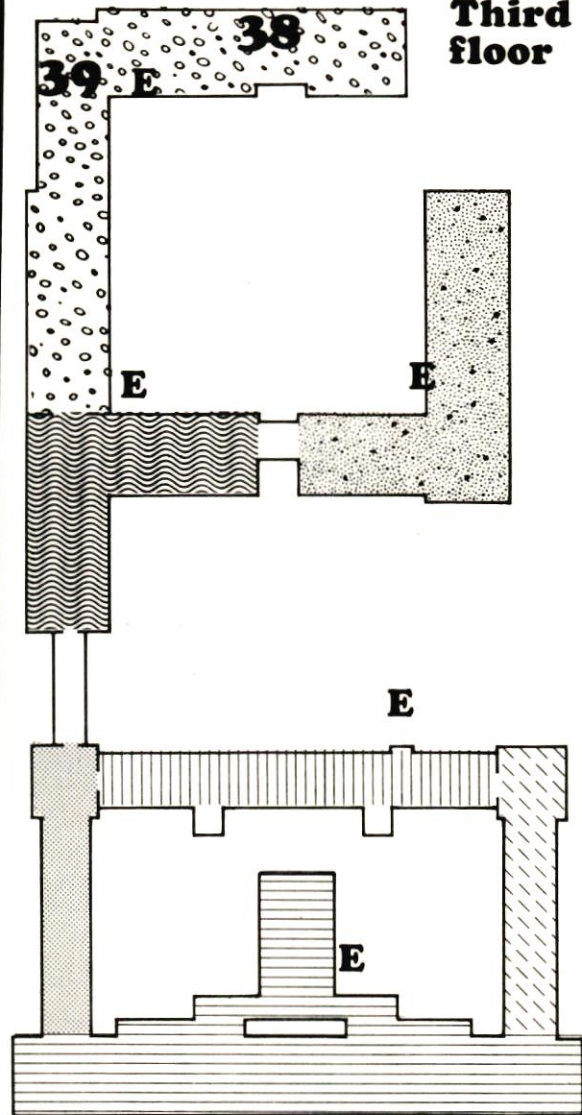


Product Guide

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A</p> <ul style="list-style-type: none"> Agricultural implements, tools (2) Aluminum (1) Antiques (42) Apparel (32) Arts & Crafts (35&39) Artificial flowers (35&39) Auto parts (2) | <p>B</p> <ul style="list-style-type: none"> Bamboo articles (39) Bank (37) Bathroom fixtures (34) Batteries, storage (17) Beer (21) Belts, mens (5) Beverages (21) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Bicycles (5)</p> <ul style="list-style-type: none"> Birds, live (11) Blankets (31) Bookstore (37) Brass (1) Bristles (14) Brushes (13) | <p>C</p> <ul style="list-style-type: none"> Cable, steel (1) Cameras (34) Camper stoves (5) Candies, cookies (21) Candles (40) Canned foods (21) Carpets, wool (12) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

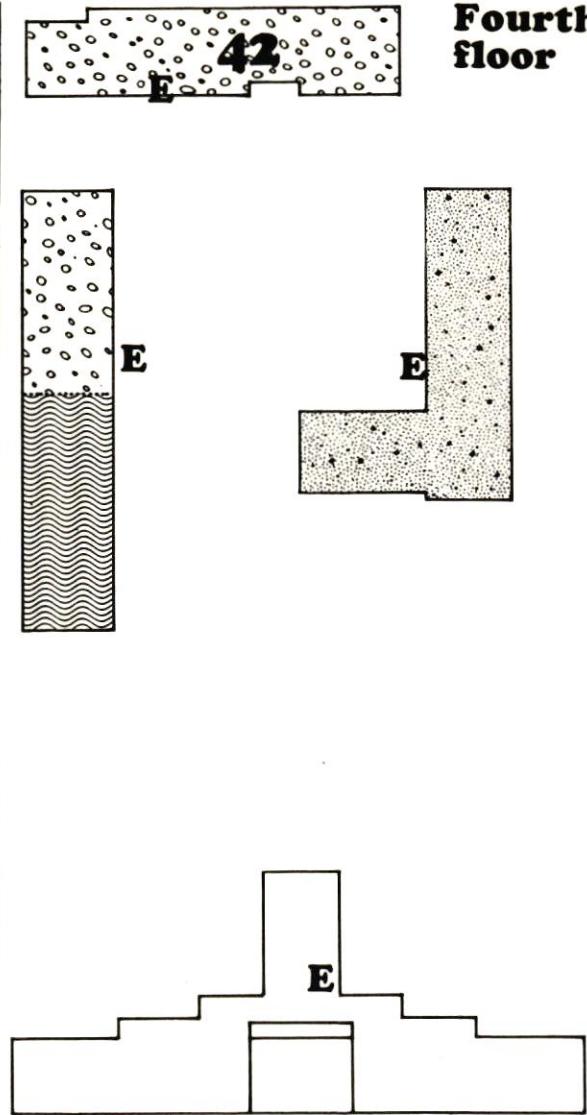
Third floor



- Carpets, silk (39)
- Casings (13)
- Ceramics (35)
- Chemical agents and reagents (18)
- Children's wear (32)
- Chinese garden (11)
- Cinema (8)
- Circuits, electronic (25)
- Clocks (5)
- Coal (23)
- Computer (25)
- Concrete mixers (15)
- Cotton, piece goods display (4)
- Crystal bowls, goblets (5)
- Customs (36)
- D**
- Diesel engines, marine (17)
- Dinnerware (35)
- Dyestuffs (18)
- E**
- Electric motors, appliances (17)
- Electronic instruments, switches (25)
- Elevators (E)
- Embroidered goods (31)
- Essential oils (40)
- F**
- Fans, electric (34)
- Feathers and down (13)
- Fire extinguishers (2)
- Fireworks (40)
- Flashlights & batteries (5)
- Flatware (5)
- Foodstuffs, canned (21)
- Footware (5)
- Frozen foodstuffs (22)
- Fruits, canned (21)
- Fruits, dried (22)
- Furniture, household (7&38)
- Furniture, rattan (39)
- Furs & garments (13)
- Furs, retail store (14)

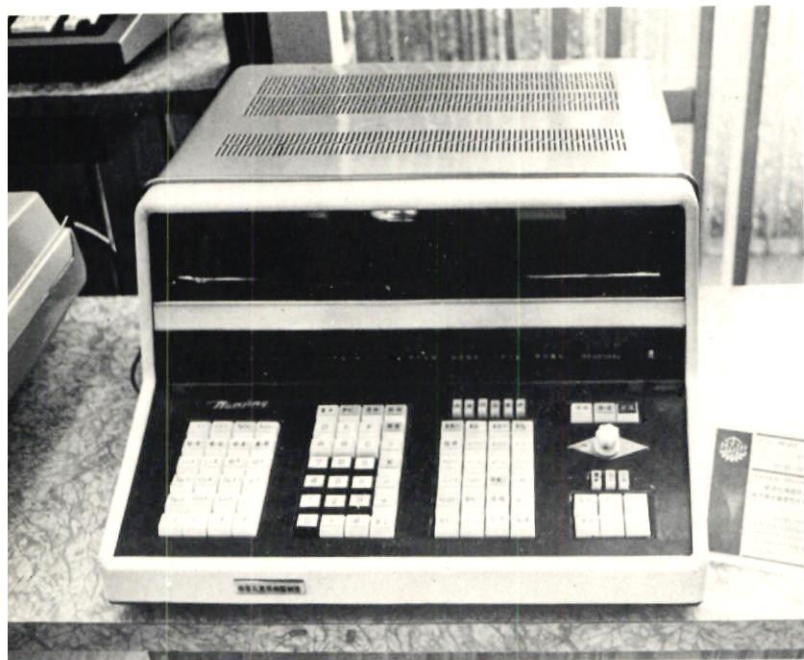
- G**
- Garden tools (2)
- Glass flowers (6)
- Guozi Shudian (30)
- Grains (28)
- H**
- Handbags (35)
- Handtools (2)
- Hardware items (2)
- Herbs, medicinal (41)
- Hinges (1)
- Honey (41)
- Household goods (5)
- I**
- Incense (40)
- Industrial television (25)
- Information booth (20)
- Inks, printing (18)
- Insurance (37)
- Iron, cast (1)
- Iron products (1)
- Ivory carving (6)
- J**
- Jade carving (6)
- Jewelry (39)
- L**
- Laboratory instruments, glassware (24)
- Lace (31)
- Lanterns (5)
- Lacquerware (35)
- Lighters (5)
- Locks, door (1)
- Luggage (5)
- M**
- Machine tools (3)
- Marble (23)
- Marine instruments (2)
- Measuring instruments (24)

Fourth floor



- Meats, canned (21)
- Meats, frozen (22)
- Medical apparatus (26)
- Medicines, pharmaceuticals (41)
- Men's wear (32)
- Microscopes (24)
- Minerals, ores (23)
- Musical instruments (33)
- N**
- Nail clippers (5)
- Non-ferrous metals (1)
- Nuts (41)
- O**
- Oils, edible (28)
- Oil, tung (28)
- P**
- Paints (18)
- Petroleum products (18&19)
- Pharmaceuticals (18)
- Photographic equipment (34)
- Post office (36)
- Postcards (37)
- Pots, pans (5)
- Process control center (24)
- Pumps, small (2)
- Pumps, heavy duty (15)
- R**
- Radio & television (25&34)
- Rails, steel (1)
- Rattan, articles (39)
- Restaurant (10)
- Retail store (9)
- Rice products (28)
- Rubber tires, products (16)
- S**
- Scissors, knives (40)
- Seafood display (27)
- Sewing machines, household (5)
- Sewing and knitting machines, industrial (3)

- Shipping counter (36)
- Silk embroidery (39)
- Silk, piece goods display (4)
- Sporting goods (33)
- Stamps (36)
- Stationery supplies (33)
- Stone carving (6)
- Straw articles (39)
- Straw bags (35&39)
- T**
- Tea (41)
- Telegraphs & cable office (36)
- Telephone for fairgoers (36)
- Textiles, drawn works (31)
- Textiles, brocade & embroidered goods (31)
- Textiles, piece goods (4)
- Thermos bottles (5)
- Toilet articles (5)
- Tobacco (40)
- Towels (32)
- Toys (33&39)
- Trees, miniature (11)
- Trucks, tractors (15)
- Tubing (1)
- Typewriters for fairgoer use (37)
- V**
- Valves (1)
- VIP meeting room (29)
- WXYZ**
- Wallets (5)
- Walnuts (41)
- Wines & spirits (21)
- Wire & wire netting (1)
- Women's wear (32)
- Wood carving (39)
- Wool, piece goods display (4)
- X-ray equipment (26)
- Zippers (5)



The desk-top computer keyboards and electronic calculators displayed at the Fair show an awareness of good styling which may portend keen Chinese competition in world markets.

Oil

The most potentially valuable of China's exports was the one most prominently displayed. Adjacent to the main entrance hall, beneath large portraits of Lenin and Stalin which flanked an enormous portrait of Chairman Mao, was the entrance to the Hall of "In Industry Learn from Taching." Behind a massive scale model of the most famous of all of China's onshore oil fields, Taching, was an exhibit of petroleum and petroleum by-products five times larger than any petroleum exhibit at any previous Fair.

Production of petroleum for export in significant volumes may be several years away, but it appears necessary and therefore inevitable. For all that



can be said about China's ability to produce textiles, foodstuffs and light manufactured goods for export, hard currency generated in these areas is unlikely to be enough to meet pressing and expensive import needs over the long pull.

China's lack of the means to handle bulk items, such as petroleum and chemicals, means that product most efficiently (and, ultimately, most inexpensively) loaded and shipped in bulk—in tank trucks and railway cars and container vessels—is being packed in bags and drums. This meant not only higher prices at the Fair, but also substantially higher costs at the receiving port.

Prices

Prices continue to be a complaint of Americans at the Fair. Wholesalers, accustomed to better prices than retailers in trade with market countries, are understandably frustrated when a retailer who is a potential customer can buy goods at the same wholesale price at the Fair. In such a practice the retailer, by avoiding the markup charged by the importer-wholesaler can not only undersell him but also kill the market for importer-wholesaler sales to other US customers.

In market economies, this problem is ordinarily solved in the marketplace—some manufacturers sell primarily to wholesalers and some to retailers. Those selling to both maintain a two-tier pricing system.

In China, as in other nonmarket economies, the foreign trade apparatus is presently too inflexible to accommodate these varied pricing demands. Again, at the recent Fair, neither wholesalers nor retailers were successful in obtaining discounts for quantity purchases, another standard pricing practice in market countries.

Pre-Fair Sales

Another lament heard at the Fair was that for certain scarce commodities, such as some chemicals and essential oils, pre-fair sales depleted quantities and thus made Fair attendance only marginally productive. A few especially discouraged traders vowed not to accept a future Fair invitation without a cable pledging that products ordinarily purchased would be available at reasonable prices.

The National Council

National Council representatives at the Fair maintained a variety of services to American businessmen from a suite at the Tung Fang Hotel (see *U.S. China Business Review*, Vol. 1, No. 2 March-April, 1974) and visited on several occasions with representatives from the main office in Peking of each of China's foreign trade corporations.

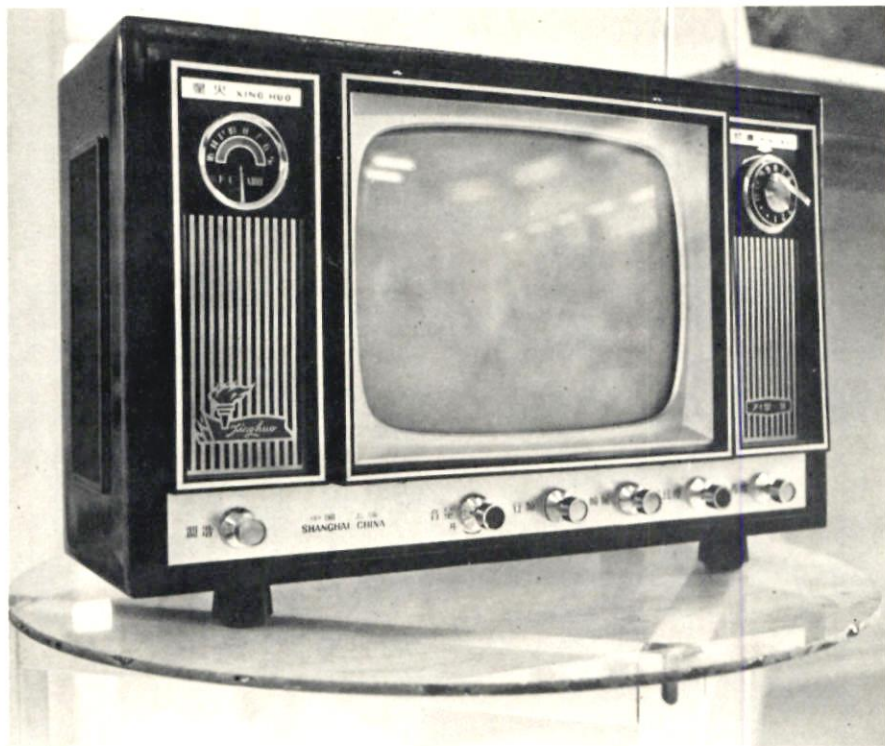
OFFICIAL FOREIGN EXCHANGE QUOTATIONS FOR MAJOR CURRENCIES ON THE OPENING DAY OF THE SPRING 1974 CHINESE EXPORT COMMODITIES FAIR, APRIL 15, 1974* WITH CROSS-RATE PREMIUMS

Unit	Per	Exchange Rate	Buying Rate	Selling Rate	Bank Notes	Cross-rate Premiums Against US \$(+%)**	Buying-Selling Bandwidth (%)	Bank Rate Premium (+% over central rate)
Australian Dollar	100	294.13	292.66	295.60	283.86	0.0066	1.00	3.62
Austrian Schilling	100	10.43	10.38	10.48	9.76	0.0220	0.96	6.86
Belgian Franc	10,000	499.71	497.21	502.21	459.28	0.0112	1.00	8.80
Canadian Dollar	100	204.05	203.03	205.07	197.37	0.0012	1.00	3.38
Danish Krone	100	32.15	31.99	32.31	30.48	0.0284	1.00	5.48
F.R.G. Deutsche Mark	100	77.19	76.80	77.58	74.58	0.0101	1.02	3.50
French Franc	100	40.57	40.37	40.77	38.00	0.0096	0.99	6.76
Italian Lira	10,000	31.02	30.86	31.18	—	0.0181	1.04	—
Japanese Yen	100,000	711.45	707.89	715.01	685.84	0.0071	1.00	3.73
Netherland Guilder	100	72.77	72.41	73.13	69.19	0.0145	0.99	5.17
Pound Sterling	100	466.19	463.86	468.52	447.67	0.0056	1.00	4.14
Singapore Dollar	100	81.02	80.61	81.43	77.34	0.0159	1.02	4.76
U.S. Dollar	100	197.39	196.40	198.38	193.18	0.0000	1.01	2.18
Hong Kong Dollar	100	39.08	38.88	39.29	38.49	0.0102	1.05	1.53

* Posted at the Fair by the People's Bank of China. Rates shown are to the Renminbi.

** Based on end-day April 16 spot rates against US dollar (April 15 banks closed).

CONSUMER GOODS



Top right—Xing Huo Television set, made in Shanghai.

Top left—Ideal for the rush-hour, a stylish "Light Roadster" bicycle with low-slung frame.

Center left—The variety of volleyballs and soccer balls displayed is a good indicator of the popularity of these two sports in China.

Center right—Basketballs, baseballs and softballs are only a few of the items with a potential for the American market. Also displayed were hockey sticks with fashionably curved blades, and as many kinds of baseball bats as cricket bats.

Right—An array of instruments on show.



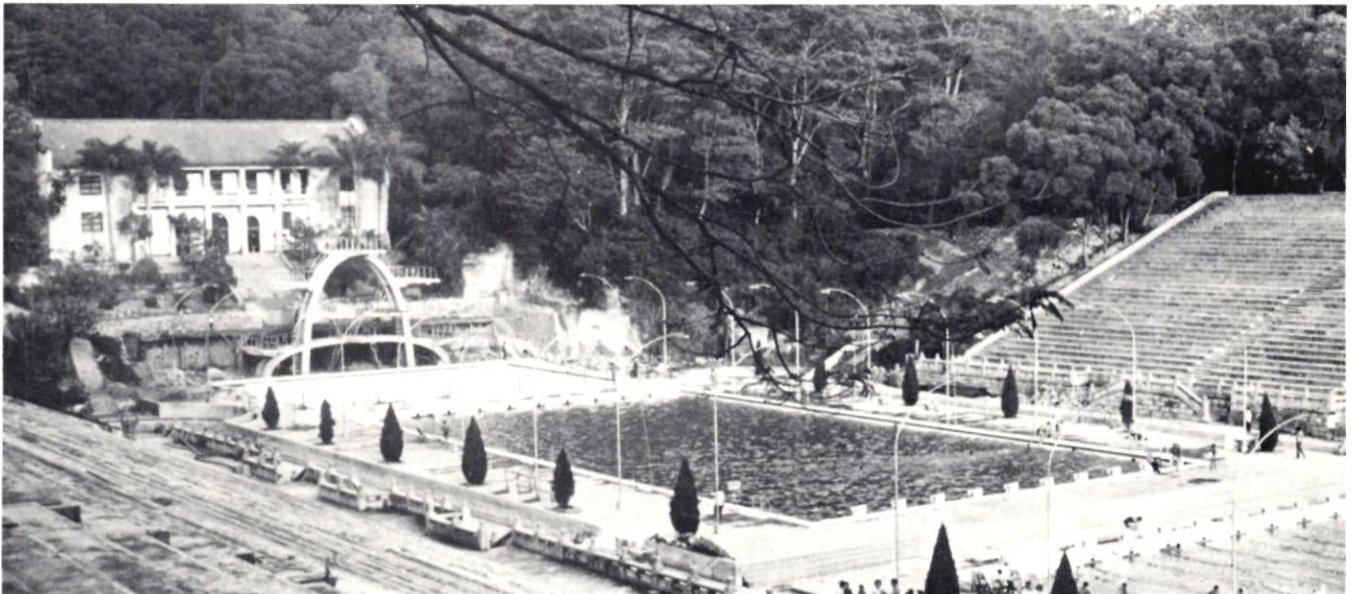
AFTER HOURS



Left—In a match with a British team, to be described in the next issue, a German soccer team wearing stylish blue and gold jerseys (designed especially for play at the Fair) won two-to-nothing.

Center—Council members and staff at Fair banquet. From left, Keith Wood, Sobin Chemicals; David Cookson, ICD Group; Veronica Yhap, Dragon Lady Traders; Robert Boulogne, J. C. Penney; George Driscoll, NCUST.

Below—These two pools at Canton's famous Yuehsiu Park, a ten-minute walk from the Tung Fang Hotel, are open to Fairgoers.



CHURCH SERVICES IN PEKING

American businessmen in Peking have recently been advised by the Chinese that Sunday religious services, including Roman Catholic Mass, are regularly held. There are no similar Christian services in Canton where, the Chinese explained, the churches have been closed since no one has exercised the right to observe religious practices.

Among the services provided by the Council for US businessmen at the Fair were a copier donated by 3M, two IBM electric typewriters, a 16mm Kodak projector and an 8mm Fairchild projector. The Council is grateful for the donation of this equipment.

Council Vice President Theroux continued discussions begun last November with officials of the China Council for the Promotion of International Trade on the subject of the CCPIT return visit as well as concerning reciprocal exchanges and exhibitions.

New Exhibition Hall

The Fair itself was held for the first time in a colossal new exhibition complex comprising over a million square feet. One fairgoer with business at several of the corporations claimed he walked an average of seven miles a day—and produced a pedometer to prove it.

The new exhibition hall, located directly across the street from the Tung Fang Hotel, was constructed around a smaller structure which, ironically, housed the very first post-Liberation Canton Fair, in 1956. It was in 1957, however that the Chinese began holding the event annually and from which the recent 35th Fair was dated.

Telex Available

The telephone and telegraph office in the new complex offered markedly improved communications service, and four telex machines housed at the Tung Fang Hotel were the first available for use at any Fair.

The area in which the Tung Fang Hotel (where Americans, among others, are housed) and the Fair Building are located has now become a major and well-outfitted center for the conduct of China's foreign trade. A large new railway station, open for the first time this Fair, is only a ten minute walk from the hotel, and construction for a new 30-plus story hotel has been begun nearby.

The Fair complex itself is equipped with a movie theater, restaurant and retail store, and the landscaping and architecture of the buildings within

the Fair grounds, while not flamboyantly modern, creates in spots the atmosphere of a contemporary American state university.

Within an easy walk of both the Fair building and the Tung Fang Hotel is a gymnasium where guests are treated to athletic and acrobatic performances, and three public parks.

Liu Hua Park, less than a block from the hotel, is a Chinese-style garden around a lake, and a favorite spot for Fairgoers who jog or like to stroll. A more intimate and aromatically cultivated spot is the Orchid Garden, five minutes in another direction, in which tranquil ponds and tea houses from another era are found.

Yuehsiu Park, ten minutes walk from the Tung Fang Hotel, is an enormous area boasting two Olympic size swimming pools, small lakes with boat-rentals, an athletic stadium, porcelain museum, and a variety of walking trails. All these facilities are open to Fairgoers. 完

OMISSIONS

Unintentional omissions in Special Report Number 5 (US Participants at the Kwangchow Fairs) include the following:

Fall 1973

China Trade Business Associates Inc.
Daniel Tretiak
Marshall R. Kaplan
May Lee Industries
Miss Yen Yuan
Associated Dry Goods
Rudolph Kaufman (Stix, Baer & Fuller)
—not Lord & Taylor as indicated

Spring 1973

China Trade Business Associates
Lois Dougan Tretiak
Mrs. Yeh
May Lee Industries
Richard Louie
and two others
Weyerhaeuser Co.
Gerrit Wielenga
Mrs. G. Wielenga

Fall 1972

China Trade Business Associates
Daniel Tretiak (represented the
California Council for International
Trade)
Weyerhaeuser Co.
Gerrit Wielenga (not as spelt)

INTERNATIONAL CHINA NOTES

China Buying Reports

Synthetic Textiles Four Japanese textile producers have completed their negotiations for export of synthetic textile material to China in the second half of 1974. Teijin has contracted to sell the PRC 4,300 tons of polyester staple at Y504 (\$1.81) per kilogram, as well as 564 tons of polyester filament at an undisclosed price. Toray agreed to supply the PRC with 7,200 tons of polyester staple in the July-September period, up 80% from the first half of 1974. In addition, Japan Exlan won an order for 2,000 tons of acryl staples, a significant gain over their first half sales. Kanebo announced that it had also sold Peking 720 tons of polyester staples for late 1974 delivery.

Vinyl Chloride Japanese vinyl chloride polymer manufacturers, who had been pressed by China for exports totaling 65,000 tons between April and September, have revealed that they will be able to sell the PRC only 28,000 tons of the petrochemical during that period. In accepting the reduced amount, the Chinese paid an estimated \$0.70 per ton FOB, three times higher than the contracted price for fiscal year 1973.

Steel After years of negotiation, a West German consortium headed by Demag, Schloemann and Siemag, has contracted to sell Techimport a cold steel rolling mill. The mill, valued at about \$198 million, has an annual capacity of one million tons of cold rolled steel strip and is expected to be onstream by 1977. The Chinese will pay 90% of the purchase price on completion of delivery and the additional 10% within five years of the contract signing. In a related development, Japanese steel makers have been holding discussions with representatives of the China National Metals and Minerals Import and Export Corporation in an effort to settle the amount of steel products Tokyo will export to the PRC in the second half of 1974. The Chinese are reportedly pressing for deliveries totaling four million tons, including special rolled steel products. In 1973, Japan sold Peking 2.2 million tons.

Power Plant Compagnie Electro-Mecanique has signed a \$40 million contract with the China National Technical Import Corporation for the supply of know-how and equipment in connection with the construction of a 300,000 kw coal-fired power plant. The plant is expected to be operational by 1976 and is the first of its kind to be supplied China by a French concern.

Potash The China National Metals and Minerals Import and Export Corporation has paid \$17 million for the purchase of 320,000 tons of Canadian potash from Canpotex, the offshore marketing organization representing Saskatchewan producers. After nitrogen and phosphates, potash is the third major fertilizer group.

Electronic Measuring Equipment GTE Sylvania has received an order for their Model 950-A tunable CO₂ laser from the China National Machinery Import and Export Corp. (Machimpex). Chinese officials said the laser

would be used for grain alignment measure.

England's Applied Research Laboratories have sold seven gel permeation chromatographs, worth more than \$360,000 to Machimpex. ARL had exported one X-ray fluorescent analyzer to China last year as a result of its participation in the British Industrial Technology Exhibition mounted at Peking.

Automobiles The China National Machinery Import and Export Corporation has purchased 1,040 automobiles from Toyota, according to reports from Toyko. Taxi-cabs in Peking have recently been shifting over to the Japanese car from older Soviet and Czech models and this latest Chinese import can be seen as another step in that direction.

China Selling Reports

Fluorite China will sell Japan 50,000 tons of fluorite in 1974, up 25% from last year's total. Six Japanese steel companies had been involved in discussions with the China National Metals and Minerals Import and Export Corp. for the fluorite, which is used as a flux in metallurgy. According to Katsushige Tanaka, leader of the Japanese negotiating team, the fluorite will sell for about Y12,180 (\$45.79) per ton, or about the same as last year.

Finger Lickin' Good Kwangtung Fried Chicken Under terms of a still to be finalized agreement, Ceroilfoods may provide chickens for Kentucky Fried Chicken's recently opened Hong Kong outlet. The chickens would come from China's neighboring Kwangtung Province.

Chemical Prices Up Buyers at the recently concluded Chinese Export Commodities Fair in Kwangchow reported that prices for some chemicals were up substantially from the last Fair. There is speculation that the rise in price stems from temporary shortages in China of some chemical products. Tungsten and antimony prices were 12% above world levels.

Buckwheat Japan will buy 8,000 tons of buckwheat from Ceroilfoods at lower than prevailing world market prices. Japan had previously contracted for 4,000 tons during the first three months of 1974, which in combination with this latest transaction, is 1,000 tons more than Japan's buckwheat purchases from the PRC in 1973.

Salt Negotiations are supposedly entering their final stages between the Japan Soda Industry Association and Ceroilfoods for the Chinese sale of 600,000 tons of salt. If all goes well, delivery is expected to be proceeding by mid-1975.

Rice Lebanon has bought 3,000 tons of rice from Ceroilfoods. Under an agreement signed in Beirut the price per ton was \$489.

Air and Sea

Undersea Cable Kokusai Denshin-Denwa has agreed to lay 850km of undersea cable between Shanghai and

Kumamoto on the West Coast of Kyushu in Japan. The project is set for completion in 1976 and will cost the Chinese in excess of \$22 million.

Tankers One of the first results of China's economic assistance agreement with Romania has been the purchase of 5,000 d.w. tanker from Bucharest. The ship was launched earlier this year from the Drobeta Turno-Severin Shipyard.

PRC-Japan Air Agreement Signed After a year and a half of difficult negotiation, China and Japan have signed a commercial aviation agreement which will bring direct air service between the two countries for the first time since 1949. The inauguration of service, tentatively scheduled for the second anniversary of the establishment of diplomatic relations between Tokyo and Peking on September 29, has already resulted in the cessation of all flights between Japan and Taiwan. This Tokyo-Taipei service had been Japan Airline's most lucrative foreign route, accounting for 10% of the company's annual revenue.

Canadian Pacific Service Delayed Canadian Pacific has postponed by at least 60 days the scheduled May 4 inauguration of service between Vancouver and Shanghai/Peking. A CP spokesman pointed to difficulties in ironing out final technical details as the reason for the delay, but was confident that weekly service would begin in July.

International Report

China in the Olympics? Reports from Rome indicate that the International Track and Field Federation (IAAF) has decided to let China return to its ranks after a 14-year absence, thus clearing the way for PRC participation in the 1976 Olympics. Though the official announcement is not expected until late August during the IAAF Congress, speculation has already begun that the International Olympic Committee will be compelled to bar Taiwan's participation at the upcoming Montreal Games. Peking has steadfastly maintained that it will participate in the Olympics only if Taiwan is expelled.

Sino-Brazilian Trade Brazil is actively considering increased trade with China. Faced with a staggering oil import bill and resulting balance of payment problems, Brasilia has dispatched a team of government and industry representatives to Canton for discussions with Chinese trade officials. The Brazilians are reportedly seeking to step up their sales of sugar which accounted for almost all of last year's \$57 million worth of Sino-Brazilian trade, as well as offering Peking cotton, rope fiber, and vegetable oils. There are hints that the South Americans may also be seeking to buy some of China's high grade crude oil.

Thailand and China Thailand's Revolutionary Decree #53 which forbids any Thai company or individual to trade with China, has been finally lifted by the National Security Council and annulled by the National Assembly.

African Aid Tanzanian Foreign Minister Malecela announced in Dar Es Salaam that China will provide his country with an interest-free loan of \$75 million over the next five years. The money will go towards development of coal and iron ore mines in the southern part of the country and the construction of a railway between the



An embroidery artist at the Spring 1974 Canton Fair: Many on-the-spot demonstrations of Chinese workmanship were given at the Fair.

mines and the capital. China is building an 1,153 mile railway to link Dar Es Salaam with the Zambian copper fields.

Fishing Accord China and Japan have begun full-scale discussions on a bi-lateral fishery agreement in Peking. The Japanese side, led by Kazuo Yasufuku, Deputy Director-General of the Japanese Fisheries Agency, is working to replace a private fishery pact which expires on June 22. If signed, the fisheries agreement would be the third accord signed between the two countries since the inauguration of diplomatic relations in September, 1972. Peking and Tokyo have already initialed trade and aviation pacts. 完

Correction: The line on page 46 of UCBR Vol 1 No 2 should have read "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 porcine by-product used in the best paint, tooth, hair and industrial brushes."

VISAS FOR THE PEOPLE'S REPUBLIC OF CHINA

Obtaining a Visa

US firms wishing to visit China should direct their initial inquiry to the Chinese Foreign Trade Corporation (FTC) which handles their product line. If the FTC approves a visit either to the semi-annual Chinese Export Commodities Fair at Kwangchow, or to Peking where all of China's FTCs are headquartered, PRC diplomatic missions abroad will issue visas routinely.

Application Forms

Most Americans receive their visas through the PRC Liaison Office in Washington, DC. Once a Chinese FTC has invited an American company to send representatives to China, both the Commercial and Visa Sections of the Liaison Office receive a cable listing the company involved and the name(s) of its representatives cleared for travel to the PRC. Upon receipt of the cable, the Liaison Office is authorized to provide visa application forms.

As soon as a firm receives an invitation from a Chinese FTC, it should contact either the Commercial Section (202/797-9029) or the Visa Section (202/797-8909) of the Liaison Office in Washington, DC by telephone to request that visa application forms be made available, specifying whether they should be mailed, or will be picked up directly at the LO.

If they are received through the mail, the forms should be filled out in duplicate and sent together with passport, two passport-sized photos and the \$6.00 visa processing fee to:

Liaison Office of the People's
Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008

Normally the stamped passport is returned in about one week.

By sending a representative directly to the Liaison Office, the application forms can be picked up, filled out and the visa obtained in the space of one business day, except during the period immediately preceding the semi-annual Canton Trade Fairs (early April and early November) when an extra 24 hours is sometimes required. Though the same fee and paperwork requirements obtain for personal pick up, many US companies who have visited China in the past have preferred dispatching a messenger to Washington in order to expedite the visa issuing process. The National

Council picks up visas for member firms without charge.

Overseas Pickup

In some instances, prospective American China travelers will be out of the US when their company receives authorization for a visit to the PRC. When this occurs, Chinese diplomatic outposts in third countries and the China Travel Service in Hong Kong (77 Queens Road Central, Victoria; Cable: TRAVELBANK HONG KONG) can issue visas to Americans following the same procedures as the Washington Liaison Office of the PRC. CTS normally takes three or four days to expedite visa requests so individuals traveling to China who must pick up visas in Hong Kong should plan their time carefully.

Limitations of the Visa

Visas are issued on a one trip only basis and are not renewable, except for the businessman whose discussions in the PRC require him to remain longer than the thirty days allowed by the visa, and then only with the approval of the FTC which has issued the invitation. Each visa is valid for one person, except for immediate family members (spouse and children). Thus two representatives of the same company must obtain separate visas.

Other Considerations

Some Americans who travel frequently to Taiwan have obtained a separate passport for travel to China. The Chinese Liaison Office in Washington, will however upon request, furnish visas on a separate piece of paper that can be affixed to the passport, rather than stamp it on a page of the passport itself.

When applying for a visa, it is essential that US passports do not bear the legend "Not Valid for Travel through Communist Controlled portions of China." Though the printing of such passports was discontinued on March 15, 1971, passports issued before that date will be so labelled. Prospective China travelers who have the old passports should have the offending language deleted before submitting the passport to the Chinese. Any US passport office will do this by blocking out the appropriate section with India Ink and affixing the Department of State seal. 完

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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.