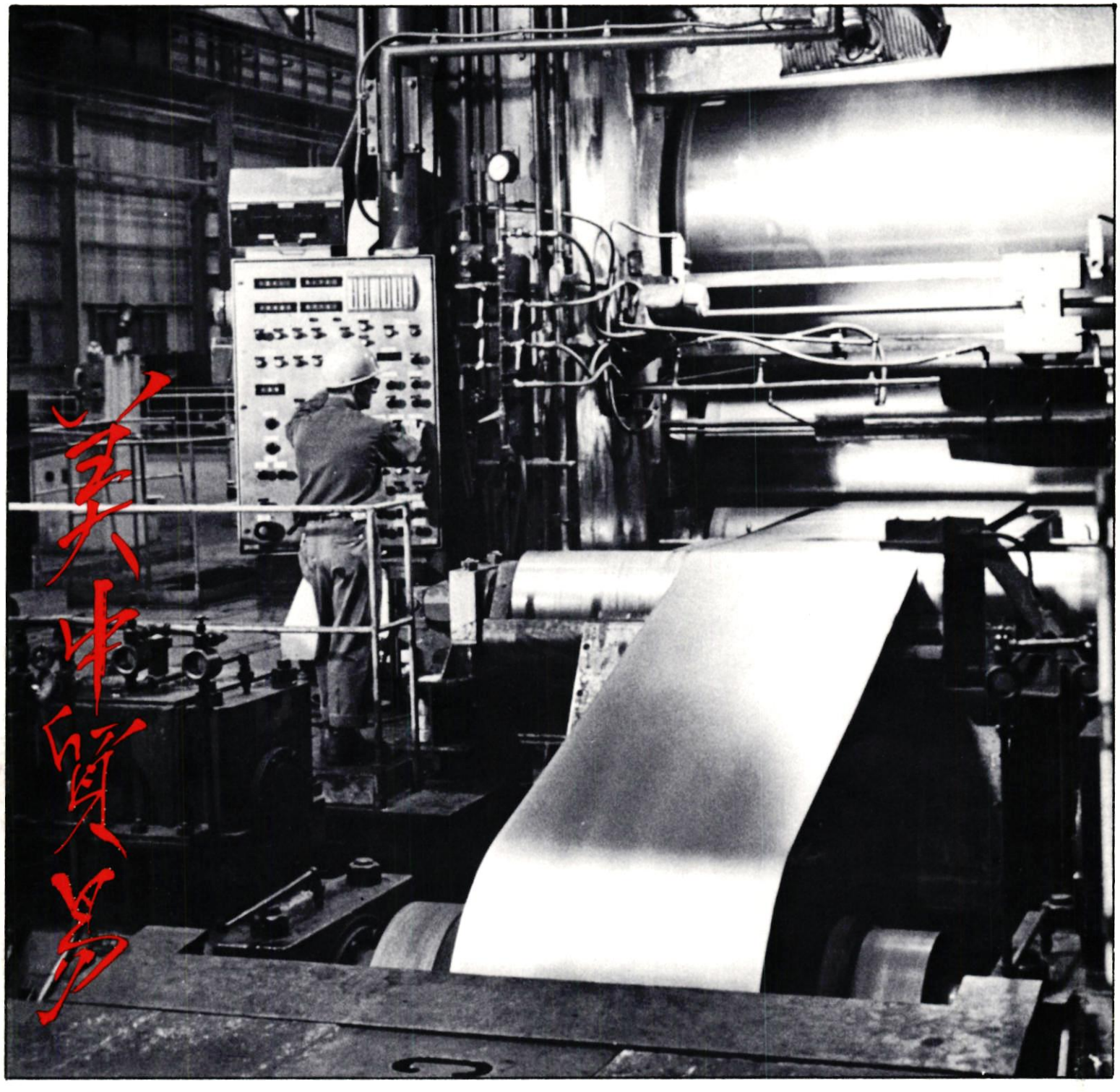
THE MAGAZINE OF THE NATIONAL COUNCIL FOR US-CHINA TRADE JULY-AUG 1975

NO. 4 VOL. 2

# U.S. CHINA BUSINESS REVIEW



# TRANSLATION SERVICES OF THE NATIONAL COUNCIL

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

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

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

### Services Offered

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

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

These services also include review, revision and correction of translations, both written and oral, made via other agencies in the U.S. and elsewhere, and referral to printing houses possessing modern Chinese ideographic forms.

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

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

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

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

### Charges

Translation charges depend on the type and extent of translation involved. Charges are increased for work needed at short notice. Fees are based on an hourly charge, plus additional cost if additional translation consultations with specialists are involved. There is a reduced hourly rate for members of the National Council. Non-members pay a higher rate. Estimates may be obtained in advance without charge. All services are provided in the strictest confidence.

VOLUME 2—NUMBER 4—JULY-AUGUST 1975

# U.S. CHINA BUSINESS REVIEW

EDITOR: NICHOLAS H. LUDLOW • ASSISTANT EDITORS: SUZANNE R. REYNOLDS AND PETER D. WEINTRAUB





Design
**Louise Levine**

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**Front Cover:** China's Steel—A Temper Mill of the type China has recently bought. See Steel Sectoral, page 26. Photo Courtesy American Iron and Steel Institute (AISI).

The U.S. CHINA BUSINESS REVIEW is published bimonthly by the National Council for US-China Trade, 1100 17th Street, N.W., Suite 513, Washington, D.C. 20036 USA. The National Council is a non-profit organization incorporated under the laws of the District of Columbia. The U.S. CHINA BUSINESS REVIEW is published principally for members of the National Council. Second class postage pending at Washington, D. C. The magazine is available for subscription in the US and Canada at $60 per year; elsewhere at $75 a year including airmail postage. Single copies are available only to members.

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.

# CHINA TRADE EVENTS

**MUNICH, Germany, June 2-4**

For the first time representatives from the People's Republic of China attended the International Pressure Die Casting Conference. The eight Chinese were from the Mechanical Engineering Society, Peking.

**VERSAILLES, FRANCE, JUNE 11-12**

George Driscoll, Director of the Council's Business Advisory Services, was among the speakers at an international conference on trade with the PRC, sponsored by the Institut Superieur Du Commerce Exterieur. For information on the topics covered write the Institut, 5 Rue du Dome, Paris 75116, France.

**ANN ARBOR, Michigan, June 12-13**

Nicholas Ludlow, Director of the National Council's Publications and Research, spoke at the University of Michigan's Seminar on Marketing Opportunities in the PRC, organized in cooperation with the National Council.

**GLASGOW, Scotland, June 26**

The London-based Sino-British Trade Council (SBTC) sponsored a one-day conference on "China's Oil Industry and Trade Possibility." Among the expected participants were Messrs. Sung Chih-kuang and Pen Jun-min, China's Ambassador and Commercial Counsellor respectively in the U.K. Information: SBTC London 01-930 9600 or 9545.

**COLOGNE, Germany, June 13-25**

A large Chinese economic and trade exhibition was held.

**DAIREN, July 22-August 5**

The China National Textiles Import and Export Corporation sponsored a "Silk Products Mini-Fair," the first ever, in this northeast China city. A number of American companies received invitations, as did firms from Japan, Canada and Western Europe.

**PEKING, July 27**

A ten-member delegation from the Washington-based Electronics Industry Association began a week-and-a-half visit to the PRC.

**QUEBEC CITY, Quebec, Canada, August 18-20**

An in-depth China trade symposium, reappraising Canadian and US viewpoints, sponsored by the American Management Association, and co-chaired by former Council Vice President Eugene Theroux and Roger Hatch of the Canadian Export Association. Details: AMA (212) 586-8100.

**TIENTSIN, August 20-30**

The China National Light Industrial Products Import and Export Corporation will hold another in the developing series of export-oriented events scheduled between Canton Fairs. This one will offer Chinese willow, straw and maize goods.

**NATIONAL, September 6-24**

A delegation from the China Council for the Promotion of International Trade, hosted by the National Council, will visit the US.

**KWANGCHOW, October 15-November 15**

The 38th Chinese Export Commodities Fair will be held.

**NEW YORK, October 30-31**

The World Trade Institute will sponsor a conference on Transportation and Distribution in the Far East and the Pacific at the World Trade Center. For details contact Eunice Coleman (212) 466-3170.

## OBITUARY: STEPHEN CHOU

Canton Fair veterans and other members of the National Council will be saddened to learn of the death of Stephen Chou (Chou Tsai-fei) in Hong Kong on May 21. Since 1972 Mr. Chou had held the position of Vice President of China Consultants International, and together with the President of that organization, William E. Donnett, conceived and developed *American Industrial Report* the first American magazine to be published in modern Chinese for distribution to trade officials and end-users in the PRC.

Mr. Chou was born in Peking and graduated from Fu Jen Ta Hsueh (Catholic University) and Peking Technical College. After teaching at Peking University he went into business in Tientsin and remained there until moving to Hong Kong in 1955. Since that time Mr. Chou had taught Chinese to many western officials and diplomats, among them, Dr. S. A. FitzGerald, the present Australian Ambassador to China.

At Mr. Chou's funeral in Hong Kong, Chinese officials described him as an "important and vital bridge builder for Sino-American trade." Another testimony came from Tony Lawrence of the BBC who characterized Mr. Chou as one who "knew an enormous amount about Chinese traditions, culture, literature and politics. He has all the fire and penetrative enthusiasm of the aroused and committed scholar but with no trace of the dryness of the academic approach."

## THE NATIONAL COUNCIL HOSTS CHINESE TELECOMMUNICATIONS GROUP FOR AN EVENING ON THE POTOMAC

The National Council, on Sunday, June 22nd, held a boat ride—reception on the Potomac for member firms involved in telecommunications to meet the members of the Chinese telecommunications group visiting the US under the auspices of the Committee on Scholarly Communications with the PRC. Representatives of member companies—General Electric Company, Mr. and Mrs. Roland Fridell, RCA Corporation, Mr. Donald Roppa, Rockwell International Corporation, Mr. Douglas J. Flack and Mr. Hal V. Larson, Sperry Rand Corporation, Mr. Edward Goldman and Mr. George Geick, Western Union International, Mr. Dennis W. Melfa and Mr. Joseph H. Browne, and Westinghouse Electric Corporation, Mr. Misha Kadick and Mr. Edward Arnold—had a good opportunity to meet with the Chinese during a three hour trip. Present from the National Council were Christopher H. Phillips, Presiden of the Council, Eugene A. Theroux, and Nicholas H. Ludlow. Mr. John Sodolski of the Electronic Industries Association also attended. Five commercial officials from the Chinese Liaison Office, headed by Huang Wen-chun, accompanied the delegation on board. Besides representatives of the CSC, the members of the Chinese delegation present were as follows:

**Head of the Group**

| | |
|---|---|
| Liang Tsien | Council member of the China Electronic Society and Chief Engineer of the Institute of Posts and Telecommunications |

**Deputy heads of the group**

| | |
|---|---|
| Yao Yung-yang | Deputy chief engineer of the Institute of Posts and Telecommunications |
| Min Shih-chuan | Deputy Chief of the Division of Technology of the Institute of Posts and Telecommunications |

**Secretary of the group**

| | |
|---|---|
| Yun Chin | Chief of the Division of Technology of the China Posts and Telecommunications Equipment Corporation |

**Members of the group**

| | |
|---|---|
| Tu Shan-cheng | Professor of the Changsha Institute of Technology |
| Huang Wu-pu | Engineer of the Shanghai Posts and Telecommunications Equipment Factory |
| So Chen (female) | Engineer of the Institute of Posts and Telecommunications |
| Chu Kao-feng | Engineer of the Institute of Posts and Telecommunications |
| Huang San-jung | Engineer of the Peking Administration of Long-Distance Telecommunications |
| Tan Sen | Engineer of the Peking Administration of Long-Distance Telecommunications |
| Hsu Tung-yu | Interpreter of the Institute of Posts and Telecommunications |

The CCPIT'S headquarters

# AN INTRODUCTION TO THE CCPIT

In September, a senior delegation from the China Council for the Promotion of International Trade (CCPIT) will visit the US at the invitation of the National Council. The visit of this delegation will reciprocate the National Council's November 1973 mission to Peking which was hosted by the CCPIT. To many members of the Council the role of the CCPIT may still be vague. What is the role of this organization in China's foreign trade?

According to a booklet published in Peking by the CCPIT in 1974, "The China Council for the Promotion of International Trade, founded in 1952, is a people's organization. Its function, in accordance with Chairman Mao's revolutionary line in foreign policy, and based on our government's foreign policy and the principles of equality, mutual benefit and mutual need, is to actively expand international trade and economic activities, to further the mutual understanding and friendship between the Chinese people and the peoples of various countries in the trade and economic sphere, and to promote the development of economic and trade relations between China and various countries."

The CCPIT, according to the booklet, is divided into seven functional departments.

*The Administrative Department* has responsibility for secretarial work, day-to-day administration, and financial matters.

*The Liaison Department* promotes contact between Chinese organizations related to foreign trade and their counterparts abroad; organizes the exchange of economic and trade delegations both from and to China; and organizes attendance at people-to-people international economic meetings.

*The Outgoing Exhibitions Department* organizes China's foreign trade exhibitions and participation in international fairs.

*The Incoming Exhibitions Department* supports and assists foreign trade exhibitions in China.

*The Technical Exchange Department* organizes technical exchanges both at home and abroad.

*The Information Department* performs informational work related to China's domestic economic accomplishments and in the foreign trade sphere. This department publishes a regular pamphlet about trade and economic developments called *China in Development.*

*The Legal Department* works out the general average and the particular average for shipping insurance; represents foreign firms in trademark registration proceedings; and takes part in arbitration proceedings. Members of this section met with representatives of the American Arbitration Association earlier this year.

The headquarters of the CCPIT is located in Peking at 4 Tai Ping Chiao Ta Chieh (Cable: COMTRADE PEKING). Branch offices are maintained in Shanghai, Canton, Tientsin, Nanking, Hangchow, Talien, Shenyang, Harbin and Taiyuan.

At present, Wang Yao-ting, previously of the Textiles Corporation, is the Chairman of the CCPIT. The six Vice-Chairmen are Hsiao Fang-chou, Li Chuan, Li Hsi-fu, Li Yung-t'ing, Wang Wen-lin, and Liu Hsi-wen. 完

**One type of truck sold the PRC by WABCO**

# HOW WABCO SOLD TO CHINA

*There are would-be China traders who question the need for patience and persistence in their commercial endeavors. Rather than dreaming of effortless and speedy access to Machimpex headquarters in Peking, or negotiating sessions with Techimport where concord and contracts are instantaneous, they should consider the experience of American Standard's WABCO Construction and Mining Engineering Group. Eventually, the Peoria-based manufacturer closed its deal and $7 million worth of mining trucks are now journeying China-ward. But in the process, WABCO's corporate planners learned that hard work, long waits, and not a small measure of grit are prerequisites for success in the China market.*

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WABCO's initial approach to the Chinese involved its Canadian subsidiary. In 1971, a 35-ton WABCO truck was displayed at Canada's Industrial Exhibition in Peking. Three company representatives—none of them Americans—attended the Canadian event and tried to convince Machimpex officials that the type of vehicle shown would be useful for China's burgeoning extractive industries. It is difficult to say how influential this first presentation was, but at the time the company could hardly have felt optimistic. They were unable to convince the Chinese to purchase even the one truck at the show, and had to remove it to Singapore where eventually a buyer was found.

During the next two years, WABCO pursued the China market through various Far Eastern avenues. They talked with China Resources officials in Hong Kong and flooded the PRC with technical literature. By the end of 1973, the company still had nothing to show for its efforts. Following Japan's recognition of the PRC, WABCO attempted to use the Japanese diplomatic entree. Real progress began in early 1974 when C. J. Wang, President of the International Corporation of America, was retained as an advisor/negotiator by the company to push its China business.

Wang, a former Defense Department official had been involved in Bucyrus-Erie negotiations which ultimately resulted in a $20 million purchase by Machimpex of mining shovels and blast hole drills. (See UCBR, Volume 1, Number 6).

### The Breakthrough

In August 1974 the breakthrough came. WABCO received a Machimpex cable inviting the firm to send a six-member engineering team to Peking. That month the group arrived in the Chinese capital to explain the manufacturing and use of WABCO's large mining trucks, including the huge 150-ton model.

Though no truck of this type exists in the PRC, the Americans found their Chinese counterparts extremely well-versed in such matters as drive systems, engine capacities, and general vehicle application. As is common in Peking commercial negotiations for capital equipment, both end-users and Foreign Trade Corporation representatives were present, though the former had greater input during this, the technical phase of the negotiations.

Apparently convinced that WABCO's product measured up to China's needs and standards, in October Machimpex invited the company to dispatch a commercial delegation to Peking. Though the WABCO team consisted almost wholly of new people, with legal, as opposed to technical experience, the Chinese side remained by-and-large the same. However, while end-users had taken the lead during the engineering phases of the discussions, that role was now reserved for the FTC representatives from Machimpex. Their mission of course, was to negotiate a contract that would bring the WABCO trucks to China.

These contract negotiations dealt with a whole range of issues: escalation clause, technical training, parts, payment, arbitration, penalties and delivery. Every point was thoroughly discussed, and any thoughts that the deal was assured prior to the visit quickly evaporated with the realization that the negotiations were being conducted with the utmost thoroughness.

WABCO had seen the Chinese insist that every part in the parts catalogue be priced out, down to a 29-cent gasket.

Parts pricing became a major negotiating item and nearly the stumbling block. For several days the two sides attempted in vain to resolve the problem until the WABCO team finally decided, that even though the price question on primary equipment had been already settled, the parts impasse left them no choice but to abandon the progress already made and return home.

One hour before they were scheduled to depart, their bags already checked, the Americans were suddenly surprised by the appearance of their hosts who had unexpectedly come to the airport to see them off. In a brief conversation in the waiting room, both sides discovered each other's willingness to sign the equipment contract regardless of the parts impasse. It was then agreed that WABCO would sign the contract in Peoria after the team's return home and then send it to Peking for Machimpex's signature.

The parts problem remained to be solved. Therefore C. J. Wang remained behind and through his effort the issue of spare parts was finally settled. The final contract, amounting to some 25 pages was completed, and 14 WABCO mining trucks—ten 120-ton, and two each 75 and 35-ton—were on their way to China.

Among other contract stipulations were these:

- *Escalation*—WABCO, aware that overseas delivery time for their equipment was running 12-15 months, sought an escalation clause based on a cost-of-living index, but after considerable discussion agreed to accept the Chinese demand for a firm price taking future costs into account.
- *Technical Training*—Chinese engineers would train in the U.S. on use of the equipment and a WABCO representative would stay in China for one year, at the mine where the trucks would be put to work. Each side would pay for the overseas transportation of its own nationals, but the hosts on each side would foot the bill for meals and accommodation.
- *Arbitration*—The Chinese said that all differences could be resolved amicably. They did agree that, if necessary, arbitration proceedings would be held in Geneva.
- *Penalties*—A small charge for late delivery was provided for, but the Chinese said they would rather not invoke this. Instead, they told the WABCO group to let them know if any trouble arose in meeting the schedule so a reasonable solution could be worked out.
- *Payment and Title*—Payment, it was agreed, would be on presentation of documents with the L/C being opened by the Bank of China in the PRC and a third country bank via Chase Manhattan in the U.S., title to pass when the last sling comes off the last item going aboard the Chinese-chartered vessel in New Orleans Harbor.

Not included in the contract, but nevertheless a key point of contention during the negotiations, was the issue of information about where the equipment would be used. As a mining vehicle usually spends its entire "lifetime" in one area, the manufacturer must be aware of such items as roads, grades, climate, etc., in order to custom-design it. Only near the end of the talks did the Chinese bring forward—apparently with some reluctance—detailed blueprints of the mine site containing all the relevant information.

A similar situation developed over the question of delivery in China. WABCO was anxious to know the lifting capacity of the cranes at the port of arrival in the PRC, but the Chinese balked at telling them. When informed that the information was important because it would determine how far the trucks needed to be broken down, and that additional pieces would raise the price, the Machimpex officials supplied the necessary information.

Robert Brenkman, WABCO's Manager of International Sales and a participant in the negotiations, underscored the importance of establishing mutual trust as a cornerstone for successfully concluding large-scale deals with the PRC. He said that in their case hospitality and humor on both sides had helped to serve as the building blocks upon which this rapport had developed. 完

# SILK SCARVES FROM CHINA

## Vera Sets a Precedent in PRC-US Trade

**Nicholas H. Ludlow**

On June 19, 1975 the Vera Companies, the well-known division of Manhattan Industries, held a precedent-setting fashion show at the Hilton Hotel in New York City. The occasion was the first public showing of various scarves and sportswear with a Chinese motif. The silk scarves were especially interesting. They were designed by Vera, for the American market, using various designs from Chinese tradition, made in the People's Republic of China. More special than this, each scarf had Vera's brand name clearly printed on it in English and also in the form of a chop—the Chinese version of "Vera."

The scarves were produced by the Shanghai Silk Branch of China National Textiles Import and Export Corporation (Chinatex). They were made directly from designs, screens, and colors created at Vera's studios in Ossining, New York. The scarves, of medium weight, fine silk, arrived in the US in late June, destined for broad distribution throughout the US in September: the Vera Companies sell to 17,000 stores.

The fruition of this venture represents a major breakthrough in US-China trade. It shows that, when a working arrangement is made with the Chinese for supplying the US mass market, it is quite possible for everything to go right—the goods to be made on time, in sufficient quantity and quality, with an American brand name, to be delivered in the US as promised, and entirely suitable for the US market.

At the fashion show, six models, to piano accompaniment, showed Vera's full sportswear collection. The scarves shown derived their motif from Chinese culture, including themes of horses inspired by cloissone. Plum blossoms and willows, sun and rain, blossoms, waves, and in one case Chinese calligraphy, were among the other designs used. Some of the soft colored clothes were Chinese-inspired.

The fashion show, preceded by a short slide presentation on the visit of Vera Neumann, and her vice president of production, Marvin A. Pelzer, to China, coincided with the 30th anniversary of the Vera business.

The arrival of the first bulk shipment of the scarves from Shanghai on June 25, 1975, was the culmination of a process that had been going on for over two years. Much of the success of Vera in developing the relationship with China was due to a step-by-step progress, patience and perseverance. The story of how this venture proceeded, and how the fashion show on June 19 was made possible, is full of instructive points for any other American company wishing to develop its trade with the PRC. The story below details the events leading to that fashion show.

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In early 1973 Vera Neumann and her staff were thinking about future projects. Aware that trade with China was again possible, they thought it would be quite natural for them to write the nation with the oldest silk tradition in the world. Vera Indusries was producing silk products in the US, Italy and Japan (and still is). Over 30 years Vera has looked often for inspiration to the art and traditions of many countries. It seemed a very good time to write to the PRC.

The first letter to China was written on March 8, 1973, to Chinatex in Peking. It was introductory, which the Chinese interpreted as a request to visit the Spring Canton Fair, due to open on April 15. The Chinese replied that they were unable to invite Vera representatives to the Fair, but they hoped to develop business through correspondence.

On July 17 Vera wrote a much fuller letter, requesting an invitation to go to China to discuss the manufacturing of silk scarves and other fabrics. In this letter she told Chinatex something of her company. She also said that the firm did not wish to send representatives to China during the restrictive period of the Canton Fair. And, when they did come to China, they would bring their own designs.

On August 6 the company received an answer from the Chinese, saying that the request was understood and a decision would be made on it in the future. Meanwhile the Chinese asked that designs be sent for them to look at. On August 17 sample designs were sent to China.

Two months passed before Vera heard from the Chinese again. On November 21 Vera received a letter from the Chinese saying that they had received the samples, were willing to develop a business relationship, and that they were making counter-samples. The counter-samples arrived soon afterward and were found quite acceptable to Vera executives. (The designs that had been sent initially had not been Chinese inspired, but had been sent merely as samples of the kind of work to be done.)

### Invitation to Shanghai

Just before Christmas of 1973, on December 22, an invitation came by cable welcoming Vera Neumann and Marvin Pelzer to visit Shanghai. The cable came from Peking, from the head office of Chinatex, with whom all previous correspondence had been carried out.

They sent a cable the following day advising, as requested, the names and professions of those people wanting to go and the date. They said they would go to the PRC about January 15, 1974. By January 9 still nothing was heard, so they sent another cable asking for a reply. Another wire came from China a few days later saying that they should contact the Liaison Office of the People's Republic of China in Washington, D.C., which they did.

An official at the People's Republic of China Liaison Office [PRCLO] said Peking had advised them to issue visas to the Vera executives. Having obtained visas however, how to get to China? The PRCLO official told them to cable China Travel Service in Hong Kong. Vera Neumann and Marvin Pelzer then flew to Hong Kong arriving on a Sunday at 5:00 p.m. They managed to arrange with CTS first thing the next day to leave on a morning train to China. CTS made the arrangements for transit to Shanghai.

Although they deplaned at Shanghai after dark in pouring rain, the local Chinatex people were there to meet them, escorted them to the Peace Hotel, and made them feel very much at home. At 9 o'clock the next morning the officials picked them up at the hotel, whence they went to the local branch of Chinatex, which was around the corner.

They had taken with them about a dozen original samples as well as the Chinese counter-samples, and the discussion centered around such topics as pricing, production requirements, production time, quality, volume requirements and limitations. At 10:30 on that first day, the Chinatex people gave the visitors their schedule of plans for them for the next five days. On this schedule there were certain times for business and other times for visits to such places as communes, an arts and crafts school, acrobatic displays, and the Shanghai Exhibition Center. At this time the US visitors did not know how long they were to be there. (It was not until a week later that the Chinese indicated that it was time for them to go.)

While they were there, the Vera executives were shown the various facilities at which production of their scarves would be carried out. They visited a printing plant, saw hemming work, and went to a design studio. They also had the opportunity to visit department stores to see Chinese scarves on sale. At one of these stores, they bought denim jackets, which they considered superior in workmanship and quality than those made in the United States and cost the equivalent of $3.50.

### Dealing with a Committee

In their dealings with Shanghai Silk Branch of Chinatex, Vera Neumann and Marvin Pelzer made all their business arrangements with a committee. The committee was formed of experts in various areas of silk printing. One person was an expert in fabrics, one in screens, another in the printing itself, and another in final finishing work and labeling. Each time they discussed the project it would be with this five-person committee, each member usually with questions.

The Chinese were very cautious and very precise in all things. They were serious in wanting to produce just what was needed, to avoid mistakes, and produce something that was really saleable on the US market. The committee, which was not established especially for this project, wanted to be quite sure there was nothing that they could not cope with.

The production arrangement was very interesting. The Chinese would not have to adapt anything in particular for the purposes of the project. Silk scarves are produced the same way in China as they are produced anywhere else. But what mattered was the schedule of the factory itself. The production facilities were very busy at the time, and it appeared that the important thing was to determine how they could fit the production for Vera into the schedule. The factory had a yearly plan for the use of its facilities. For the arrangement to work it was important that the production for Vera fitted into the quarter of the year when the schedule of the factory would allow. Hence it was equally important for Vera not to try

**Chinese designers at work**

for a time period that would not fit into the plan of the factory.

The Chinatex production facilities were making goods for many other countries, as well as some printed scarves for sale in China. Marvin Pelzer thinks that foreign companies wishing to have goods made in China may run into problems if they try to press too hard for a delivery schedule that cannot be adequately met within the scope of a factory's yearly plan.

The Chinese asked for a list of countries in which the Vera name is now registered and copyrighted. They were given a list of about 26 countries. Use of the name "Vera" was discussed at the end of the first trip. At that point the Chinese did not wish to use the name on the scarves, which was a matter of concern to the US firm. But, if the Chinese did not agree to print the name at that time, it was not something to be decided instantly, and the Vera executives said they would consider the matter.

Prices were firmly given by the Chinatex committee. They were CIF US East Coast Ports, denominated in Chinese currency. At that point in the negotiations there was not contract, and the amount was used only as a reference. But as it turned out, the RMB was worth about 49 US cents then, and rose to 57 US cents when it finally came time to pay for the scarves. So this considerable revaluation of the RMB against the US dollar represented, basically, a decline in the value of the US currency, as well as a different set of calculations for Marvin Pelzer.

### Minimum Quantities

The Chinese gave prices for minimum unit quantities that they would make. If Vera wished to buy less than this minimum, there was a scale of surcharges for lesser amounts. The minimum considered feasible by the Chinese was about 600 dozen per design.

The Chinese were very well aware of the Column II duty which would be levied on the scarves. The 60 percent rate was three times the duty for similar products from other countries, and the Chinese were concerned with how Vera could sell the scarves with the higher tariff. As they discussed pricing in detail, the people from Vera soon realized that the Chinese were well aware of world market prices for these scarves. They knew what it would cost to produce the same item in Japan or Italy, and the cost for basic materials in those countries.

As it turned out the price of the scarves to US customers will be $12, compared to Vera's scarves of the same size made in Italy and Japan, which normally sell for about $10.

Another subject of discussion was shipping. The Chinese offered to send it many ways such as via Vancouver, or West Coast ports. Eventually the goods came direct to the East Coast.

Payment would be made through Vera's American


***Above*** **The chop used on Vera's scarves made in China. The Chinese means 'The Truth' from a latinization of Vera.**

***Left*** **Vera Neumann holds calligraphy scarf. The Chinese reads "Set a Good Example for Yourself."**

bank, Irving Trust Company, to the Bank of China via a third country bank in the US, French-American.

### Chinese Equipment

The equipment to be used for making the scarves was all basically the same as that used in American works. There was a rope wash, centrifugal force extractor, tenta frame and other equipment, all of which was Chinese made.

Vera and Marvin Pelzer did see a Chinese invention in the silk processing consisting of a method of transferring screens from one table to another. Whereas in the US screens stay put and the fabrics move, in the PRC the fabric lays on tables, and the screens move on a track, automatically fed from one table to the next.

In the art department of the Chinatex Silk Branch Design Studio, apprentices were being taught by an older man. The apprenticeship was begun at an early age, with 25 to 30 young girls of high school age at the studios filling in small pin holes, and doing tasks that would acquaint them with all aspects of production.

By the end of this first session Vera knew the Chinese were real professionals and felt that their hosts were really extending themselves in every way to make things go well. On a visit to one of Shanghai's well-stocked department stores, Vera and Marvin Pelzer found that the fabric department was one of the busiest sections of the store, with ready-made garments a close second. They noted that nearly all the Chinese wear scarves, so that China's factories have a huge domestic market to cater to as well as producing for abroad.

On this visit, and on the next, the Vera executives were provided with an expert interpreter to help them in all phases of their talks. They did not have to bring their own interpreter, nor did they have to have any correspondence translated into Chinese.

They left Shanghai satisfied that agreement could be reached and working arrangements made. They also left with a gentleman's agreement that the Chinese would not offer Vera's designs to any other foreign buyer. There was no discussion however, about Vera selling Chinese-designed scarves abroad or, for that matter, selling Vera's scarves in China.

After returning to the US, Marvin Pelzer wrote a thank you note to the Chinese on February 16, 1974. In this letter he said that Vera was waiting to hear about the items under discussion, though a firm price was left open. The letter also queried again about using Vera's trademark on the scarves. On February 25 the firm received a definite price quotation in a letter from Chinatex in Shanghai, mailed a week before.

At this point correspondence was ongoing to

Peking, with copies to Shanghai. Once production was established, the pattern of correspondence changed, to Shanghai with copies to Peking. They seemed to follow the pattern that, if there were discussions of a new venture being carried out, which required authorization from the head office, all correspondence was with Peking with a copy to the branch concerned. In the first instance Peking would establish which was the best place for a new project to be carried out [which city, branch, and specialized production facility]. Later when the venture was established and an ongoing business relationship underway, the correspondence would switch to the local branch, with copies going to the head office in Peking.

Two weeks after receipt of the firm quotation, Marvin Pelzer replied, on March 11, saying that Vera had received the prices and was considering proceeding on orders. But they were also awaiting a decision from Chinatex on use of the Vera name, and wanted an answer on the packaging needed for the scarves. Vera normally packages scarves in polyethylene bags with a half-dozen each. On the Chinese side the decision involved was no real problem.

Another month went by and, on April 13, Chinatex wrote Vera a letter with some rather interesting questions. They said that they were now studying the problems of the word "Vera." And, in addition to the name, they were studying Vera's symbol of the ladybug. The Chinese asked—does Vera serve as the brand name of the company? And, if so, where was it registered? And secondly—What was the nature of the ladybug? What does it mean? Does it hang separately or does it go together with the name Vera?

Vera answered on May 1. They said that "Vera" was a copyrighted brand name, and again provided a list of all the countries in which it was registered. They ladybug, on the other hand, was not registered, but served a function as a decorative illustration.

The word came back from Peking six weeks later: The name Vera was acceptable, the Chinese wrote, but the ladybug was unacceptable. In this letter dated June 13, no reasons for the decisions were given by the Chinese. On July 2 Vera cabled Chinatex in Peking requesting visas for her and Marvin Pelzer to visit Shanghai again, and on July 11 she wrote that they were pleased that it was acceptable to Vera to print the "Vera" brand name. In this letter she said they would bring, as soon as they had visas, designs and color combinations, and work out details as to packaging and shipping. They also mentioned that they would like to discuss printing scarves on fabrics other than silk.

Vera Neumann and Marvin Pelzer were back in Shanghai for a second time on September 9, 1974.

Everything went smoothly on this visit and orders were placed by the company after making sure that the schedule was satisfactory. While they were there, Chinese technicians reviewed every design.

One of the interesting things was the exactness with which the Chinese looked at Vera's designs. All the Chinese-inspired designs on the scarves now for sale in the US were done by Vera herself. But, as with other designs of her creation, some of the lines and colors appeared not to register, purposely, because that is the Vera style. The Chinese were anxious however, to make sure everything was registered exactly right, and they had to be convinced that this lack of registration was on purpose. When the Chinese saw the colors requested by Vera, they also said "We can provide a much better red than *that!*" The colors, however, had been carefully created, even if they seemed a little offbeat to the Chinese.

On this second expedition to Shanghai, blotters [the basic design with colors on heavy paper], acetate separations, and combinations for each pattern [preprinted sample silk squares with the colors to be used] were taken. During the second trip Vera had her name made into a Chinese chop at a department store in Shanghai. The Chinese used in the upper half of this chop a latinization of Vera, meaning Truth (veracity). This chop was used on all the scarves printed in China.

### The Contract

The contract was in the form of a standard Chinatex Sales Confirmation. The terms were c & f with the company's standard blanket policy covering insurance. The Letter of Credit was to be opened sixty days before shipment, and remain valid to fifteen days after shipment. In fact the L/C was opened by Vera two weeks after the two executives returned to New York. The issuance of the L/C on October 17, 1974, was much earlier than required by the contract,

**In Shanghai, Vera talks with an interpreter and a member of the silk committee.**

primarily to show the seriousness with which Vera viewed the business. There was also some doubt about how long it would take to open a L/C for China, so to insure no delay, the firm gave its bank plenty of time.

In February 1975 the samples of the work in progress came in on time, and were satisfactory. These samples were unhemmed examples of the prints themselves. Later fully made-up scarves were received in time for the fashion show by air.

The shipment was stipulated in the contract for the end of April. Documents received in June indicated that the shipment had left the factory on April 15, and had been shipped from Shanghai on April 30. This information was filled out on the standard US Special Customs Invoice [green form]. The shipment was due for arrival in New York City on June 25. Since five weeks shipping time is considered usual by Marvin Pelzer, from Japan, the seven weeks shipping period from China seemed reasonable.

The samples that arrived by air were in time for the fashion show. And the scarves in bulk arrived in New York at the end of June, in time for them to be distributed all over the country. Following the fashion show, Vera began previewing them to a limited number of customers via the firm's New York showrooms. Reaction to the scarves has initially been very good. In fact, when the scarves were first shown on the slides at the fashion show, there was spontaneous applause from the audience.

### The Future

What of the future? Vera will start showing the scarves in its regional showrooms a month after shipment, with the objective of having them in department stores in the fall. The scarves should be in the stores, from Vera's warehouse in New Jersey, right after Labor Day. They have already sold so well that a reorder has already been placed, with a commitment from China that it will arrive on time, in this case, within three months.

The people at Vera are determined to continue their China program whether it is profitable at this point or not. They feel the time they have spent in developing the business has been well spent. More than this Vera and her Vice President consider this only the start of a relationship which they hope will broaden. For instance, counter-sample blouses of the Peony brand, from the Shanghai Silk Branch of Chinatex, arrived a day before the June 19 fashion show. The original samples for the blouses were given by Vera to the mission from the China Textile Corporation when it visited the United States in early 1975. (Correspondence on these blouses was to Peking cc Shanghai).

Beyond the blouses, Vera could expand business with the PRC to include scarves in many other fabrics, blends, polyester, silk and rayon and in different weights and constructions. The Chinese appeared to be mainly interested in using silk at the moment, but the Textile Delegation from China mentioned its interest in synthetics.

There was also an impression of the visitors to China that the PRC's facilities cannot manage tremendous volume at the present time. In addition the Chinese were very anxious to be sure everything was done well.

Now Vera's executives have another invitation to visit China . . .

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Thus the story of how Vera had silk scarves produced in the PRC took more than two years from start till now, and it is not finished yet. The scarves, measuring 28 inches square and 15 × 45 inches oblong, are impressive in their quality, hemming and color, so far as Vera is concerned. To the company's executives, they were better than scarves made in some other countries. For US firms the China trade has taken another step forward. As the calligraphy on one of the scarves reads—Set a Good Example For Yourself. 完

## THE VERA COMPANIES

Founded thirty years ago by Vera Neumann (Vera), who now is president, her late husband, George Neumann, and F. Werner Hamm, who now is chairman of the board, the Vera Companies are unusual in the United States in that they are "vertical"—that is, they embrace every aspect of manufacture from creation of the original print and style designs through printing the greige goods through the final manufacture of a variety of products: scarves and other fashion accessories, dresses, sportswear and table linens.

They also license other companies to sell Vera designs, including printed sheets, draperies, quilts and bedspreads for Burlington Industries, lingerie by Formfit Rogers, needlepoint for Dritz-Scovill, china and stoneware for Mikasa, and, a new licensee, F. Schumacher, for whom Vera is designing decorative fabrics and wallpapers. The total sales volume of the company, including licensed products, is close to $50 million wholesale, approximately $100 million retail.

Vera, herself, has received many honors and tributes for her print designs including recognition from the Museum of Modern Art and a salute from the Smithsonian Institution to "Vera: The Renaissance Woman." Coming up in September of this year is a retrospective exhibit and salute from the Fashion Institute of Technology on the occasion of the company's thirtieth anniversary, called "Vera: The Artist in Industry."

# ALFRED FREE ON A BICYCLE IN CANTON

## Staying in Shape At the Fair

Dr. Alfred Free is a Ph.D. biochemist who has a fondness for polka-dot shirts. With that kind of background no one should have been surprised when the 60-year old Vice-President of Technical Services and Scientific Relations of Ames Company Division, Miles Laboratories walked into the Canton Friendship Store during this past Spring Fair, plunked down 187 Yuan (about $90), and walked out with a gleaming new Chinese Five Rams collapsible bicycle.

"Everybody in Canton depends on bicycles for their basic mode of transportation", Dr. Free relates, "so I figured when in Rome do what the Romans do. Besides which, riding the bike was a great way to stay in shape."

Almost every day during his two-and-a-half week stay at the Fair, says Free, he would rise around 5:30 or 6:00, take the bicycle through the corridors of the Tung Fang Hotel and out onto the Canton streets for a 60 or 90 minute ride. "Things tend to start pretty early in China," he noted, "so the early morning is one of the most interesting times of day, especially with all of the intense activity. Riding the bike was really a great way to see the city."

Among other places, he toured Liu Hua Park, the city centre and the area around White Cloud Mountain. Dr. Free calculates that during his stay in Canton he covered about 150 miles.

Having attended both the Spring and Fall Fairs of 1974, this was Free's third visit to China. During those previous times, he inquired, unsuccessfully whether it would be possible to rent a bicycle for his stay in Canton. At the Fall Fair he made his first attempt at an actual purchase, but the employees at the Friendship Store told him that their stock of bicycles had been exhausted.

"But I really thought a bicycle would be a great idea so when I got to the Fair this time I went back to the Friendship Store and they had what I wanted. I kept the bike in my room at the hotel and generally rode it only in the early morning, bringing it back to the room before the Fair opened for business, so parking never really presented any problems."

Nor apparently did the PRC's legendary red tape, though at least one other US fair-goer did report that authorities explained to him that it was necessary to obtain a license to ride bicycles in Canton, and that might take some time.

"I had no awareness of restrictions, or rules, or licenses of any kind," says Dr. Free. "I just went in, bought the bicycle, and rode it around. I was never stopped by the police or anyone else. In fact I didn't attract all that much attention. I think that for the majority of people in Canton, any foreigner is still such a strange sight, the fact that one happens to be riding a bicycle doesn't add much to that strangeness."

Because the bike is collapsible, and can be folded to half size (one slides the front wheel rearward along the support bar, lowers the seat and removes the handlebars), Dr. Free found no difficulty in getting it back to Elkhart, Indiana where he is based. "I just put it in the box it came with, wrapped a little cord around it and carried it out, all the way to the airport in Hong Kong. From there the airlines took care of everything, treating it just like another piece of luggage."

Dr. Free intends to continue his bicycle excursions in Canton and says he is considering buying a new bike at the next fair. He unequivocally recommends this mode of transport to other foreign fair-goers, though as far as he knows, he is the only non-Chinese bike rider in Canton as yet. 完

### GETTING A BIKE IN (OR TO) CANTON

While there are other ways for would-be Canton bicyclists to bring bikes into the city, or buy when they are there, Dr. Free's purchase from the Friendship Store is probably the cheapest and most convenient way to insure the availability of a bicycle during the Fair.

For example, it is possible to bring your bike with you from Hong Kong, but bicycles are subject to a 100% import tax administered by the Chinese Customs Service. Theoretically, it is also possible to purchase bicycles on the economy in Canton. But an American who attempted this at one of the city's bicycle shops was told that to buy a bicycle he would need a license, and to obtain a license he would be obliged to take lessons in riding. He didn't stick around long enough to find out how many lessons were required before one was deemed a qualified bicyclist in China.

While one seemingly plausible alternative—bikes for rent—is apparently still awaiting its Canton debut, a number of veteran fair-goers wonder why. They point out that specially-marked bicycles rented only to those foreigners who obtained a license by passing a qualifying examination would provide the Chinese with an additional source of revenue, and at the same time afford the foreigners an opportunity to stay in shape by taking short bicycle trips around the city.

# The National Council's Second Annual Meeting

The National Council's Second Annual Meeting on June 2, at the Mayflower Hotel in Washington, D.C. was honored by the presence of five guests from the Liaison Office of the People's Republic of China in Washington, D.C. They were Deputy Chief Han Hsu and commercial staff members Mr. Huang Wen-chun (Acting chief of the commercial staff), Mr. Tung Chih-kuang, Mr. Wang Tien-ming and Mr. Tsui Kao-pi.

The luncheon speaker, Mr. Winston Lord, Director of the Policy Planning Staff of the Department of State, gave a generally favorable review of US-PRC trade relations, though indicating that a bilateral trade agreement is not a likely prospect in the immediate future. Lord also noted that the differing perspectives between the U.S. and the PRC on important international issues remain, but that, despite these differences, the two sides remain on course toward normalization of relations.

Among other points made by Mr. Lord, who has visited China six times and was on the first trip to Peking with Secretary of State Henry Kissinger, was that there are "three or four essentially technical issues still outstanding" regarding the frozen assets/private claims issue. "We remain," said Mr. Lord, "ready to try to make progress on that question. We'll keep working on it. There is not an imminent agreement on it, but we hope to make progress on it." Mr. Lord emphasized that "we are in favor of the greatest possible expansion of trade" with China.

A new Chairman of the Board of Directors was elected at the business portion of the meeting. He is William A. Hewitt, Chairman and Chief Exeuctive Officer of Deere and Company. (See page 15). Seven members were elected to the Board of Directors. Those members who will be serving three-year terms are: A. W. Clausen, President and Chief Executive Officer of the Bank of America; Rawleigh Warner, Jr., Chairman of the Board of Mobil Oil Corporation; Fred M. Seed, President of Cargill, Inc.; Joseph T. Kenneally, Chairman of the Board of Hewlett-Packard Company; and William B. Graham, Chairman of the Board and Chief Executive Officer of Baxter Laboratories, Inc.

The Board met and approved the appointment of Melvin Searls, Jr., as the National Council's new Vice President and Deputy Executive Director who will assume the post on or about September 1.

The outgoing Vice President, Eugene A. Theroux, whose resignation was announced at the meeting, moderated a panel session. Mr. Theroux has carried out many negotiations with China's foreign trade organizations in China on behalf of the Council and its members. Following his return to law practice, Mr. Theroux will continue in an advisory capacity to the Council.

The meeting combined National Council business with two panel discussions highlighting U.S. Government policy towards China trade and a survey of previously successful techniques used to negotiate contracts with China. Amid varying views expressed by panel participants, Ambassador Phillips, President of the National Council, remained optimistic, predicting a long-term increase in two-way Sino-American trade, to $2-3 billion by 1980.

In his Annual Report to the members, President Phillips reported on the progress made since the First Annual Meeting. Among the achievements listed were increased rapport between the National Council and the Chinese Liaison Office both on a personal and business level. The National Council office in the Tung Fang Hotel was maintained for the Fall 1974 and Spring 1975 Kwangchow

Fairs, and negotiations held with Chinese FTCs.

Phillips also recounted progress in terms of trips taken by Ambassador Huang Chen and PRCLO commercial staff members, and the visit of the China National Textiles Import and Export Corporation, arranged in conjunction with the National Council and its member-firms. The announcement was made that the long-awaited delegation from the China Council for the Promotion of International Trade (CCPIT), is scheduled to begin an 18-day tour of the United States in September, 1975 hosted by the National Council.

Reporting on services to members, Phillips underscored consultations with Council professional staff, staff-compiled research provided at the request of members, appointment of an Academic Advisory Board and conferences and seminars held during the year across the country, from Seattle to New York. All of these services are provided to members to help keep members abreast of Sino-U.S. trade developments and facilitate increased trade.

Among the Council's larger projects of service to members this year is the preparation of a company directory in Chinese. In addition to the usual translation services provided, this new directory is being compiled based on data supplied by more than a hundred U.S. firms. Two-thousand copies will be circulated to China's FTCs, including branch offices, end-users, reference libraries, relevant government agencies and departments and major production units.

Forecasting a favorable climate for Sino-U.S. trade, Phillips emphasized the problem of discriminatory U.S. tariffs on imports of Chinese goods. A bilateral trade agreement granting most-favored-nation status to China could now be negotiated under the Trade Act of 1974. Such a policy was strongly urged on Congress and the Administration by the resolution adopted by the Executive Committee of the National Council on April 3, 1975.

The main issues and focal points for discussion during the morning session were the present climate in US-PRC trade and prospects for the near term. The panel participants who fielded members' questions concerning specific procedural and general policy problems were: Dr. Michel Oksenberg, University of Michigan; Robert Best, Chief Economist, Senate Finance Committee: Honorable Arthur Downey, Deputy Assistant Secretary of Commerce for East-West Trade; and Philip T. Lincoln, Jr., Country Officer of People's Republic of China and Mongolian Affairs, U.S. Department of State.

This panel provided National Council members an overview of Chinese attitudes and policies toward trade with the US, while pinpointing specific issues and problem areas in the trade presented by US Government policy. Export licensing, lack of banking relations, and possible extension of MFN through a bilateral trade agreement negotiated under the Trade Act of 1974 were all issues of concern for both China traders and government officials.

The still incipient stage of Sino-American trade is illustrated by the fact that there is a paucity of institutions supporting the trade and that the implications of a number of important developments, such as the recent easing of export controls and the passage of the Trade Act, are not completely clear for PRC-US trade relations. The government members of the panel reiterated the willingness of the U.S. commitment to facilitate and expand trade with China, citing considerably improved performances of imports from the PRC during the first months of 1975.

The afternoon panel, moderated by Mr. Theroux, dealt with "The Anatomy of Successful U.S.-China Business Transactions." Panel participants detailed their experiences of negotiating with Chinese foreign trade corporation officials on both the export and import sides. Mr. Robert L. Brenkman, Manager of International Sales for WABCO/American Standard first discussed the sale of trucks to Machimpex and rehearsed the fine points of the negotiations and resultant contract. Mr. Kenneth Booth, Senior Sales Engineer, International Sales Division of Westinghouse Electric, Canada, Ltd., continued with a description of a sale of gas turbines to Techimport. Finally, the mechanical problems of importing from China were outlined by Harold Potchtar, President of Toscany Imports, Ltd. Following the formal presentations, there was lively discussion concerning step-by-step procedure and strategy for negotiations. 完

## THE NATIONAL COUNCIL'S NEW CHAIRMAN

## WILLIAM A. HEWITT

At the Second Annual Meeting of the National Council, Mr. William Alexander Hewitt was elected Chairman of the Board of Directors. Mr. Hewitt, Chairman of Deere & Company in Moline, Illinois, has been Chief Executive Officer of that firm since 1955. In addition, he has broad business experience as a member of the Board of Directors of American Telephone and Telegraph Company, Continental Illinois Corporation, Continental Illinois National Bank & Trust Company of Chicago, and Continental Oil Company.

Mr. Hewitt's formal education was in economics. He received his A.B. from the University of California in 1937. Honorary Doctor of Laws degrees were awarded him by Augustana College, St. Ambrose College, and Knox College.

Mr. Hewitt has been absorbed in various education activities on the East and West Coasts. From 1962-1967 he served on the Harvard University Graduate School of Business Administration Visiting Committee. From 1967-1973, he was a member of the Harvard School of Design Visiting Committee where, from 1968-1970, he served as Vice Chairman. On the West Coast, Mr. Hewitt is on the Board of Trustees at California Institute of Technology and a member of Stanford Research Institute (SRI) Council.

In the business community, Mr. Hewitt is a member of the Business Council, Committee for Economic Development, Farm and Industrial Equipment Institute and various other organizations. From 1971-1975, he was on the Board of Trustees of the Carnegie Endowment for International Peace.

Mr. Hewitt has been a member of the Council's Board of Directors since its inception and visited China as a member of the Council's mission to meet with the CCPIT in November 1973.

Searls

Theroux

# WELCOME MELVIN SEARLS

# GOODBYE EUGENE THEROUX

## THE NATIONAL COUNCIL'S NEW VICE PRESIDENT MELVIN WILLIAM SEARLS, JR.

At the National Council's annual meeting June 2, 1975, Melvin W. Searls, Jr. was appointed the National Council's new Vice President. Mr. Searls will be leaving his present position as Marketing Director for Esso Standard Oil in Hong Kong to join the Council in September. He brings a panoply of good qualifications for the job. Among them are broad business experience in Asia, travel and business contacts in China, and familiarity with Mandarin.

Mr. Searls most recent responsibilities with Esso have been in the area of marketing activity in Asia including Hong Kong, Macao and Guam. He has had corporate responsibility for development of Esso's commercial relations with the People's Republic of China.

Travel in China has acquainted Mr. Searls with the workings of the Chinese Export Commodities Fair in Kwangchow as well as several of the Foreign Trade Corporations. Mr. Searls attended the Kwangchow Fair in April and November 1973, October 1974, and again in April 1975. He has visited Peking several times to meet with officials from the China National Chartering Corporation, China Ocean Shipping Company, and China National Chemicals Import and Export Corporation.

In addition, Mr. Searls has been an active member of the American Chamber of Commerce in Hong Kong acting as Board Liaison for the China Commercial Relations Committee.

## EUGENE THEROUX RESIGNS AS COUNCIL VICE-PRESIDENT

The resignation of Eugene A. Theroux as Vice-President of the National Council was announced by the Council's President, Christopher H. Phillips, at the Annual Meeting on June 2, 1975. The President's report noted "two years of exceptional service to the National Council during which Mr. Theroux played a key role in its formation." Theroux is returning to the full-time law practice as a partner in the firm of Baker & McKenzie. He will, however, remain in an advisory capacity to the Council through the CCPIT visit, and subsequently will be available on that basis from time to time.

Mr. Theroux was a member of the first broadly-representative American commercial delegation of the National Council to Peking in November, 1973. During this mission, he participated in discussions with the CCPIT on such legal subjects as commercial arbitration and dispute settlement, licensing, patents, trademarks, insurance, and contract terms on behalf of members of the Council. He attended the 34th, 35th, 36th, and 37th Kwangchow Fairs on behalf of the National Council and opened the first office at the Fair to assist American businessmen. He has also met with officials of China's Foreign Trade Corporations on behalf of the National Council.

Mr. Theroux received his legal education at Georgetown University Law School. He is a member of the District of Columbia Bar and the Bar of the United States Supreme Court, and resides in Washington, D.C. He is a former Special Counsel to the Joint Economic Committee of the United States Congress, an author of several articles on US-China trade.

Theroux has made six visits to the People's Republic of China, the first as trade and legal aide to the Congressional mission of the late Hale Boggs and now President Gerald Ford. He participated during that visit in meetings with Premier Chou En-lai and foreign trade officials.

Mr. Theroux will be greatly missed by our staff and we are sure by many Council member companies who have come to know him personally.

# CHINA'S PARTICIPATION IN FOREIGN TRADE FAIRS 1970-1974

China participated in nineteen international trade fairs and mounted twelve individual exhibitions abroad in 1974 under the sponsorship of the CCPIT (See pages 20 and 21). Both these numbers represent records for the PRC's foreign trade fair participation. The major trends were a decline in China's participation in LDC trade fairs, an increase in the business as opposed to the propaganda-orientation of China's exhibits, emphasis on export promotion, and increased participation in Europe. China's pavilions have generally been one-to-two thousand square meters. For U.S. firms, these Fairs may be useful points to meet Chinese officials. For importers and exporters these fairs may also hold interest as to what China is producing for export elsewhere then the U.S.

## PRC ECONOMIC AND TRADE EXHIBITIONS ABROAD 1974

| *Country* | *Type of Exhibition* | *Place* | *Date of Running* | *Number of Visitors* |
|---|---|---|---|---|
| **East Asia & Pacific:** | | | | |
| Japan | PRC Exposition | Osaka | 7/13–8/11 | 2,700,000 |
| | PRC Exposition | Tokyo | 9/20–10/10 | 1,200,000 |
| Australia | Trade Exhibition | Sydney | 10/18–27 | 100,000 |
| New Zealand | Trade Exhibition | Wellington | 9/17–29 | 70,000 |
| Philippines | Industrial Exhibition | Manila | 12/19–New Year 1975 | |
| **Africa:** | | | | |
| Cameroon | Handicrafts of Chekiang | Yaounde | 1/5–20 | |
| Senegal | Handicrafts of Chekiang | Dakar | 5/21–7/2 | |
| Mauritius | Handicrafts of Chekiang | Port Louis | 12/12–N.R. | |
| Ghana | Trade Exhibition | Accra | 9/6–20 | 60,000 |
| **Latin America:** | | | | |
| Guyana | Trade Exhibition | Georgetown | 10/5–14 | 150,000 |
| Venezeula | Economic & Trade | Caracas | 12/9–22 | 110,000 |
| **Near East:** | | | | |
| Iran | Painting & Handicraft Art Exhibition | Teheran | 9/2–16 | 15,000 |
| **North America:** | | | | |
| Canada | Paintings & handicrafts from Kiangsu Province | Montreal | 6/18–9/2 | 400,000 |
| | | Vancouver | 10/7–N.R. | |

N.R.—Not reported by NCNA

Source: U.S. Government

## CHINA'S RISING PARTICIPATION IN INTERNATIONAL TRADE FAIRS—1970-1974

| Country | Name of International Trade Fair | 1974 | 1973 | 1972 | 1971 | 1970 |
|---|---|---|---|---|---|---|
| **East Europe:** | | | | | | |
| Bulgaria | Plovdiv | — | Aug. | Sept. | — | — |
| Czechoslovakia | Brno | April | — | April | — | — |
| GDR | Leipzig Spring | — | March | — | — | — |
| Hungary | Budapest | Sept. | May * | May | May * | |
| Poland | Poznan | — | Sept. | June | — | — |
| Romania | Bucharest | May | — | Oct. | — | Oct. |
| **West Europe:** | | | | | | |
| Austria | Vienna | — | Sept. | — | — | — |
| Finland | Helsinki | Sept. | — | — | — | — |
| France | Paris | — | — | April | — | — |
| | Paris Electronics | — | — | April * | — | — |
| | Marseilles | Sept. | — | — | — | — |
| Greece | Thessalonika | Sept. | — | — | — | — |
| Italy | Milan | April | April * | — | — | — |
| Spain | Barcelona | May | — | — | — | — |
| Sweden | Stockholm | — | — | Sept. | — | — |
| | Gothenberg [a] | Sept. | — | — | — | — |
| Turkey | Izmir | Aug. | Aug. | — | — | — |
| United Kingdom | London [b] | Aug. | — | — | — | — |
| FRG | Hanover | — | April * | — | — | — |
| Yugoslavia | Zagreb | — | — | — | Sept. | Sept. |
| **Africa:** | | | | | | |
| Algeria | Algiers | — | Aug. | Sept. | Aug.* | — |
| Morocco | Casablanca | — | April | — | — | — |
| Kenya | Nairobi | — | Aug. | — | — | — |
| Senegal | Dakar | Nov. | — | — | — | — |
| Tanzania | Dar es Salaam | July | — | — | July | — |
| Tunisia | Tunis | — | May | — | — | — |
| Zaire | Kinshasa | — | June | — | — | — |
| Zambia | Ndola | June | — | — | — | — |
| | Lusaka | Oct. | — | — | — | — |
| **Near East:** | | | | | | |
| Cyprus | Cyprus | — | Aug. | — | — | — |
| Iraq | Baghdad | Oct. | — | Sept. | — | — |
| Iran | Teheran | — | Sept. | — | — | — |
| Malta | Malta | — | July | — | — | — |
| Syria | Damascus | July | July | Aug. | — | Aug. |
| UAR | Cairo | March | — | March | March | — |
| **East Asia & Pacific:** | | | | | | |
| Laos | That Luong | Oct. | — | — | — | — |
| **Latin America:** | | | | | | |
| Chile | Santiago | — | — | — | Oct. | — |
| | | 19 | 17 | 12 | 6 | 3 |

[a] International Consumer Fair.
[b] International Do-It-Yourself and Handicrafts Exhibition.
* Participated without a Pavilion.

Source: US Government

## PRC PAVILIONS AT INTERNATIONAL TRADE FAIRS—1970-1974

| Country | Name of International Trade Fair | Agri-cultural Produce | Light & Textile Industry | Arts & Handi-crafts | Models of Tachi & Taching | Film Show or Photo Display | (1974 Only) Number of Visitors |
|---|---|---|---|---|---|---|---|
| **East Europe:** | | | | | | | |
| Bulgaria | Plovdiv | | | | | | |
| Czechoslovakia | Brno * | | X | | | | |
| GDR | Leipzig Spring | | | | | | |
| Hungary | Budapest * | X | X | X | | | 400,000 |
| Poland | Poznan | | | | | | |
| Romania | Bucharest * | | X | X | | | 100,000 |
| **West Europe:** | | | | | | | |
| Austria | Vienna | | | | | | |
| Finland | Helsinki * | X | X | X | | | 150,000 |
| France | Paris | | | | | | |
| | Paris Electronics | | | | | | |
| | Marseilles * | | X | X | | X | |
| Greece | Thessalonika * | X | X | X | | X | |
| Italy | Milan * | | X | X | | | 500,000 |
| Spain | Barcelona * | X | X | X | X | X | 200,000 |
| Sweden | Stockholm | | | | | | |
| | Gothenberg [a] * | X | X | | | | |
| Turkey | Izmir * | N.R. | | | | | |
| United Kingdom | London [b] * | | X | X [c] | | X | |
| FRG | Hanover | | | | | | |
| Yugoslavia | Zagreb | | | | | | |
| **Africa:** | | | | | | | |
| Algeria | Algiers | | | | | | |
| Morocco | Casablanca | | | | | | |
| Kenya | Nairobi | | | | | | |
| Senegal | Dakar* | X | X | X | X | | 500,000 |
| Tanzania | Dar es Salaam* | N.R. | | | | | |
| Tunisia | Tunis | | | | | | |
| Zaire | Kinshasa | | | | | | |
| Zambia | Ndola* | N.R. | | | | | |
| | Lusaka* | N.R. | | | | | 95,000 |
| **Near East:** | | | | | | | |
| Cyprus | Cyprus | | | | | | |
| Iraq | Baghdad* | N.R. | | | | | 650,000 |
| Iran | Teheran | | | | | | |
| Malta | Malta | | | | | | |
| Syria | Damascus* | N.R. | | | | | |
| UAR | Cairo* | N.R. | | | | | 3,000,000 |
| **East Asia & Pacific:** | | | | | | | |
| Laos | That Luong* | X | X | | | X | |
| **Latin America:** | | | | | | | |
| Chile | Santiago | | | | | | |

[a] International Consumer Fair.

[b] International Do-It-Yourself and Handicrafts Exhibition.

[c] Mainly of Kwangtung origin.

* Fairs held in 1974.

N.R. Details of the Pavilion were not reported by the Chinese news agency but the Pavilion is believed to have featured agricultural produce.

Source: US Government

# US TECHNICAL DATA AND PRODUCTS

*Licensed for Export to China October 1974-June 1975*

This list represents a continuation of the tables published in Volume 1, No. 6 of UCBR. As before, the products licensed suggest areas in which China has displayed a definite interest. The list, which is in general chronological order, indicates only US government approval and does not necessarily represent sales made by US firms.

### Summary Totals 1971-June 1975

| *Item* | *Value ($)* |
|---|---|
| Products Licensed for Export to China | $260,726,784 |
| Products for Temporary Export to China | 82,688,587 |
| Technical Data Approvals for China | 399,617,000+ |
| Products Licensed for Reexport to China | 1,386,822+ |
| Products Licensed for Temporary Reexport to China | 115,000 |
| Total All Approvals | $735,517,193+ |

### US Products Licensed for Export to China, Fourth Quarter 1974

| | |
|---|---|
| Magnetic Tape for Broadcasting | $ 217 |
| Electronic Computing Equipment for Seismic Analysis | 2,992,725 |
| Television Record Parts | 2,486 |
| Sub-total | $ 2,995,428 |

### US Technical Data Approvals for China, Fourth Quarter 1974

| | |
|---|---|
| Relating to LNG Storage Tanks | NVG |
| Relating to a Heat Exchanger for Chemical Plant | NVG |

### US Products Licensed for Export to China, 1975

| | |
|---|---|
| *First Quarter* | |
| Magnetic Recorders and Parts for Television Broadcasting | $ 318,444 |
| Electron Tubes (for Education) | 1,210 |
| Transistors (for Education) | 855 |
| Electronic Test Equipment (for Education) | 26,040 |
| Transistors (Measurement Equipment) | 1,180 |
| Telecommunications Equipment | 109,500 |
| Non-Electric Machinery | 68,000 |
| Sub-total | $ 525,229 |
| *Second Quarter* | |
| Magnetic Tape for Television Broadcasting | $ 5,670 |
| Electronic Test Instruments | 9,895 |
| Electronic Test Equipment | 14,805 |
| Electronic Test Equipment | 22,920 |
| Electronic Test Equipment | 12,010 |
| Electronic Computing Equipment | 230,795 |
| Organic Chemicals for Agriculture | 74,250 |
| Integrated Circuits | 375 |
| Sub-total | $ 370,720 |

### US Products Licensed for Reexport to China, 1975

| | |
|---|---|
| *First Quarter* | |
| Semi-Conductors (for Education) (Reexport from FRG) | $ 369 |
| Electronic Computing Equipment (Reexport from Neth.) | 58,125 |
| Sub-total | $ 58,494 |
| *Second Quarter* | |
| Electronic Computing Equipment for Fertilizer Production (Reexport from Denmark) | $ 555,200 |

### US Technical Data Approvals for China

| | |
|---|---|
| *Second Quarter* | |
| Reproduction of Synthetic Rubber | NVG |
| Production of Ethanol | NVG |
| Natural Gas Desulfurization & Dehydration | NVG |
| Relating to Production of a Pharmaceutical | NVG |
| Chemical Process | NVG |
| Natural Gas Treatment & Liquefaction | NVG |

Source: OEA.

## PLANT SALES TO CHINA
## 1975

| *Companies* | *Type of Plant Yearly Output Metric Tons (Technology in Parenthesis)* | *Price ($ million and equivalent)* | *Contract Date & Terms* |
|---|---|---|---|
| Mitsubishi Petro-chemical<br>Mitsubishi Heavy Industries<br>Mitsubishi Corp.<br>Western Japan Trading | Ethylene 12,000; Hydrogenation facility for cracking oil (Mitsubishi) | $31.5<br>¥9,000 m | Feb. 1975. Payable over five years on RMB basis at 6% |
| Nippon Seiko | Bearing Plant to manufacture bearings for machine tools and rolling stock. Facility to be constructed in Loyang area adjacent to existing bearing plant. | $4.2<br>¥1,200 m | Feb. 1975 |
| *TOTAL:* | | 35.7 | |

## CHINA NATIONAL MACHINERY IMPORT & EXPORT CORPORATION ADDRESSES AND PRODUCTS

### Head Office

Address: Erh Li Kou, Hsi Chiao, Peking, China.
Cable Address: "MACHIMPEX" Peking.

*Deal in (direct):*

Machine Tools, Pressures, Shears, Hammers and Small Size Complete Plant.

### Kwangtung Branch

Address: 61, Yanjiang Yilu, Kwangchow, China.
Cable Address: "MACHIMPEX" Kwangchow.

*Main Business Lines:*

Diesel Engines
Mining Machinery
Hoisting Equipment
Optical Instruments
Air Compressors and Pumps
Boilers and Storage Battery

### Shantung Branch

Address: 82, Chung Shan Road, Tsingtao, China.
Cable Address: "MACHIMPEX" Tsingtao.

*Main Business Lines:*

Tools and Rolling Stock
Motor Cycle and Tri-wheelers
Cereals and Oil Processing Machinery
Agricultural Implements
High and Low Pressure Valves

### Peking Office

Address: 190, Inside Chao Yang Men Street, Peking.
Cable Address: "MACHBRANCH" Peking.

*Main Business Lines:*

Wood-working Machinery
Tools

Source: Machimpex, Peking

### Shanghai Branch

Address: Chung Shan Road E-1, Shanghai, China.
Cable Address: "MACHIMPEX" Shanghai.

*Main Business Lines:*

Tools
Electronic Elements
Electronic Instruments
Electric Measuring Instruments
Ships and Marine Equipment
Textile Machinery and Accessories
Knitting Machinery
Balances
Printing Machinery
Laboratory Glassware
Physical Instruments

### Tientsin Branch

Address: 14, Chang Teh Road, Tientsin, China.
Cable Address: "MACHIMPEX" Tientsin.

*Main Business Lines:*

Tools
Building Machinery
Chemical Implements
Lifts and Escalators
Telephone and Telephone Exchange
Yarnspinning Equipment
Diesel Generating Sets
Agricultural Machinery & Implements
Engineering Survey Instruments

### Talien Branch

Address: 145, Stalin Road, Talien, China.
Cable Address: "MACHIMPEX" Talien.

*Main Business Lines:*

Refrigerators
Tools and Excavators
Rubber and Plastic Making Machinery
Testing Machines for Metal Material
Agricultural Implements
Motor Vehicles and Spare Parts

# INITIAL APPROACHES OF US COMPANIES SELLING TO CHINA

*In an earlier issue (UCBR Vol. 2, No. 1, January-February 1975), the China Trader's Peking provided basic information about doing business in the capital of the PRC. The following article, prepared by Peter D. Weintraub, describes the varied experiences of US firms in obtaining invitations to Peking.*

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The process of securing an invitation to negotiate in Peking is complex and far from predictable. Of the American companies already invited to China's capital no two seem to have followed identical paths. Some firms have received invitations virtually unsolicited while others have employed a variety of approaches over many months before their efforts bore fruit. The following examples illustrate some of the different methods companies have used to gain access to the heart of the China market.

## SOHIO

The Standard Oil Company (Ohio) was one of the first American firms to license its technology to the PRC. The deal for the export of acrylonitrile monomer (a basic raw material for synthetic fibres) know-how, in conjunction with a Japanese turnkey plant sale by Asahi Chemical, Niigata Engineering and Chori Trading was concluded in March 1973. The technology which was originally cleared for export to China in December 1971 reportedly has a value in the neighborhood of $8 million over and above the $29 million cost of the plant.

Sohio first approached Peking in 1971. Letters indicating the firms interest in doing business with the PRC were written to the Chinese Embassy in Ottawa as well as China Resources in Hong Kong, but no replies were forthcoming. But in late winter 1972 a Chinese petrochemical delegation visiting Japan asked to visit two of the firm's licensees, and after checking with the Office of Export Administration, Sohio gave the Japanese companies its approval.

As a result of these visits the China National Technical Import Corporation conveyed their interest to Asahi and Niigata for the purchase of a turnkey acrylonitrile facility. The Chinese preferred to deal directly with the operating company—in this case Asahi —and negotiations were begun in Peking in August 1972. During the course of these discussions it became apparent that the license holder would have to be directly involved in order to sort out problems that had developed over provisions concerning technology licensing. In February 1973 a team from Sohio arrived in Peking and the next month the final contract was signed. The plant sale was approved by the Japanese government on May 2.

**The Peking Hotel, where most US businessmen stay in Peking**

### Monsanto

Monsanto sent a delegation to Peking at the invitation of the China National Technical Import Corporation (Techimport) in May 1973 for discussions of the company's petrochemical technology.

The company's contact with the Chinese began immediately after President Nixon's December 1969 Executive Order permitting US firms to trade with the PRC from their third country affiliates. Monsanto's European marketing group had been informed by a UK trading firm that the Chinese had expressed an interest in several of its products and with this knowledge in hand the company approached the Department of Commerce which gave the go-ahead for the products involved.

The next step came in the spring of 1970 when the British trading company and an Australian trading house represented Monsanto at the Canton Fair. As a result of the Fair, Monsanto gained a number of one-year contracts (and two for six months, renewed in the fall) and the American firm was on its way in the China market.

The Peking invitation itself resulted primarily from contacts between one of Monsanto's Hong Kong Representatives, a Peking-born Chinese, and PRC trade officials in the colony. Monsanto's man had maintained an informal liaison with officials from the China National Textiles Import and Export Corporation, (Chinatex) and the China National Chemicals Import and Export Corporation, (Sinochem) during the freeze on Sino-American relations, and following the announcement of President Nixon's visit, the two sides began to meet in Hong Kong more frequently.

One evening over dinner a representative of Chinatex asked Monsanto's representative if the company would be interested in helping the PRC to achieve "self-sufficiency" in production of chemical fibres. This information was relayed back to Monsanto's St. Louis headquarters whereupon the International Division drafted a letter to Techimport in Peking explaining the strong points of the company and indicating that their best exports to China would be technological know-how. On the basis of this information Techimport reponded with an invitation for Monsanto to send a team of engineers and sales representatives to Peking.

### Continental Oil

In June 1974 Continental Oil Company made the first in a continuing series of chemical sales to the China National Chemicals Import and Export Corporation. These sales, and an agreement for Conoco seismic technology involving Techimport and Houston's Geo Space Corporation are at least in part, the divi-

dends reaped from the firm's four Peking trips which began in October 1973.

Continental first approached the China market in early July 1971, just before President Nixon announced that he would be travelling to the PRC. The company's Hong Kong representative began to open the door by meeting with officials of China Resources Corp., Peking's principal official commerical outlet in the Colony. Under the direction and with the frequent participation of Roy Hackley, Continental's since retired International Vice President, these meetings continued for almost a year until the firm's chairman and several directors held a get together with their counterparts in China Resources at the offices of the latter in May 1972.

At the same time the Hong Kong gatherings were occurring, Hackley took the opportunity to meet with Chinese ambassadors and commercial attaches at the PRC's embassies in Paris, Ottawa and Vienna. On another visit to Hong Kong late in 1972 Hackley held lengthy discussions with the China Resources senior officers. By this time the men had established a personal rapport that transcended the bounds of a mere business relationship. The Continental executive expressed a deep desire to visit China before his retirement in 1974. Shortly thereafter Hackley received an invitation to attend, with his wife, the Fall 1973 Canton Fair.

At the Fair Hackley discussed sales of chloride and "Alfol" alcohol and Continental's "Vibroseis" seismic exploratory technology with the Chemicals and Techimport Corporations respectively. Techimport was impressed enough that they told Hackley not to be surprised if a Peking invitation were to be forthcoming in a relatively short period of time. Indeed an invitation for Mr. and Mrs. Hackley to proceed to Peking was extended at the last moment, but too late to be accepted in view of other longstanding commitments elsewhere. However, that fall an invitation did come —from the Chemicals Corporation—and even though other work prevented Hackley from travelling to the Chinese capital himself, the groundwork he laid set the stage for his company's ongoing commercial relationships with the PRC and for the subsequent visits of Conoco chemical and "Vibroseis" teams.

### RCA Global Communications

RCA Global Communications Inc., (RCA Globcom) has made two large sales to the China National Machinery Import and Export Corporation (Machimpex), both satellite communications earth stations. The sale of the facility erected near Shanghai for President Nixon's visit in February 1972 was the first export of American equipment to China since the Korean War.

As an international communications company, RCA Global Communications had maintained communications circuits with the PRC until the disruptions of the Cultural Revolution in 1968. Though the circuits were shut down in that year, the relatively recent exposure the company received with technically influential end-users in China, lent to its operations and corporate identity a familiarity uncommon for US firms.

In late 1971, after the announcement of President Nixon's forthcoming visit to the PRC, RCA Globcom contacted the Chinese Administration for Long Distance Telecommunications, through Switzerland, to ask that telecommunication circuits be reopened. The Telecommunications Administration quickly acceded to this request and direct telecommunication links between the US and China were reestablished.

Shortly after the date of the President's visit to China was announced RCA Globcom again contacted the Telecommunications Administration in Peking to apprise them of the communications demands the trip would likely entail. The company offered to oversee the installation of a satellite communications earth station on Chinese soil to insure that adequate facilities would be available to relay television pictures of the President's trip back to the US.

RCA Globcom's suggestion was only for construction of a temporary station but the Chinese response indicated a desire to purchase a permanent facility. In order to discuss the installation of this facility the Chinese offered RCA Global Communications an invitation to come to Peking.

### United Technologies

The Pratt & Whitney Division of United Technologies, formally known as United Aircraft, concluded a contract with Machimpex for 80 jet engines in October 1972 in conjunction with the Boeing sale of ten 707 aircraft to the PRC. Half of the engines were affixed directly to the airplanes before leaving the US, the other half shipped separately as spares.

United Technologies' invitation came directly as a result of the Boeing transaction and the close relationship the two companies enjoy. During the Boeing negotiations in Peking one of UT's international sales representatives approached Boeing with an offer of assistance in furnishing engines for the airplanes.

UT, at Boeing's suggestion, called Machimpex with this information, but it was not until five weeks later that the Chinese replied with an inquiry concerning the specific date the company would like to send representatives to Peking. Conceivably, the length of time that elapsed between United Technologies' offer and Machimpex's invitation was related to the status of negotiations between Machimpex and Boeing. Only when the Chinese became assured that agreement would be reached with Boeing on the purchase of the airplanes, did they feel confident enough to invite United Technologies to talk about supplying the engines. 完

# WHERE TO EAT IN PEKING

Despite assertions to the contrary by recalcitrant Francophiles, few visitors to China leave without becoming convinced that Chinese cuisine is the best anywhere. Peking has more than 20,000 restaurants, ranging from two table noodle shops to establishments reckoned by experienced gastronomes as among the finest in the world.

There are many different types of Chinese cuisine and the business visitor to Peking has the opportunity to sample them all, from the spicey offerings of Szechuan and Hunan to the crisp and subtle fare of the North. In between are a cornucopia of tastes, including the Cantonese cooking most familiar to Chinese restaurant-goers in the US.

The US Liaison Office has surveyed the eating scene in Peking and put together a list of establishments which are among the best in China's capital. Most of the restaurants cited cater to Westerners, and all tend to be well patronized. For this reason, a reservation, which your hotel service desk can make, is suggested. Prices for a complete meal will range from the equivalent of $3 to $10 per person. A banquet for your Chinese hosts may be arranged at any of these restaurants.

## Wang Fu Ching Area

(Wang Fu Ching is a street perpendicular to Chang An Da Jie. From the Peking Hotel turn left, and left again at the first traffic light.)

| *Name* | *Telephone & Location* | *Type of Food/Specialties* |
|---|---|---|
| Min Zu Fan Zhuang | 557840<br>Go down Wang Fu Ching, turning right at first traffic light. Restaurant is upstairs, next to the north entrance of Eastern Winds Market. | Mongolian, Turkestan. Try the Shashlik and Mongolian Hot Pot. |
| Shou Du Fan Zhuang | 554581/551594<br>On Wang Fu Ching, second block after first traffic light. Restaurant is on your right, No. 60. | Shantung, Nanking, Kwangtung. Crispy rice and shrimp. |
| Kang Le | 552482<br>Go down Wang Fu Ching past second light. Restaurant is on the right, No. 34. | Shantung. Jade Soup and Crossing the Bridge Noodles. |

## Qian Men Area

(Drive to Tien An Men Square, turn south into the Square, go past the Qian Men Gate, straight into Qian Men Da Jie.)

| | | |
|---|---|---|
| Beijing Kao Ya Dian | 750668<br>On Qian Men go one block past the first light. Restaurant is on the left, No. 32. | Peking. This is reputed to be the best place in town for Peking duck. |

## Xi Dan Area

(From Peking Hotel go west on Chang An Da Jie, drive past five traffic lights, turn right and you are on Xi Dan Bei Da Jie)

| | | |
|---|---|---|
| E Mei Shi Tang | 660085<br>Inside the Western Market. | Szechuan. Try the Szechuan duck, but only if you like hot, peppery food. |
| Huai Yang Fan Zhuang | 660521<br>On Xi Dan Bei Da Jie, about 30 yards from the corner of Chang An. Restaurant is on the left. | Kiangsi. Crabs and other seafood. |

## Other Areas

| | | |
|---|---|---|
| Cheng Du | 336336<br>Go down Chang An until you reach Xi Dan Da Jie, turn left and left again on the first Hutung (alleyway). Restaurant is No. 51 Xi Yong Xiar Hutung. | Szechuan. Hot and spicey. |
| Shou Du Kao Rou Canting | 445921<br>Located in the north of the city near the Drum Tower, on the shore of the Hou Hai. | Mongolian. Mutton and beef barbeque in a beautiful setting. |

While most of these restaurants cater to foreigners, there are countless other "People's Restaurants." It is preferable to know Chinese to take advantage of these places, but for the stout of heart, regardless of linguistic capabilities, a trip to one of these establishments will be an experience to remember.

Continuous slab casting: steel-making equipment of the kind bought last year by China from abroad. Photo courtesy American Iron and Steel Institute (AISI)/ Inland Steel.

# CHINA'S STEEL

## The Key Link

**William W. Clarke**

*Iron and steel figure prominently in China's foreign trade, both as imports of products and as import of the plant required to process them. The steel plant bought by China from Germany and Japan during the past eighteen months has been worth hundreds of millions of dollars. The iron and steel industry is so fundamental to the development of the economy of the PRC that any US firm interested in business relations with China over the long term should assess what the present state of it is—and what the implications of its present state are for China's future development and potential needs from foreign suppliers. This sectoral report provides some of the answers to these questions.*

*William W. Clarke is the Director, People's Republic of China Affairs in the Bureau of East-West Trade, US Department of Commerce. A graduate engineer from Stevens Institute of Technology, Mr. Clarke worked for Inland Steel prior to joining the Government in 1951. Since then he has specialized in the Soviet Union, China, and East-West trade relationships. Until recently, Mr. Clarke was Director of the Capital Goods Division in the Office of Export Control and served as technical advisor for US delegations at Cocom in Paris.*

"Take steel as the key link," Mao Tse-tung's evocative call for summoning greater production from China's ferrous metallurgical industry, is as much part of the national economic policy of the People's Republic of China now as it was when first enunciated in 1958. Originally used to stimulate output during the Great Leap Forward, the slogan today applies to a rapidly maturing steel industry producing a wide range of finished steel products for the Chinese economy. The role of the steel plant in less developed countries as a basis for national pride and as a source of construction material has been manifested repeatedly by efforts of LDCs over the past quarter century to give birth to infant steel industries. Nowhere has this effort been more a part of the daily economic scene than in China.

Under Peking's leadership, the industry has developed along two lines; centrally-managed, large, relatively modern, integrated facilities accounting for the bulk of output and much smaller plants of a simpler technology, locally operated and maintained. The backbone of the industry consists of steel plants at An-shan in the northeast, a group of plants in Shanghai, and major mills at Peking, Wuhan, T'ai-yuan, Pao-t'ou, Ch'ung-ch'ing and Ma-an-shan. Although prospects for continued growth are good, the Chinese must solve burgeoning raw material problems to

reduce constraints on new development. And despite the emphasis placed on the development of a first class ferrous metallurgical industry, China remains a significant net importer of finished steel products and metallurgical production equipment from Japan and the industrialized West.

This sectoral report will briefly address the historical development of the industry since the founding of the People's Republic in 1949, indicating major events that have affected growth, outline the serious problems that have arisen which now pose a threat to growth, sketch the raw material base and facilities for the making and shaping of steel, show the apparent consumption of finished steel in China, and indicate the potential for imports of commodities and equipment from foreign sources.

## EARLY DEVELOPMENTS

In 1949, the new government inherited a steel industry ravaged by war; major plants were idle and production of crude steel was a paltry 150 thousand tons.* At the end of World War II, the Soviets had removed much of the equipment from steel mills in what then was known as Manchuria, especially from An-shan, China's largest and most important iron and steel facility. In 1950, the Chinese, lacking in trained personnel and equipment to restore production and erect new capacity, turned to the Soviet Union for aid, notwithstanding Chairman Mao's dictum of "self-reliance." The theme of self-reliance is frequently heard in China and in the words of Mao, China must "Build our country independently and with the initiative in our hands, through self-reliance, hard struggle, diligence, and thrift."

The Chinese steel industry began acquiring a Soviet look during the 1950s as the Russians provided materiel and technical assistance for the development of iron ore and coking coal deposits, the erection of new batteries of coke ovens and blast furnaces, new open hearths for steelmaking, and hot and cold rolling mills. New, fully integrated facilities at Pao-t'ou and Wuhan were begun and the existing mills at An-shan and T'ai-yuan enlarged.

Under Soviet aid the Chinese steel industry began to make sharp advances, but in 1958, Mao, not satisfied with the pace of economic growth, introduced the Great Leap Forward when thousands of "backyard ironmaking furnaces" were placed in operation. It quickly became apparent, however, that the quality of iron produced in these primitive facilities was unsatisfactory and by 1960 most of them had been dismantled or shut down. During the Great Leap drive for maximum production, deferral of maintenance at major facilities also resulted in furnace shut-downs and loss of production. In the ensuing retrenchment, crude steel output fell from a high of 18.7 million tons in 1960 to 8.0 million tons in 1961.

* All tons in this report are metric tons.

**Table 1**

**Major Steel Producing Countries**
**Production of Crude Steel ****
**1973–1974**

(million metric tons)

| Country* | 1973 | 1974 | Country | 1973 | 1974 |
|---|---|---|---|---|---|
| USA | 136.7 | 132.3 | PRC | 25.5 | 23.8 |
| USSR | 131.0 | 136.0 | France | 25.2 | 27.0 |
| Japan | 119.3 | 117.1 | Italy | 21.0 | 23.8 |
| West Germany | 49.5 | 53.2 | Belg.-Lux. | 21.4 | 22.7 |
| UK | 26.6 | 22.4 | Poland | 14.2 | 14.6 |

* The ranking also depends on installed capacity: for example, the US had a greater capacity in 1974 although the Soviet Union produced more crude steel.

** While crude steel is the best single indicator on which to rank steel industries, it should be noted that the PRC's 23.8 million tons may be quite different in quality and product mix from Italy's output.

In the midst of these difficulties, the Soviet Union abruptly withdrew all technical assistance and staff from the PRC leaving the Chinese with partially completed plants at Wuhan, Pao-t'ou, and elsewhere. The impact of the Soviet withdrawal continued for some time as Chinese designers, engineers, and mill operators struggled to restore production and complete unfinished projects. The 1960 level of steel output was not restored until 1971. Output had again sagged during the Cultural Revolution when raw material shortages and transportation delays occurred. Planned production from the Wuhan project was not realized for years and actually may not yet be realized owing to continuing problems with raw materials and the inability to complete the installation of rolling mills. Despite the long recovery period, considerable tribute must be paid the Chinese effort that succeeded in restoring production and continuing the construction of partially completed projects.

The Chinese, largely thrust back on their own resources during the sixties, began the developments that, by 1973-1974, brought Chinese ferrous metallurgy to sixth rank in the world, but which also laid the foundation for some of the basic problems which now confront the industry. It was at this time that the Chinese also began to look to the industrialized West as a source of new technology and equipment. As early as 1965, basic oxygen furnaces and attendant air separation plants were purchased from Austria and Japan as well as a variety of rolling mills from West Germany, Italy, and Japan. Major steel producing nations are shown in Table 1.

## GROWTH POTENTIAL AND PROBLEMS

The potential for further substantial growth of the Chinese steel industry is a qualified "good", but it will only be realized by a concerted, frontal attack on

the major problem which currently inhibits development and which is considered at least partially responsible for the decline in crude steel output in 1974. Basically, the problem is the imbalance that has developed among various segments of the industry; the causes are varied and interrelated.

### Raw Material Problems

The potential for growth is "good" because in China there are believed to exist large supplies of iron (Fe), the principal constituent of steel, and because the PRC has the third largest coal reserves in the world with which to provide the energy for reducing iron ore to iron. Other necessary ingredients such as limestone and manganese are in adequate supply. The "good" potential is "qualified" because the physical and chemical characteristics of China's iron ore and coking coal supplies are far from ideal. Although some high grade iron ore and coking coals exist that can be directly charged to coke ovens and blast furnaces, most raw materials need extensive beneficiation before use. Over the years insufficient attention and investment have been allocated to the beneficiation or upgrading of ore and coal with the result that the efficiency of iron production in Chinese blast furnaces now is well below what it could be.

Difficulties in the production of pig iron throw an added burden on steel scrap supplies, the other principal source of metallic iron for the manufacture of steel. But, as is the case in most developing countries, no large latent supply of recoverable scrap exists in China. That is why the output of pig iron in the PRC must necessarily run about 1.3 times crude steel production whereas in the US the ratio is much lower, under 0.7 times. Restrictions in the supply of pig iron and scrap should normally exert some constraint in planning for the construction of new steelmaking capacity, but, in fact, the Chinese have exhibited considerable technological skill in bringing large open hearths, side-blown converters and, more recently, basic oxygen furnaces into production which has served to aggravate the raw material supply situation. The schematic outline, reproduced on page 35, shows the flow of materials in the steel industry from ore and coal to finished steel product.

Compounding the raw material problem have been the difficulties experienced by the Chinese in manufacturing the required type and quantities of hot and cold rolling mills for processing crude steel output. This also has inhibited balanced growth in the industry.

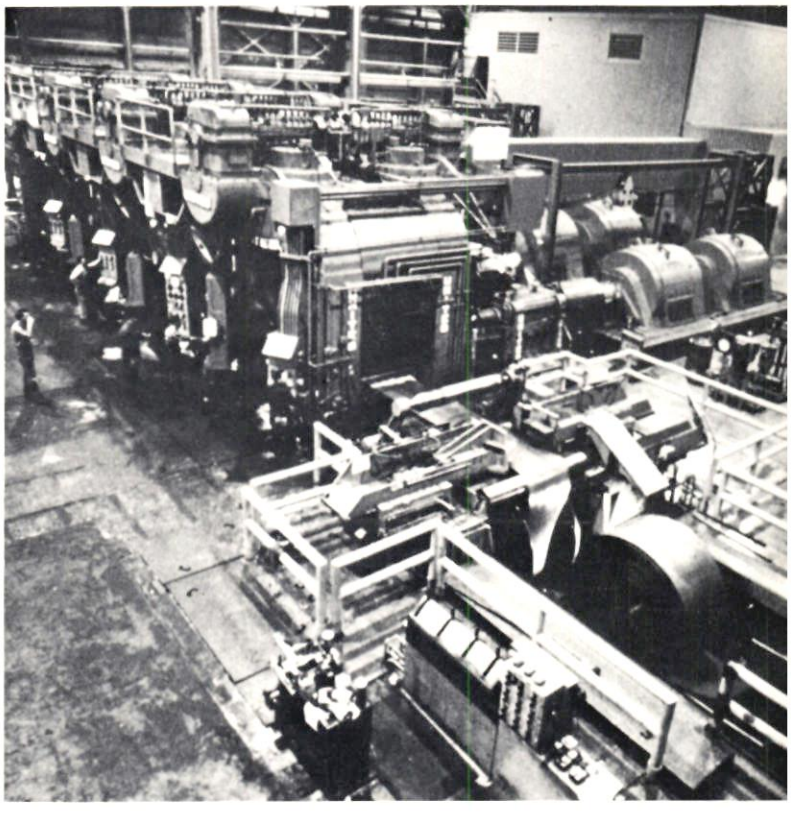
### Imbalance in the Industry

The imbalance in the industry has been years in the making; clearly it will take years to eliminate. It stems from a variety of causes that can be identified, but about which the Chinese have revealed little. Interestingly, existence of the imbalance is acknowledged, but is blamed on the mistakes of Liu Shao-chi. In 1971, it was described as the "reactionary guideline of grasping the middle [steelmaking] and leading both ends forward [raw materials and finished steel]".

Although the steel industry probably has been accorded considerable priority by the planners in allocating investment, it has not been enough to develop a capacity that will meet the overall requirements of the economy for finished steel. Whether limitation in investment caused the lion's share to be devoted to crude steel capacity at the expense of raw material development and steel finishing capacity or whether the planners were not completely aware of the magnitude of investment required to meet the deteriorating raw material situation is not clear. Nor is it certain what share of the responsibility may rest on managerial and technological shortcomings. What is clear is that China's ferrous metallurgical industry is not meeting demand and that it has become less, rather than the more self-sufficient operation Chinese planners desire.

The Chinese have had to turn increasingly to foreign sources of pig iron and steel scrap to round out the supply of metallics charged to their steelmaking furnaces. Around one million tons of pig iron are now being imported annually, largely from Japan, West Germany, Sweden, and the Netherlands, and

**Tandem mill in operation: one of the types of steel equipment China has recently bought from foreign sources. Photo courtesy AISI**



over a half million tons of steel scrap were landed in 1973 when the US was the major supplier. The bill for pig iron and scrap imports in 1973 ran over $90 million. Iron ore is also being imported to ease the pressure on domestic supplies and permit a higher rate of blast furnace operation. Dependency on foreign sources of supply has been increasing.

### The Fifth Five-Year Plan

Although details of the Fifth Five Year Plan (1976-1980) have not been released, it seems reasonable to speculate that the PRC will have to give increased emphasis to raw material development, as well as rolling mill capacity, if the goals for national development postulated by Chou En-lai at the recent National People's Congress are to be met. The Chinese steel industry will indeed be the "key link" if as Chou says, the PRC is ". . . to build an independent and relatively comprehensive industrial and economic system—before 1980—to accomplish the comprehensive modernization of agriculture, industry, national defense and science and technology before the end of the century, so that our national economy will be advancing in the front ranks of the world."

Given Chou's rather clear call for "comprehensive" development, it seems quite possible that, concerning ferrous metallurgy, the Fifth Five-Year Plan will be noted more for its attack on the serious imbalance created in the industry, than it will for a spectacular spurt in crude steel output.

## THE RAW MATERIAL BASE

### Iron Ore

Probably the greatest economic and technological difficulties faced by the Chinese in the development of their iron and steel industry are those associated with the iron ore and coking coal raw material base. The extent of ore reserves in the PRC is uncertain; claims have run from a 1945 two billion ton estimate to the latest and largest figure of 100 billion tons released in 1958 during the Great Leap. This latter figure, which exceeds that of all other reserves in the world, is too high, but indications are that China does have enough domestic iron ore to support continued growth of its steel industry into the 21st century. More important to current development is the location of economically recoverable ore bodies and the characteristics of the contained ore.

Most of the principal, developed iron ore mines support one, sometimes several of China's major integrated steel plants, most of which are on or north of the Yangtze River. The Ta-ku-shan and other open pit and underground mines are located in the vicinity of the An-shan and Pen-ch'i steel plants in Liaoning. The Pai-yun-o-po mine in Inner Mongolia supplies the blast furnaces at Pao-t'ou and the Tayeh mine in Hupeh, those at Wuhan. Northwest of Peking, the Lungyen mine ships its ore to the Shih-ching-shan steel plant in the capital and to the T'ai-yuan furnaces in Shansi. Near Nanking, the Ma-an-shan mine supplies the plant of the same name. Some of the best grade ore has been mined on Hainan Island and exported, but with increased domestic ore requirements exports have ceased, and Hainan ores are now believed to be used internally.

**Table 2**

**Production of Iron Ore, Coking Coal, and Coke Selected Years**

(million metric tons)

| Year | Iron Ore (as mined)[1] | Coal for Coking (as mined)[2] | Coke[3] |
|---|---|---|---|
| 1955 | 9.6 | 10.6 | 3.1 |
| 1960 | 100 | 99.6 | 24.1 |
| 1965 | 38.3 | 36.0 | 10.1 |
| 1970 | 72.3 | 59.8 | 16.2 |
| 1971 | 91.1 | 76.4 | 20.1 |
| 1972 | 103.4 | 85.9 | 22.4 |
| 1973 | 107.2 | 93.5 | 24.3 |
| 1974 | 99.9 | 87.0 | 22.6 |

From: Joint Economic Committee Report, China's Iron and Steel Industry, 1975

[1] An independently derived series

[2] Based on the amount of raw coal required to produce coke

[3] Based on the amount of coke required per ton of pig iron at major plants and at small plants.

Throughout most of China, many smaller mines supply small blast furnace facilities. The production of iron ore in the PRC for selected years is shown in Table 2.

Although some high grade iron ores exist, the preponderence of China's ore bodies appear to be of a lower grade, 25 to 40% Fe. Low grade ores can be beneficiated and charged to blast furnaces as pellets, nodules, or sinter containing 55 to 60% Fe as is being widely practiced in many industrialized countries, but in China insufficient investment has been put into beneficiation. Lack of adequate beneficiation capacity has been increasingly manifested by the decline in the iron content of the ore charged into Chinese blast furnaces; Fe content was above 50% in 1955, but is thought to be below 35% today.

Inadequate preparation of ore forces the Chinese to pay a price in reduced blast furnace operating efficiency that may be higher than the cost of beneficiation itself. For example, an increase of 1% in iron content of charged ore can reduce coke requirements 2-3%; the availability of a physically strong, well-prepared charge permits optimization of blast furnance design and operation; the advantages accruing from blast furnace techniques such as high top pressure moisture control, self-fluxing sinter, and continuous wind or blast on the furnance are not fully realized

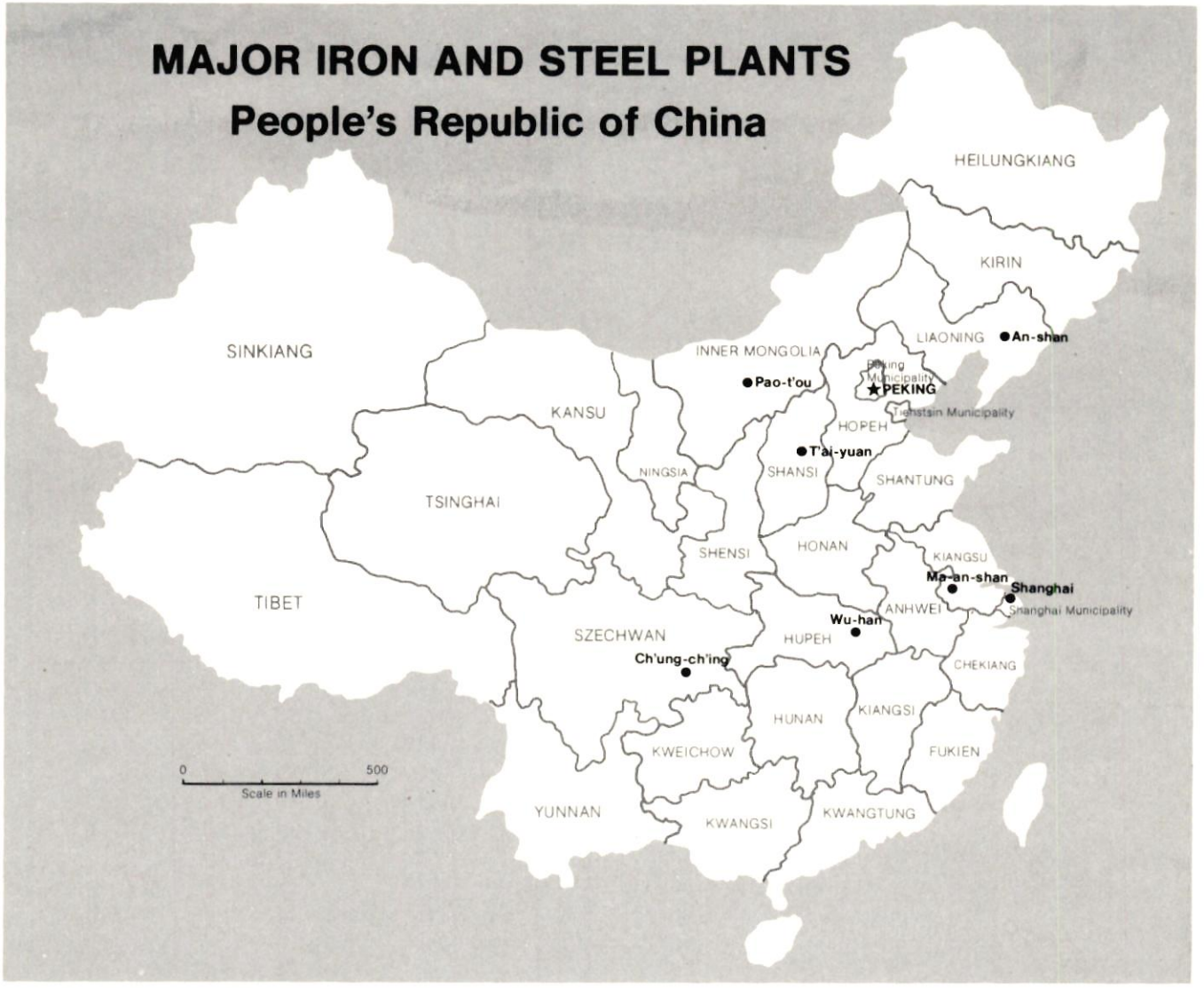
in the PRC because of lower grade charges; and the reduction in rail transport stemming from beneficiation is not achieved.

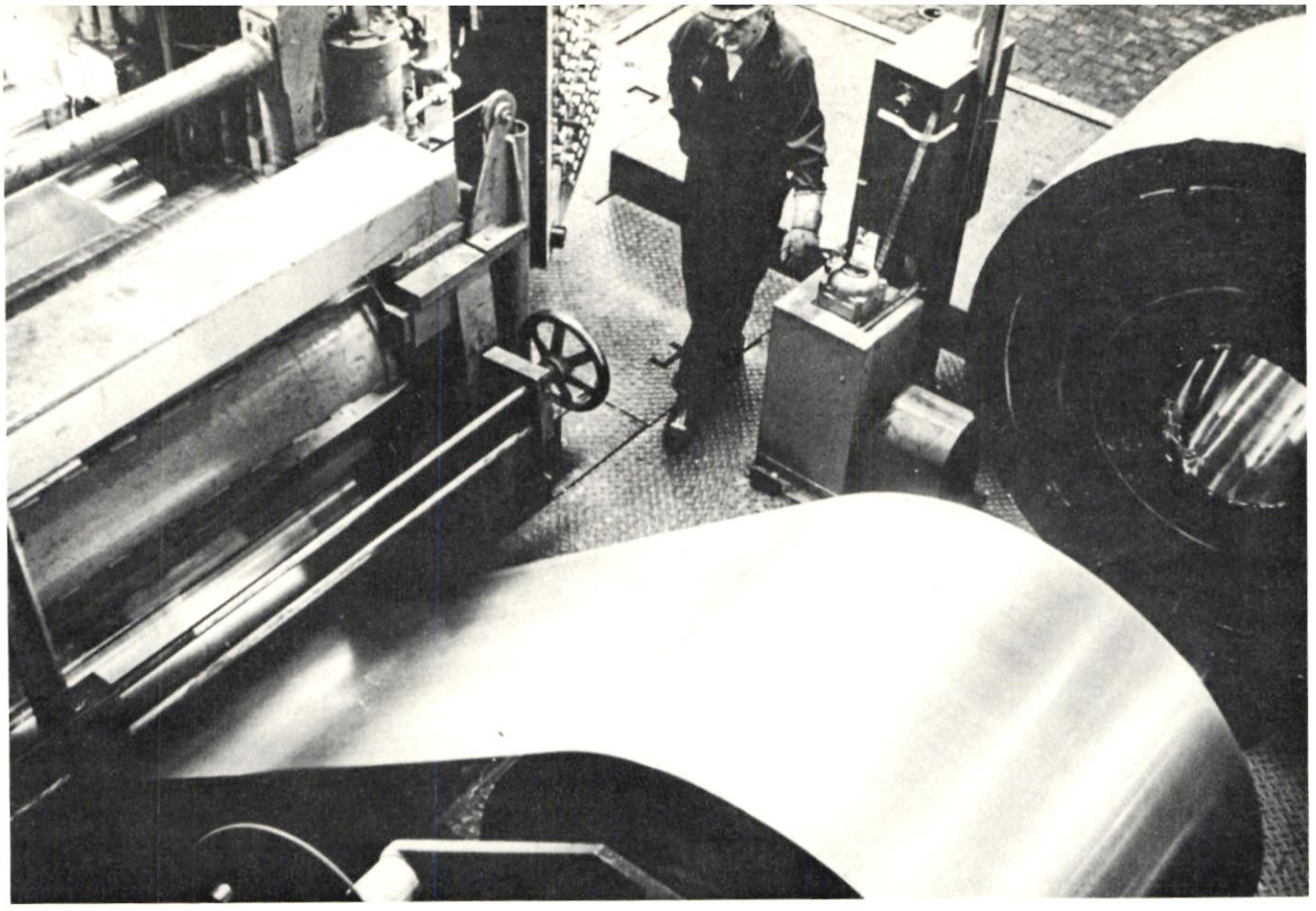
The Chinese recognize the advantages of beneficiation. Pelletizing plants are in operation at Anshan, Wuhan, and Pao-t'ou, but the only new pelletizing plant known to have been completed by the Chinese since the Great Leap is the unit at Ma-an-shan which became operative in 1964. Also one pelletizing plant of Lurgi-design (German) was imported from Japan in the mid-60's. Pelletizing plants embrace complex technology and represent the ultimate in preparing iron ore for the blast furnace charge. Other useful beneficiation techniques are available and since 1969 some evidence indicates serious Chinese efforts to cope with the problem. At the mines supplying the An-shan and Pen-ch'i plants, for example, seven big iron ore mines, five ore beneficiation plants, and four sintering plants were either expanded or reconstructed. More recently, the Chinese have purchased foreign equipment for their iron ore mines. Nevertheless, from a Western vantage point it seems surprising, in view of the seriousness of the problem and the long lead times needed to correct the overall situation, not to see more imports of complex beneficiation technology and equipment.

### Coking Coal and Coke

The PRC has large deposits of bituminous coals, mainly gas coal and weakly coking coal. The extent of these reserves is not known, but they are generally thought to be outranked only by the US and the USSR. Reserves of coking coal, especially high grade coking coal, are limited, causing China to resort to the blending of coking and non-coking coals for the appropriate charge to coke ovens. Most serious is the high ash and high sulfur composition of the coals for China's ferrous metallurgy.

Most of the better coking coals are found in the north and northeastern parts of China, particularly around the older, established centers of production in Liaoning, Heilungkiang, and Hopeh Provinces.





**Tandem mill rolling. Photo courtesy AISI.**

Newer centers of production, opened up since 1950, are Liuhoku in Hupeh, Ping-ting-shan in Honan, P'ing-hsiang in Kiangsu, Huai-nan in Anhwei, as well as some deposits in Yunnan, Szechwan, and Ninghsia. Small deposits are found in many places although, oddly, not much coking coal exists in coal rich Shansi. Table 2 provides estimates of PRC production of coking coal and coke for selected years.

Although the problems with coking coals are perhaps not so severe as with iron ore, they are, nonetheless, troublesome and interfere with productivity. Chinese coking coals are generally characterized by high ash contents, as high as 25%, and by high sulfur content. The advantages of beneficiating these coals prior to coking may be seen from the fact that a reduction of 1% in the ash content of Chinese coking coals can reduce coke consumption in the blast furnace and raise iron output commensurately. Similar results accrue from the reduction of sulfur which is a particularly deleterious element in the manufacture of steel. The basic method of beneficiation is wet washing of the coal; in the US over 95% of all coking coal is washed.

The Chinese have invested extensively in coal washing and beneficiation facilities. As early as 1959 about 36 such plants with a capacity of 28 million tons existed. However, a much greater effort is required to further reduce the ash and sulfur content of coke charged to blast furnaces. Improvements in coal beneficiation and in coal blending techniques will materially aid in reducing the pressure on China's supply of iron ore. As with iron ore, coal beneficiation reduces the impact on rail transport.

## IRON AND STEELMAKING FACILITIES

In China today, there are really two steel industries existing side by side, one characterized by relatively large, relatively modern production units and the other by small to medium-sized units, generally embodying simplified technology. The smaller units are not the primitive backyard furnaces of the Great Leap, but rather a product of a deliberate Peking policy of "walking on two legs." This policy of constructing parallel types of production facilities may also be found in the fertilizer industry, electric power generation, and elsewhere in the Chinese economy. It has, among its goals, the desire to be more self-reliant by giving local authorities control over some iron and steel production to meet local requirements. It may also be a reasonably economical approach to the utilization of some of the PRC's small, low-grade raw material resources.

### Blast Furnaces

The modern blast furnaces found at An-shan and the other major integrated plants in the PRC are based primarily on Soviet designs with Chinese im-

## MAJOR IRON AND STEEL PLANTS OF CHINA

*An-shan Iron and Steel Plant, Liaoning Province*

Crude steel output 1973: 5.9 million tons. Rolled products: rails, structurals, bar, rod, wire, plate, hot and cold rolled sheet, electrical sheet, galvanized sheet, tinplate, seamless tube, and welded tube. Facilities: 11 blast furnaces (BF), about 25 open hearths (OH), 2 basic oxygen furnaces (BOF), and rolling mills.

*Shanghai Steel Plans Complex, Shanghai*

Crude steel output 1973: 4.2 million tons. Rolled products: bar, rod, wire, plate, sheet, cold rolled strip, seamless tube, and welded tube. Facilities: this complex contains Steel Plant Nos. 1, 3, and 5 as well as the Shanghai Shaped Tube Mill and possibly several other plants. Only a small amount of pig iron is produced in 2 BF. Steel is smelted in OHs, 3 BOFs, several small electric furnaces (EF), and side-blown converters (SBC), some of which have been converted to top blowing. Vacuum degassing units are in operation. Rolling mills.

*Wuhan Iron and Steel Plant, Hupeh Province*

Crude steel output 1973: 1.8 million tons. Rolled products: rails, structurals, bar, plate, and sheet. Facilities: 4BF; 6-8 OH, including several at 500 ton capacity; BOF; small EF, and rolling mills. Plant is undergoing major expansion under Japanese and West German contracts totalling some $500 million. Production equipment to be installed includes continuous casting lines, capacity 1.5 million tons; computer controlled, 1700 mm continuous hot sheet mill, capacity 3.0 million tons; computer controlled, 5-stand tandem, 1700 mm cold sheet mill, capacity 1.0 million tons; temper mill; specialty mill for electrical sheet, capacity 70 thousand tons; electrolytic tinning line, capacity 100 thousand tons; and continuous galvanizing line, capacity 100-150 thousand tons. Addition of these units will call for substantial new BOF steelmaking capacity and, although no plans have been announced, construction of such units should be underway now.

*Pao-t'ou Iron and Steel Plant, Inner Mongolia*

Crude steel output 1973: 1.6 million tons. Rolled products: rails and structurals. Facilities: 3BF; 5OH, some 500 tons; rail-structural mill.

*Capital (Shih-ching-shan) Iron and Steel Plant, Peking*

Crude steel output 1973: 1.6 million tons. Rolled products: bars, seamless tube, and hot rolled plate and sheet. Facilities: 4BF; several OH; BOF at 30 tons each; continuous caster, blooming mill, and other rolling mills.

*T'ai-yuan Iron and Steel Plant, Shansi Province*

Crude steel output 1973: 1.2 million tons. Rolled products: rails, structurals, bar, rod, wire, electrical sheet and possibly seamless tube. Facilities: 5BF; 3 small OH; 2BOF from Austria at 55 tons each; GEF; and rolling mills.

*Ma-an-shan Iron and Steel Plant, Anhwei Province*

Crude steel output 1973: 1.2 million tons. Rolled products: light structurals, bar, rod, and possibly electrical sheet. Facilities: BF, may be as many as 13, but are of medium to small size; 2OH; small EF; 21 SBC of 3 ton capacity each some of which have been converted to top blowing, and rolling mills.

*Ch'ung-ch'ing Iron and Steel Plant, Szechwan Province*

Crude steel output 1973: 1.2 million tons. Rolled products: rails, structurals, bar, seamless tube, and plate. Facilities: 3BF; 4OH; several EF; and rolling mills.

### Other Iron and Steel Plants of Significance

*Pen-ch'i, Liaoning Province:* a major pig iron producer, some steel.

*Fu-la-erh-chi, Heilungchiang Province:* one of China's major alloy steel producers.

*T'ang-shan, Hopeh Province:* produced 706 thousand tons of crude steel in 1972.

*Ta-yeh, Hupeh Province:* duplexes OH/EF and rolls tube, bar, and stainless seamless. Electroslag remelting (ESR) process being researched here.

*K'un-ming, Yunnan Province:* rails, structurals, and bars.

*Tientsin, Tientsin:* OHs.

*Talien, Liaoning Province:* EF, alloy tube, wire, and electrical sheet.

*Kwangchow (Canton), Kwangtung Province:* integrated plant, plate, and sheet.

*Shen-yang, Liaoning Province:* facilities captive to Shen-yang's important machine building industry.

*An-yang, Honan Province:* integrated plant, BOF, seamless tube, plate, and light structurals.

*Hsiang-t'an, Hunan Province:* OH, plate.

*San-ming, Felkien Province:* electrical sheet, stainless, and alloy steels.

*Lui-chow, Kwanysi Autonomous Region:* bar, plate, and seamless tube.

*Tsinan, Shantung Province:* BF, BOF

*O'-ch'eng, Hupeh Province:* BOF, light structurals, and wire.

*Hang-chow, Chekiang Province:* BOF, EF, rails, structurals, plate, tube, and wire.

*Lung-yen/Fukien Province:* specialty steel mill still under construction, EF.

**Table 3**

**Production of Pig Iron and Crude and Finished Steel Selected Years**

(million metric tons)

| Year | Pig Iron[1] | Crude Steel[1] | Finished Steel[2] |
|---|---|---|---|
| 1950 | 1.0 | 0.6 | 0.4 |
| 1955 | 3.9 | 2.9 | 2.2 |
| 1960 | 27.5 | 18.7 | 11.3 |
| 1965 | 13.8 | 12.5 | 9.4 |
| 1970 | 22.0 | 17.8 | 13.4 |
| 1971 | 27.1 | 21.0 | 15.4 |
| 1972 | 30.4 | 23.0 | 16.9 |
| 1973 | 33.7 | 25.5 | 19.1 |
| 1974 | 31.4 | 23.8 | 17.8 |

From: Joint Economic Committee Report, China's Iron and Steel Industry, 1975

[1] An independently derived series

[2] Based on various yields from crude steel

provements. The largest Chinese blast furnace has a working volume of 2,000 cubic meters ($m^3$) and an annual output of one million tons of pig iron; the largest such furnace, at Krivoy Rog in the USSR, has a volume of 5,000 $m^3$ and a design output of four million tons. Small Chinese furnaces range in size from about 50 to 250 $m^3$. The production of pig iron from all of China's blast furnaces is shown in Table 3.

Because of the quality of the raw material charge, Chinese blast furnaces, generally, have not yet realized the full gains in production possible with the judicious application of high top pressure and other technological advances. Broad introduction of these techniques coupled with the widespread use of beneficiated raw materials would yield substantial increases in output from existing PRC units.

The smaller and much simpler blast furnances, operating at lower efficiencies, probably could not attain commensurate increases in output. By using local low grade reserves of ore and coal, the smallest furnaces probably play an important role at the local level in adding to the total supply of cast iron for farm implements and other requirements of the local economy. Medium-size furnaces contribute to the supply of iron for steelmaking. In the long run, with adequate preparation of raw materials, smaller furnaces may prove too uneconomical for the Chinese to maintain in production. But their demise seems some time away.

In 1974, small and medium-size units produced about 8.9 million tons or about 28% of the total production of 31.4 million tons of pig iron. Over the last five years, output from the small and medium-size furnaces has accounted for about a quarter of China's total pig iron output.

### Steelmaking

The Chinese have been most effective in adding steelmaking capacity to the industry. Earlier Soviet designs for plants and furnaces have been mastered and improved upon. An-shan's steelmaking capacity has been boosted to 5.9 million tons annually which places it among the larger integrated steel plants in the world; the largest mill, at Fukiyama, Japan pours out 17 million tons a year while Sparrows Point in Baltimore checks in at over 8 million metric tons. But of China's plants, only An-shan is in this class since the next largest facility at Wuhan, at 1.8 million tons of capacity, can only be considered of medium size. Wuhan appears destined to move into An-shan's class during the Fifth Five Year Plan since the addition of 3.0 million tons of hot rolled sheet capacity already contracted for, plus the requirements of Wuhan's existing rolling mills will necessitate furnace additions to bring crude steel capacity to perhaps 5.0 million tons.

China's large plants produced 20.8 million tons in 1974 with the balance, 3.0 million tons coming from the small and medium-sized units. Over the past five years, production from the smaller plants has accounted for about 12% of the PRC's crude steel output. As a plant is enlarged and production units scaled-up, it may move from the small and medium-size category to that of a major plant as Ma-an-shan did in 1964. The production of crude steel for selected years is shown in Table 3.

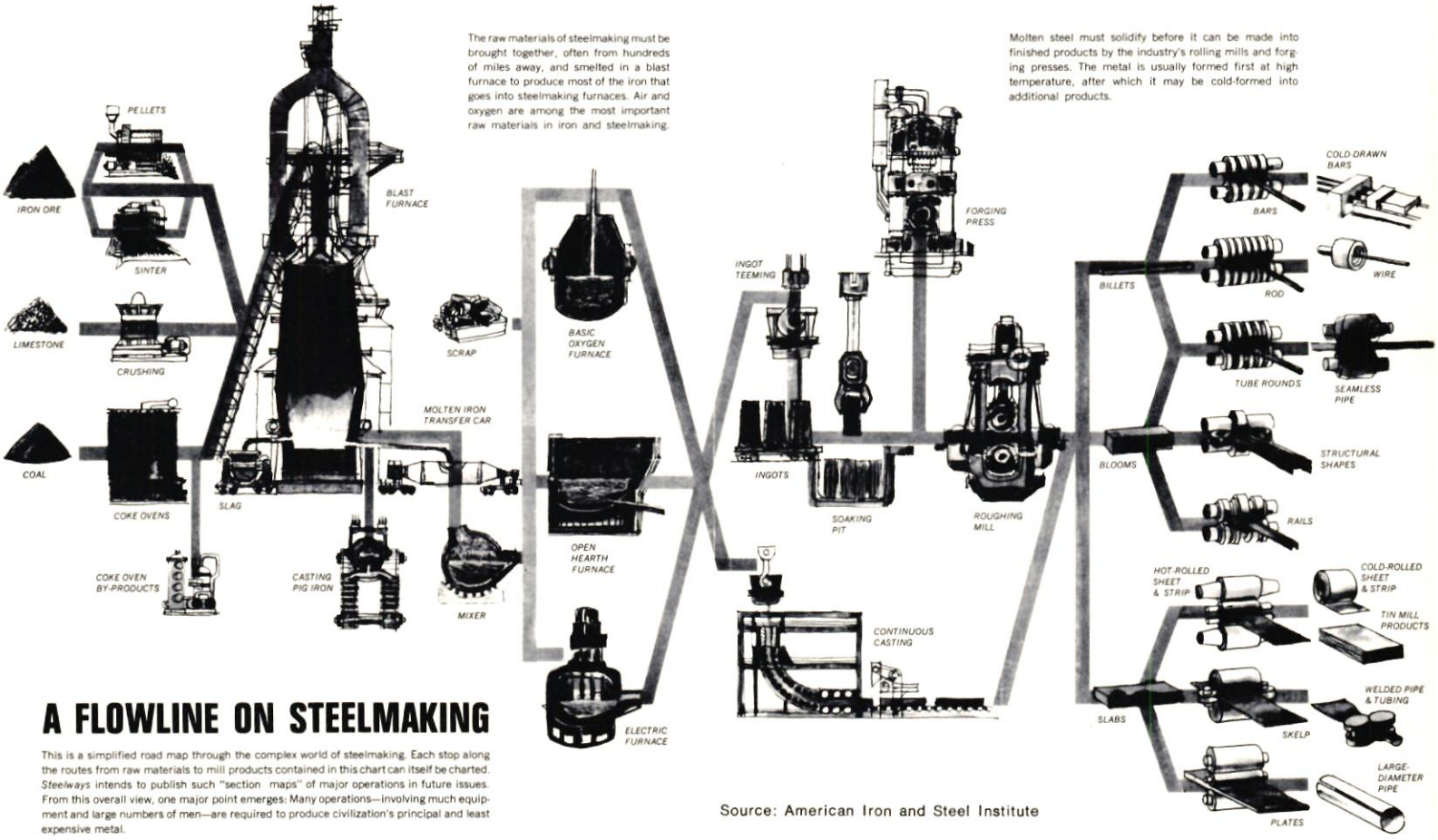
In the PRC four types of steelmaking process account for nearly all crude steel capacity. Open hearth furnaces (OH) predominate with 60-70% of the capacity followed by basic oxygen furnaces (BOF) at 15-25%. Perhaps 5-10% of China's steel is smelted in

## CHINA'S STEEL: MAJOR REFERENCES

*China's Iron and Steel Industry,* Alfred H. Usack, Jr. and James D. Egan, Joint Economic Committee of the Congress, a compendium, June 1975. This is probably the most reliable and most recent study on Chinese steel. The production series for the different commodities produced by Chinese ferrous metallurgy are thought to be the most accurate available.

*The Development of China's Steel Industry and Soviet Technical Aid,* M. Gardner Clark, Ithaca 1973. The best available, in-depth analysis of the problems currently confronting the Chinese steel industry.

*The Steel Industry in Communist China,* Wu Yuan-li, a Hoover Institution publication by Praeger, 1965. An earlier, but still authoritative report on China's steel.




## A FLOWLINE ON STEELMAKING

This is a simplified road map through the complex world of steelmaking. Each stop along the routes from raw materials to mill products contained in this chart can itself be charted. *Steelways* intends to publish such "section maps" of major operations in future issues. From this overall view, one major point emerges: Many operations—involving much equipment and large numbers of men—are required to produce civilization's principal and least expensive metal.

Source: American Iron and Steel Institute

electric furnaces (EF) and 10-15% in side-blown converters (SBC). These latter units, finding wide application in China's small steelmaking shops, would not be economic in the West, but for now serve the purpose of local steelmaking.

China has not yet begun to participate significantly in the technological revolution that has swept world steelmaking in the last fifteen years as open hearths have been widely replaced by the BOF. This may not stem alone from difficulties in developing the BOFs with their sophisticated controls and attendent oxygen plants, but may reflect a conscious Chinese decision to delay phasing out OH capacity since that process can accept a wider fluctuation in the percentage of steel scrap and molten pig iron (hot metal) charged than can BOFs. By doing this the Chinese can help equalize the pressure on iron ore and scrap supplies.

China does have some very large 500 ton OHs, but most of these furnaces at major plants are in the 200 ton class. Oxygen-lancing through the OH roof is being introduced to increase output. The Chinese have imported two 55-6 ton BOFs from Austria and in 1970 installed their first domestically produced 120 ton unit in Shanghai. Three 30-ton units built in China in the middle 60s are casting steel in Peking. The Chinese-built BOFs of 5 and 10 tons are probably Chinese modifications of SBCs. Because planned expansion at Wuhan includes a continuous casting machine, it is likely that additional steelmaking capacity will consist of BOFs since OHs alone cannot adequately feed a continuous caster. The 120 ton BOF at Shanghai is likely to be a prototype for Wuhan. New capacity additions at major plants will increasingly be basic oxygen units. Electric furnaces in China are small, of only 10 and 20 ton capacity which suggests that much of this capacity is devoted to the production of alloy, not carbon steels.

China produces a relatively small quantity of low and high alloy and stainless steels. For alloy steel production, the major producing facility is at Fu-la-erh-chi in the northeast. The manufacture of superalloys for aircraft and other strategic applications is done by the Chinese in imported electron beam and vacuum arc furnaces; the important electroslag remelting (ESR) alloy production technique developed principally by the Russians is not known to be in commercial use in the PRC although experimental work is in progress. ESR capacity in the US stands at 70-80,000 tons with expectations that it will triple by 1980.

### Finished Steel

Just how much of a constraint the inability to manufacture more modern, more automated rolling

Electrolytic tinning line of the kind bought from abroad by China. Photo courtesy AISI.

mills has been on crude steel capacity in China is uncertain. Clearly the Chinese have encountered some difficulty in producing high productivity mills. Nor does the existing rolling mill capacity appear to contain enough excess to provide for sufficient flexibility in operations as the requirements of the economy shift between rails, structural shapes, bar, rod, wire, plate, sheet, strip, and cold finished products such as tinplate and electrical sheet, and pipe and tube. The production of total finished steel for selected years is shown in Table 3. Insufficient information exists at this time on which to base estimates of China's output of the various finished steel products.

Rolling mill capacity in China is oriented toward providing steel for heavy construction purposes, railroads, refineries, shipbuilding, and similar projects. There is relatively little capacity devoted to the hot and cold rolling of the flat rolled products, sheet and strip, which in the West find such wide application in automotive products, food processing, and consumer goods. The Wuhan contracts with West Germany and Japan call for the addition of a 1700 mm (67″) continuous hot sheet mill of three million tons capacity plus a 5-stand tandem cold mill of one million tons. Not only will these be the first such mills in China, but the steel sheet capacities of this magnitude are probably greater than the total of such capacity in the industry at present; the quality of the product off these mills will also be superior. Some of the cold rolled sheet will be used subsequently in the manufacture of tinplate, galvanized sheet, and grain-oriented electrical steels, all products for which China is in a short supply position.

As China expands its petroleum drilling, and constructs more pipelines, refineries, and petrochemical plants, the requirements for pipe and tube will increase. For crude transmission lines China has produced a substantial amount of 24″ diameter spiral weld line pipe on its own tube mills. This is not only a significant accomplishment in the tube production area, but requires a quality, hot-rolled strip input capability.

The Chinese have also done developmental work with continuous casting machines which eliminate heavy investment in soaking pits, bloom, billet, and slab mills. As already noted, continuous casting machines are included in the Wuhan project. Producing slabs on a caster is tricky and there is evidence of Chinese difficulties, but if successful, pressure may be reduced on Chinese rolling mill equipment producers.

In addition to rolling, China has its own steel forging capability. A 20,000 ton hydraulic forging press built in Shanghai in 1960 is capable of working 250 ton ingots and is probably employed in the manufacture of large shafts for ships and rotating machinery.

## CONSUMPTION OF FINISHED STEEL

Judging from imports of finished steel products, China's steel industry has made little progress in attempts to become more self-sufficient. Since 1965, net imports as a percentage of the total amount of finished steel apparently consumed by the economy have risen from 6% to nearly 14.5% in 1974 (for the US for 1965 and 1973 the figures were 7.5% and 8.7%). While 14.5% is not an abnormally high figure, the Chinese in all probability would prefer a much lower import total with commensurate savings in foreign exchange. Apparent consumption for finished steel in the PRC is shown for selected years in Table 4.

## SUPPLIERS

China has imported finished steel from a variety of countries during the past five years, but the greatest dependence has been on Japan and West Germany. In 1973, the value of all finished steel imports from the non-communist world ran about $771.2 million. Figure 1 shows the share of this Chinese market held by the major non-communist exporters in 1973. Not shown in Figure 1 are the small quantities of imports from the Soviet Union, Poland, and East Germany. In 1973, the PRC took 27.2 thousand tons of finished steel from the USSR. (See overleaf).

In 1974, China had net imports of finished steel of 3.0 million tons, again with Japan and West Germany as principal suppliers. A similar quantity of finished steel will be imported by the PRC in 1975 if recent Japanese contracts are a bellweather. There were no imports of finished steel from the US in 1973 and most of the $2,556,356 worth of US-manufactured pipe and tube exported in 1974 went for American projects underway in China, although a small quan-

**Table 4**

**Consumption and Imports of Finished Steel Selected Years**

(million metric tons)

| Year | Production | Imports[1] | Apparent Consumption |
|---|---|---|---|
| 1955 | 2.2 | 0.8 | 3.0 |
| 1960 | 11.3 | 0.7 | 12.0 |
| 1965 | 9.4 | 0.6 | 10.0 |
| 1970 | 13.4 | 2.2 | 15.6 |
| 1971 | 15.4 | 2.2 | 17.6 |
| 1972 | 16.9 | 2.5 | 19.4 |
| 1973 | 19.1 | 3.1 | 22.2 |
| 1974 | 17.8 | 3.0 | 20.8 |

From: Joint Economic Committee Report, China's Iron and Steel Industry, 1975

[1] Net imports. The PRC exports small quantities of finished steel to Hong Kong, Southeast Asia, and to Africa; exports to Hong Kong totalled 117,557 tons in 1973.

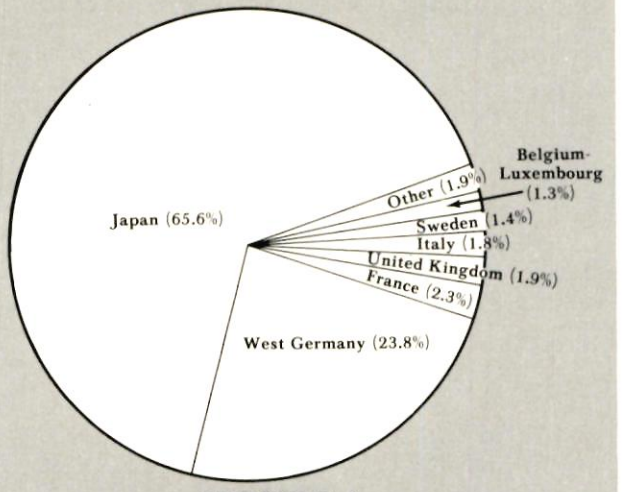



**FIGURE 1.**
Share by Value of PRC Market for Finished Steel
Non-communist Countries
(percent)
1973

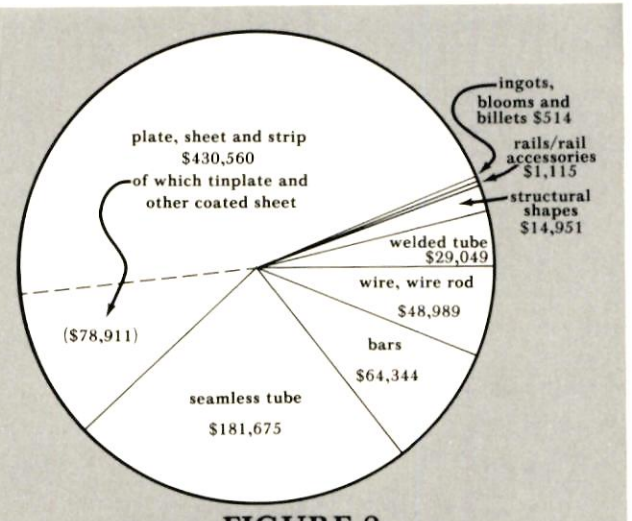



**FIGURE 2.**
Imports of Finished Steel by Type
Non-communist Countries
(thousands of dollars)
1973

tity of oil country goods may have been independently purchased by the Chinese.

Looking at imports in 1973 by type of finished steel product entering the PRC shows that over half of all imports consisted of the flat rolled products, plate, sheet, and strip, including such cold rolled items as tinplate and electrical sheet so important in canning and in power generation equipment. It is precisely in this flat rolled area that Chinese rolling mill capacity seems least developed and helps explain the tremendous outlay for the complete sheet and strip mill department for Wuhan. As the economy becomes increasingly sophisticated, further shifts toward flat rolled products can be expected, although the huge requirement for cold rolled sheet generated by the automotive and consumer goods industries in the West will be largely absent.

The other significant area of finished steel imports is pipe and tube. These requirements stem primarily from many new projects in the petroleum drilling, production, and pipeline area and in the chemical and petrochemical industries where the large quantities of seamless tube required having outdistanced the capacity of China's tube mills. It is believed China supplied about one-third of the total pipe requirement of over 500 thousand tons for the three major 24″ crude oil transmission lines laid since 1970; the balance came mostly from Germany and Japan. The share of finished steel imports by type are shown in Figure 2 for 1973.

## MARKET POTENTIAL

The Chinese have not announced industrial targets in connection with the Fifth Five Year Plan although, as noted earlier, Chou En-lai's speech at the National Party Congress in January 1975 clearly implies a commitment to substantial rates of industrial growth for many years. Such growth in China has been declining; estimated average annual industrial rates for the relatively normal periods 1953-1957, 1962-1966, and 1971-1973 were 14, 11, and 10%, respectively. Performance in 1974 was poor and the rate dropped to 4%. Industrial production through 1980 at 8% and for 1981-1985 at 7%, although ambitious, appears attainable. If steel output was also to climb at the same rates, crude and finished steel production in China for 1975, 1980, and 1985 would be as shown in Table 5.

**Table 5**

**Production of Crude and Finished Steel in China 1975, 1980, and 1985**

(million metric tons)

| Year | Crude Steel | Finished Steel |
|---|---|---|
| 1970 | 17.8 | 13.4* |
| 1973 | 25.5 | 19.1 |
| 1974 | 23.8 | 17.8 |
| 1975 | 29.7 | 22.3 |
| 1980 | 43.7 | 32.8 |
| 1985 | 61.3 | 46.0 |

* Based on a yield of 75%. The yield changes with product mix and technology. For example, it declines as more flat rolled capacity is added, but it could be improved upon if large additions of continuous casting capacity are used in place of blooming mills.

Table 5 shows an ambitious 1975 estimated output of 29.7 million tons of crude steel based on an annual 8% rate of growth over 1973. It should be noted that even though production fell in 1974, capacity was in place to produce at least 25.5 million tons or more providing obsolete units were not retired. Nevertheless, 29.7 million tons will be a difficult level to reach in 1975; some indication of problems already exists. Apparently, Peking felt it was necessary to issue a central directive at the beginning of June calling for an increased effort to produce more steel. As a Szechwan editorial said at the time, "Unless there is a big develoment in the iron and steel industry, we can not achieve the modernization of agriculture, industry, national defense, and science and technology." At the same Shanghai radio was saying, "It is necessary to take steel as the key link in developing industry."

Some studies have been considerably more bullish respecting growth of Chinese over the next 5-10 years. An 8% rate is substantial, however and in view of the magnitude of the problems facing the industry, not at all easy to achieve. The Fifth Five Year Plan must devote increased attention to the problems described elsewhere if the pace of development is to be accelerated or even maintained in later years.

### Demand for Finished Steel

Information is lacking with which to quantify demand for finished steel in 1980 and 1985 by China's planned economy. However, the magnitude of the complete plant projects currently underway, appreciation of what the Chinese would probably like to achieve in expanding transport and communications, coupled with Chou's sketch of future development, leads to the conclusion that there will be no slackening of demand for finished steel by the agricultural and industrial sectors in the immediate future. Construction alone, it is believed, will continue to consume one-third of all finished steel produced. In fact, the probability is that the Chinese to meet demand through 1980 will find it necessary to import increasing quantities of finished steel. Dominating these imports, which could run 3 to 5 million tons annually, will be carbon and alloy plate, hot and cold rolled carbon and alloy sheet and strip; tinplate, seamless tube, alloy bar and rod, and carbon wire and wire rod.

In raw materials, on the other end of the industry, imports of pig iron, now running around a million tons a year, will continue. High grade iron ore, a newcomer to China's import scene, will be imported in increasing quantities from Australia, perhaps elsewhere. Steel scrap, where the US had been a significant supplier in 1973 prior to the imposition of US short supply controls, will continue to be required to ease the tight metallic supply situation. The Chinese purchase of more than $10 million worth of American scrap in May 1975 appears to signal a reentry of the PRC into the US scrap market now that short supply controls have been dropped.

### Equipment Imports

Major additions to capacity are required if the production goals postulated in Table 5 are to be met. During the period 1975-1980, 14.0 million tons or the equivalent of nearly 2½ An-shans must be added to crude steel capacity and 10.5 million tons or the equal of 3½ Wuhan rolling mill projects must be added to finished steel capacity. The full impact of what these figures mean in terms of new rail transport, beneficiation plants, maintenance shops, water treatment, power plants, coke batteries, blast furnaces, environmental controls, steelmaking furnaces, oxygen plants, soaking pits and blooming mills or continuous casting machines, reheat furnaces, heavy cranes, large mill motors, and the full panoply of rolling mills is difficult to appreciate.

At the Wuhan project, costing the Chinese nearly $500 million, not one pound of steelmaking capacity is being added under the German and Japanese projects. And for all the specified facilities such as a 100,000 ton per year tin plate line, 70,000 tons of electrical sheet capacity, and one million tons of cold rolled sheet capacity, only the three million ton continuous hot sheet mill adds to the industry total of finished steel capacity. Attainment of industry-wide projected capacities during the Fifth Five Year Plan will probably require emphasis on the development of medium and large scale plant rather than small size units although small blast furnaces may continue to make significant contributions.

China's ferrous metallurgical equipment industry has never been able to meet all requirements for production equipment, but it has turned in a remarkable performance in boosting the steel industry to sixth rank in the world. In the fifties, imported equipment was largely of Soviet origin, but beginning about 1965, the PRC began turning to the industrialized West and Japan as a source of equipment and technology while continuing to develop domestic capabilities. Table 6 lists some of the Chinese purchases of foreign plants and equipment since 1965.

The business confidentiality of the type of transactions shown in Table 6 precludes more authoritative detail on the facilities that China has procured abroad. In addition to Table 6, in the steelmaking area, the PRC has bought air separation plants, a few small electric furnaces, vacuum arc furnaces, several rolling mills, extrusion presses, and reheat and annealing furnaces. With the Chinese emphasis on investment in the lagging raw material sector, purchases of mining equipment have been made. For open pit ore mines, US firms have figured prominently in the sale of drill bits, blast hole drills, power shovels, and

## Table 6

## CHINA'S IMPORTS OF IRON AND STEELMAKING PLANT AND EQUIPMENT 1965–1974

| Plant/Equipment | Country/Firm | Value (million $US) | Remarks |
|---|---|---|---|
| BOFs, at 55 tons each | Austria/Voest | 12-13 | Contracted for 1965. Started up at T'ai-yuan in 1969. Air separation plant included. |
| Tube mill, seamless | Italy | 3.5 | Contract—1965. |
| Rod mill | Japan | 5.0 | Contract—1965. For wire. |
| Iron ore pelletizing plant | Japan | 3 - 4 | Contract—1965. Embodies German technology. |
| Cold strip mills | West Germany | 17.0 | Contract—1966. Probably single stand cluster and temper mills. |
| Tube mill, seamless | West Germany | 11.0 | Contract—1968. |
| Continuous slab caster | Japan/Sumitomo | 5 | Contract date unknown. To feed plate and strip mills. |
| Two ladle degassing units | Sweden/ASEA | 1.6 | Contract—1975. Delivered—1975. Probably for degassing BOF steel prior to continuous casting. |
| 1700mm continuous hot sheet mill; mill for cold rolling electrical sheet; electrolytic tinning line. | Nippon Steel et al | 228.5 | Contract—1974.* This equipment for the Wuhan project. Capacity of hot sheet mill, 3.0 million tons/yr.; mill for grain oriented electrical sheet probably a Sendzimer mill, 70,000 tons/yr.; tin line capacity, 100,000 tons/yr. Delivery period 1975-1977. |
| Continuous caster; 1700 continuous cold sheet mill; matching temper mill; galvanizing line. | West Germany/ Demag et al | 198.2 | Contract—1974.* This equipment for the Wuhan project. Capacity of cold sheet mill, 1.0 million tons/yr. Royalty paid US firm for cold mill design technology. |
| Water treatment and other auxilliary facilitiles. | Japan/Nippon Steel et al | 60 | Contract—1974. This equipment for the Wuhan project. Final contract $60 million, original negotiations at $100 million. |

* Additional detail on these purchases may be found in the US–China Business Review, Nov.-Dec. 1974, pp. 8–9.

120-ton, off-highway dump trucks.

Thus, in addition to continuing the import of iron ore, pig iron, steel scrap, and finished steel products, the PRC will continue the import of ferrous metallurgical production equipment. Prominent among likely candidates for imports are: open pit iron ore mining equipment such as drill bits, blast hole drills, very large off-highway trucks, and excavators above 8 yards capacity; complex pelletizing equipment; BOF auxillaries and possibly large BOFS; air separation plants; no small electric furnaces, but possibly units in the 15-50 ton category; continuous casters; rolling mills, particularly mills for flat rolled products; electrytic tinning and galvanizing lines; and instrumentation and process control computers for a variety of steel plant applications. 完

# A FIRST-TIMER'S FAIR

## Young & Rubicam's Canton Diary

*Mark Gill, Pete Peabody and Bill and Anne Reilly of Young and Rubicam and Y & R's J. K. Gill's stores on the West Coast visited the Kwangchow Fair in the Fall of 1974 for the first time. The following is an abbreviated version of Bill Reilly's notes taken during his trip to the Fair. About two-thirds of all US fairgoers each time are first-timers.*

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**Thursday, October 24**—Visited the PRC Travelers Bureau in Hong Kong and made arrangements to go to Canton by train on Saturday. We must be at the Kowloon train station at 7:30 a.m. The young lady at the Bureau was most helpful and made the trip sound easy. We should arrive in Canton in the early afternoon and will have some time at the Fair that day.

Sunday the Fair is closed and we were told that we would be taken on a sightseeing tour. Will have all of Monday and Tuesday at the Fair and plan to return on Wednesday.

**Friday, October 25**—Completed preparations for China trip. Anne and I combined our things in two bags (to be checked) and two carry-on bags plus briefcase. In addition to our usual things, we are carrying liquor, Kleenex, instant coffee, sugar powdered cream, soap, toilet tissue, washcloths, etc. Went to Kowloon with Mark to pick up all his purchases. He did a very efficient job of shopping.

**Saturday, October 26**—Hong Kong to Canton. Up at 5:30 a.m. Due at Kowloon Station at 7:40 p.m. Station crowded and exciting. "Merry-go-round" music. Would guess there were approximately fifty Westerners waiting to board the train. Pulled out at precisely 8:30 a.m. Found that Mark had enough sense to bring a fork. Probably end up being a community utensil. The train is rocking a bit like the New Haven.

9 a.m.—Through the tunnel and into the New Territories. Every inch of land is cultivated. This is the "bread basket" for Hong Kong.

9:50 a.m.—Next stop Shunchun—we get off.

10 a.m.—Checked out of Hong Kong. Walk across bridge. Arrived at Lo Wu Station. Check into China. Very polite —serious. And really no problem. Changed all money (US and HK—except travelers checks)—to Chinese Yuan (approximately two to one US dollar.) Then to waiting room.

We were called to lunch at 12:00 noon. Excellent lunch of soup, rice, chicken, vegetables, omelet, fish with Chinese beer—very good. We were joined at table by three Spaniards (residents of Hong Kong)—one was a wine importer and insisted on introducing us to Mao Tai, a Chinese liqueur (65% alcohol)—one sniff and two drops down the throat was quite enough.

Now aboard the train. Assigned seats, very comfortable air conditioned. Two hours non-stop to Canton.

The train rides as smooth as any I've ever experienced. Tea was served about 30 minutes out and then the young lady mopped the floor—it was spotless before she began. We are passing through miles of rice paddies. An occasional herd of water buffalo. Frequent small villages or perhaps communes. Countryside is very green and very pretty.

Arrived Canton about 3 p.m. Beautiful new station. Hundreds of young people in Mao uniforms, all very pleasant and eager to help.

Later—We are in room 1844 in the Tung Fang Hotel and Pete and Mark are on the same floor. The room is plain, but very adequate. Telephone, electric fan and mosquito nets. Concrete floor. Twin beds, two easy chairs, desk and chair, night table and cabinet for tea service. The bath is okay in general but the tub is a little small for me. Hand shower. The light bulbs are very dim (good idea to bring a large bulb).

Our bags had not arrived so we stopped only briefly in the room and left to register for the Fair. Also signed up for a sightseeing tour on Sunday. We had about one and a half hours at the Fair. The buildings were across from the hotel. It is a huge complex. Only saw a small part. Will explore it thoroughly on Monday and Tuesday. The paper products were not much. If we are to buy, I suppose it will be arts and crafts. Again, hundreds of smiling, helpful young people. All of the people we have come in contact with have enough English to help us.

**An item bought by J. K. Gill**

**Mark Gill, Pete Peabody, and Bill Reilly at the Fair.**

**Sunday, October 27**—Up about 6 a.m. Temperature about 80°. It is going to be a hot day. We will meet the others at 7:30 a.m. for breakfast; then off on the sightseeing tour. Today we had a fantastic experience.

After a fine breakfast we loaded on buses with other Fairgoers for the Renho People's Commune about 40 miles north of Canton. Out of town and into the countryside we passed thousands of people all busy at work—Sunday is just another working day. (The workers have one day off out of seven on a rotating basis.)

It is a beautiful country—with hills in the distance—all green fields with an occasional stand of trees. Tremendous irrigation system with water everywhere and many water buffalo, sleek fat animals. Lots of geese. And, of course, very large rice fields. About 9:30 a.m. we arrived at the first unit of the Commune—a large farm engaged in animal husbandry. We were served tea and greeted by Tia, the farm manager. Much applause on both sides.

The farm, in existence since 1969, employs 150 workers and covers 200 hectares (494.2 acres) of land. They care for 800 pigs, 30,000 hens and cocks, 570 geese, 500 ducks and 3,500 doves. The product of the farm is sold to the State.

The next stop was the Commune Hospital. Again, we were welcomed by the manager. The hospital was established in 1958 and has 56 beds and 84 doctors and nurses. Fourteen doctors practice Western medicine, the remainder practice natural or herbal medicine. There was a large herb garden at the rear of the hospital. We looked in on the acupuncture room but no action. The dental area was a thing to see—it appeared to be equipment that would have been in use in the States about the turn of the century.

We were taken to an auditorium for a speech by the vice chairman of the Commune. The Commune contains 13,000 families or 67,000 people. The workers are engaged in forestry, fishing, animal husbandry, rice growing, fruits and vegetables and sugar cane. They have 1.2 bicycles per family and from the jammed roads you would think that there were twice that many.

Then on to the Dam. Another welcome speech by the manager. This is a very large irrigation and power producing project. Except for three technicians from the State, all the workers are residents of the Commune. Total cost will be 4.5 million Yuan (2.5 million supplied by the State in the form of steel, timber and chemicals). Sixty-five percent of the workers are female. The last part of the project is a boat lock and we watched and took pictures of the workers. We were told that the workers had to finish their work in the fields before reporting to the project.

Our last stop was a small village of the Commune—500 people, 13 families. They work the rice fields and the Dam project. The village is designated as a Production Team.

We visited the home of a family of eight—four worker units, one old lady and three children. The house was made of brick—small, secure and neat. Mark, Pete, Anne and I sat in the living/sleeping room and were served tea by the ladies. Each worker can earn up to US $150 per year. A bicycle takes approximately the annual income of the worker. Food, medicine, tools, etc., are supplied by the Commune.

**Monday, October 28**—We were at the Fair for the opening. Hours are from 9:30 to 11:30 a.m. and 2:30 p.m. to 5:30. We went directly to the arts and crafts section. Earlier we had decided to concentrate in this area.

The Fair building has a floor space of 110,000 square meters. Represented at the Fair are seven Trading Delegations dealing in cereals, oils and foodstuffs; native produce and animal by-products; textiles; light industrial products (arts and crafts); chemicals; metals and minerals, and machinery.

Arts and crafts occupy four floors, with a large display area on each floor and then individual rooms for such categories as bamboo articles, stone carvings, rattan items, cloisonné vases, toys, jade items, ceramics and porcelain ware. Within each room are the representatives of each branch participating in the particular category, i.e., Shanghai, Hunan, Fukien.

In selecting merchandise we were guided by our intention of having a sufficient variety and quantity to hold a "China Import Sale" sometime in the early part of 1975. We feel that a presentation of ad reprints and display photos of such an event, to Chinese officials, would do much to establish Y&R as an important factor in their future marketing plans.

We settled on a variety of items in the Bamboo Room, i.e., decorated pencil holders, handcarved and decorated gift boxes, bowls, carved bamboo framed hangers, shell carvings, and carved bamboo husks pictures.

These items were purchased from three branches—Hunan, Fukien and Shanghai. This required negotiations with each. Negotiations were conducted, through a young Chinese female interpreter, with the branch representative. The interpreters have only a modest grasp of English so talk has to be very basic. Jive talk, jokes or slang fall absolutely flat. Chinese cigarettes are available in abundance and tea is poured continuously. After two full days of this we all had a fine tannic acid tan.

The representatives are absolutely inflexible as to price, minimum quantities and terms. They will discuss and agree to minor changes in the merchandise, i.e., size, color, top or no top, packing. Samples are not available until the Fair is concluded and they return to their Branch. Delivery is 120 to 150 days by surface vessel. There is some leeway here, but not much. Our dream of having merchandise by the 1974 Christmas season was just that.

Upon finalization of items and quantities, you are cordially invited to return the following day to sign the contract. After completing our order in the Bamboo category, we visited the Min Hsiang room and placed an order for a quantity of small cloisonné vases. The same procedure prevailed. We stayed at the Fair until the bells and music caused everything to stop and all to depart.

**Tuesday, October 29**—At the opening of the Fair we began our search for merchandise in the toy area. Many fascinating items here. We settled on embroidery figures and crochet articles. These are delightful colorful figures—people, animals and birds. Idea for decorating Christmas trees. Too bad we won't make it this year.

Word had apparently passed around that we were "for real" buyers and we were receiving more attention. Also, Portland is now definitely located in Oregon, not Maine, and this is helpful.

We were back at the Fair at 2:30 and concentrated in the Stone Carvings room. We selected a variety of items in black and white soapstone—mostly figures of animals, vases and bookends. We placed orders with the Fukien and Shantung Branches. Much excitement when we announced that we were leaving in the morning and would have to complete the contracts by 5:30 p.m. closing. Initially "not possible"—but with the appearance of the headquarters representatives—"we try."

A young man, apparently a subaltern, advised me very carefully to speak slowly as the representatives had only a little English. Shortly after I began my explanation of Y&R/J.K. Gill, Mr. Shu (headquarters representative) interrupted to inform me that their English was quite good and that I should speak at a normal rate. I had been using my early-Virginia drawl.

After my presentation of our aims, Mr. Shu gave a brief talk indicating their eagerness to promote good relations with the people in the US and their desire to promote Chinese products. I then told them that we (Y&R) were in a position to assist them in marketing worldwide. This fell as flat as could be. They appear to be only beginning and have, or pretend to have, no knowledge of marketing as we practice it.

After this meeting we finalized the remaining contracts and barely made the closing music.

During the two days we had concluded eight contracts for a total of 67,706 Yuan RMB or approximately $30,000 US dollars. With tariff added we committed for somewhere between $40,000 to $45,000 U.S. We think the merchandise will find acceptance in the J.K. Gill stores.

**Wednesday, October 30**—An early breakfast and off to the train. At the border it was raining hard. As we left the train on the China side we were escorted by young people carrying umbrellas to shelter us. Once we left China we were on our own and got soaked crossing the Lo Wu bridge to the Hong Kong side.

When you enter China you must list and display all money, jewelry, watches, cameras, calculators, etc. Going in, the Customs people listed my razor as a Remington calculator (the word calculator was in Chinese characters). Coming out they demanded that I produce a calculator. It was a bit sticky and I was compelled to demonstrate the razor to several officials.

Eventually we were cleared, crossed the bridge and got on the Hong Kong train. 完

## RMB: DOLLAR RATES, FROM APRIL 1975

| *Date* | | *RMB:$* | *US¢/ RMB* | *Change %* |
|---|---|---|---|---|
| April 7 | Bid | 1.7870 | 55.9597 | |
| | Offer | 1.7780 | 56.2430 | |
| | Median | 1.7825 | 56.1010 | −0.70 |
| April 12 | Bid | 1.7977 | 55.6266 | |
| | Offer | 1.7887 | 55.9065 | |
| | Median | 1.7932 | 55.7662 | −0.60 |
| April 24 | Bid | 1.7869 | 55.9628 | |
| | Offer | 1.7779 | 56.2461 | |
| | Median | 1.7824 | 56.1041 | +0.61 |
| April 26 | Bid | 1.7958 | 55.6855 | |
| | Offer | 1.7868 | 55.9660 | |
| | Median | 1.7913 | 55.8254 | −0.50 |
| May 8 | Bid | 1.7868 | 55.9660 | |
| | Offer | 1.7778 | 56.2493 | |
| | Median | 1.7823 | 56.1073 | +0.51 |
| May 14 | Bid | 1.7689 | 56.5323 | |
| | Offer | 1.7601 | 56.8150 | |
| | Median | 1.7645 | 56.6733 | +1.01 |
| May 16 | Bid | 1.7777 | 56.2525 | |
| | Offer | 1.7689 | 56.5323 | |
| | Median | 1.7733 | 56.3920 | −0.50 |
| May 23 | Bid | 1.7688 | 56.5355 | |
| | Offer | 1.7600 | 56.8182 | |
| | Median | 1.7644 | 56.6765 | +0.50 |
| May 31 | Bid | 1.7759 | 56.3095 | |
| | Offer | 1.7671 | 56.5899 | |
| | Median | 17715 | 56.4493 | −0.40 |
| June 13 | Bid | 1.7706 | 56.4780 | |
| | Offer | 1.7618 | 56.7601 | |
| | Median | 1.7662 | 56.6187 | +0.30 |
| June 28 | Bid | 1.7794 | 56.1987 | |
| | Offer | 1.7706 | 56.4780 | |
| | Median | 1.7750 | 56.3380 | −0.50 |
| July 2 | Bid | 1.7919 | 55.8067 | |
| | Offer | 1.7829 | 56.0884 | |
| | Median | 1.7874 | 55.9672 | +0.70 |
| July 3 | Bid | 1.8062 | 55.3649 | |
| | Offer | 1.7972 | 55.6421 | |
| | Median | 1.8017 | 55.5031 | −0.80 |
| July 8 | Bid | 1.8206 | 54.9269 | |
| | Offer | 1.8116 | 55.1998 | |
| | Median | 1.8161 | 55.0630 | —0.80 |
| July 11 | Bid | 1.8298 | 54.6508 | |
| | Offer | 1.8206 | 54.9269 | |
| | Median | 1.8252 | 54.7885 | —0.50 |
| July 14 | Bid | 1.8389 | 54.3803 | |
| | Offer | 1.8297 | 54.6538 | |
| | Median | 1.8343 | 54.5167 | —0.50 |
| July 15 | Bid | 1.8499 | 54.0570 | |
| | Offer | 1.8407 | 54.3272 | |
| | Median | 1.8453 | 54.1917 | —0.60 |
| July 17 | Bid | 1.8648 | 53.6251 | |
| | Offer | 1.8554 | 53.8967 | |
| | Median | 1.8601 | 53.7606 | —0.80 |
| July 18 | Bid | 1.8760 | 53.3049 | |
| | Offer | 1.8666 | 53.5733 | |
| | Median | 1.8713 | 53.4388 | —0.60 |
| July 22 | Bid | 1.8928 | 52.8318 | |
| | Offer | 1.8834 | 53.0955 | |
| | Median | 1.8881 | 52.9633 | —0.90 |

Source: NCUSCT based on data supplied by the Chartered Bank

# IMPORTER'S NOTES

## MFN PASSES FIRST TEST

In the first test of the emigration provisions of the Trade Act of 1974, the Congress has approved a US trade agreement with Romania which includes most-favored-nation tariff treatment.

Major hurdles were overcome when the Senate Finance Committee voted unanimously to approve the agreement, and the House Ways and Means Committee by a 23-4 vote did likewise.

Complex procedures of the Act permit Congress to withhold MFN treatment from socialist countries which have signed a trade agreement with the US unless satisfied that emigration from such countries is not unduly restricted.

The action proves workable the provisions of the Act—which may make more difficult Administration efforts to get Congress to agree to changes in the statute. Without such changes, MFN for China will hinge in part on the attitude Congress and the White House take with respect to emigration from China. The Congress did appear to scrutinize Romanian emigration less stringently than it had with the Soviet Union, suggesting that applying the Act may vary in degree from country to country.

## TEXTILES

**Garments . . .** There is never a dull moment for importers of Chinese clothing . . . One US importer recently ordered four styles of a garment in oxblood and natural colors. He received four in natural, three in oxblood and, surprise, one in green and brown! On top of this one piece was the wrong style. We hope to report a happy solution in our next issue. . . . Another importer ordered a shirt that was to shrink only 7%. This proved true but the collar shrank 14%. **Fashion Show** . . . For those who are wondering what the fashions will be, a giant fashion show is planned for October 1 at the New York Public Library featuring the best clothes of Seventh Avenue. It already seems apparent that the tone for late 1975 and '76 is Chinese, or rather, adaptations of present and past Chinese garments. Chinese plastic sandals familiar to those who have travelled in China, will be "in" along with worker's clothes—the short baggy pants, loose shirts and plain or padded jackets. As might be expected, some of the Chinese workers clothes now being shown at Bloomingdales are made . . . in Japan. The plastic sandals are made in Greece and Italy . . . Reports are that dresses are appearing on China's market. Will China's women be getting into dresses as America's don worker's trousers? **China's Loom Boom** . . . China is now the third largest foreign supplier of cotton greige goods to the US after India and Hong Kong, ahead of Pakistan and Taiwan. According to the Department of Commerce imports have climbed from $1.5 million (9.4 million square yards) in 1972 to $23.6 million (73.5 square yards) in 1974. This year, despite low domestic prices, over 13 million yards of greige goods were purchased following the Spring Kwangchow Fair. **$$$** . . . Since the Spring Fair, all garments and greige goods have reportedly been bought in dollars. **Texpo** . . . This was the second year for the US's largest textile show. Held on June 3-5 in New York's Coliseum, the show drew close to 13,000 buyers. Eighty foreign exhibitors from all parts of the world participated as well as leading US mills and fiber manufacturers. It is hoped that next year China will be among the exhibitors. **Piece Goods** . . . The problem here lies in obtaining samples. Samples are often late although recently one order arrived in less than three weeks! Are lead times hopefully improving? Buyers, especially those in garment manufacture, are frustrated and discouraged because they have not been able to obtain sample lengths (i.e. about five yards). Either one gets a small swatch of printed material which is very difficult to imagine as a garment or else one can obtain a whole bolt of material, a costly proposition. (The smallest bolts are 45 yards.) These lengths are ordered and airfreighted at the buyers expense. Importers may obtain 2 or 5 yards of material but only after the order has been placed. In other countries, when a foreign buyer looks at a range of prints, he can almost always get a sample length in any pattern shown, especially if it is shown on the actual fabric. And, if instead of being shown a print on fabric, the buyer is shown hand paintings, sample lengths are offered as soon as the selection has been made. Business for CHINATEX would certainly improve if sample lengths of printed fabrics could be obtained. As it is now, buyers in the fashion business have to order way in advance of a season and then, not having had an opportunity to make

### TEXTILE SUBCOMMITTEE

The Textile Subcommittee has been working on a number of issues concerning textile imports from the PRC (and some on textile exports to China). These issues center on—

- a broad range of problems related to imports of ready-made apparel
- issues related to imports of piece goods
- fiber exports

The Textile Subcommittee particularly welcomes suggestions from any companies involved in these areas with common problems which may be resolved through the subcommittee. The subcommittee has an ongoing program aimed at facilitating trade in all aspects for the general benefit, including representation to the CCPIT. This has proved effective in the past in relation to the visit of the Chinese Textile Delegation earlier this year (*UCBR* Vol. 2, No. 2).

Please send your comments, which will be treated in strict confidence, to the National Council Textile Subcommittee, National Council for US-China Trade, 1100 17th Street, N.W., Suite 513, Washington, D.C. 20036.

up a garment sample from the pattern they choose, worry if they have selected the right patterns. One trick in getting sample lengths is to wait until the end of the Fair when fabrics on display can be spared and hope that a friendly CHINATEX representative will look upon a buyer kindly. Until China National Textile Import and Export Corporation has been convinced of the necessity of having sample lengths, it is best to stay away from prints and stick with solids. **Cashmere** . . . Buyers would like to be able to order five to ten yards of sample length in cashmere but again, they can only obtain bolts. The cost of buying samples in bolt lengths eliminates the possibility of small importers getting into this market. **Silk Products Mini Fair** . . . China National Textile Import and Export Corporation is holding a Silk Fair in Darien from July 22 to August 5. Customers from Canada, Japan, Western Europe and the US were invited to attend.

## NATIVE PRODUCE

**Rosin Dilemma for China** . . . Gum Rosin exports which have been one of the greatest sources of revenue for China National Native Produce and Animal By-Products Import and Export Corporation have been on the decline since mid-1974, due to worldwide recession. Some buyers in the US, concerned that the domestic supply would not be sufficient, bought large quantities at high prices during the Fall 1974 and Spring 1975 Kwangchow Fairs only to find that the demand was far less than expected. The primary users of rosin, the paper industry, rubber industry and printing industries, have been depressed. Some US suppliers estimate that it will be another five or six months before they can deplete their high inventories. Although China is now lowering its prices, high prices have discouraged potential customers. US buyers believe that it was the US entry into the China market that caused China to raise its prices above those of Portugal, its main competitor. At that time the price of US gum was high and China, knowing the US domestic situation, raised its prices in line with US gum rosin prices. The PRC was apparently not aware that US gum rosin differs markedly from the Chinese type and is very specialized. The US produces wood rosin and sulfate or tallow rosin as well as gum rosin. In many cases these types can be interchanged with one another. US imports of rosin may become more difficult as the US government's Commodity Credit Corporation is now extending loans to gum rosin farmers. China has recently been trying to sell rosin to Japan but Japan will not be able to consider buying until the fall of this year. China has also been renegotiating contracts to help overstocked importers.

## LIGHT INDUSTRIAL PRODUCTS

**China by Mail** . . . American Heritage Publishing Co. of New York in conjunction with Lubman & Co. has produced the first mail order catalogue of "Antiquities and Artifacts from China." In a handsome glossy folder with an illustration of an old Chinese pottery shop on the cover and photographs of contemporary artisans inside, a wide range of handicrafts and artifacts are offered. Among these is a bamboo porcelain tea set; 19th Century blue and white plates, bowls and cachepots; sets of bamboo baskets; lacquer objects; a replica of a T'ang Dynasty horse and a reproduction of a Ming Dynasty lacquer table. Prices range from $20 for a set of baskets, to $295 for the lacquer table. American Heritage has been very pleased with the response but the success of the mailer has produced supply problems. Reorders were placed at the Spring Canton Fair but, because of slow delivery, some objects will not be available until early 1976. The next issue of *UCBR* will include a full length article on how this catalogue was put together.


**Musical instruments at a 1974 Fair.**

**Musical Instruments** . . . ICD Group, the first importer of Chinese musical instruments, is distributing on a national basis Chinese musical instruments, including a range of top-quality harmonicas, fully comparable in price and quality to European products. Musical instrument wholesalers, department stores, toy distributors and promotion companies are advised to contact either Josef Friedman at (212) 445-2000 or David Cookson at (212) 644-1496.

**Jewelry Show** . . . A Peking Arts & Crafts Jewelry Show opened on June 5 in Montreal as part of the Montreal Trade Exhibition. The show, which occupied twelve showrooms with a range of products for sale, lasting until June 25, was arranged by a Montreal jewelry dealer who had been a long-time customer of China through the Hong Kong-based China Resources Ltd. Unfortunately invitations were issued only to dealers. The Chinese themselves invited some of their customers.

**Late Bloomers** . . . There are many sagas in the China trade and the following is but one: Five years ago a London couple chanced upon some Chinese silk flowers in the British capital, and, impressed with the workmanship, rightly thought there would be a market for them. They wrote a letter in Chinese to the Shanghai Arts & Crafts Branch of the China National Light Industrial Products Import and Export Corporation. After five months there was no word. Then, they wrote back in English. Five months later permission was granted to visit the three branches which produce flowers. But it took six more requests and 18 months before they received their first parcel. The flowers delivered were not silk but plastic. Frantic complaints to Peking followed but no flowers. Then, one day, after having given up all hope, a crushed package dropped on the London doormat. Inside were six crumpled roses. Held over a steaming kettle, however, the roses bloomed. Not letting this piece of luck slip away, £100 worth of samples were sent for. These took six months to arrive and two days to sell. "Floral Imports" was then underway. Last year sales reached £19,000 and enquiries from retailers and wholesalers went up by 100% after the

## RMB FUTURES AVAILABLE AGAINST THE DOLLAR AS OF AUGUST 1, 1975

The Bank of China (BOC) began providing 1-6 month forward exchange cover in US dollars against Chinese Renminbi-Yuan (RMB) as of August 1, 1975. This means that US importers can now buy RMB up to six months ahead after a contract denominated in RMB has been signed with a Chinese foreign trade corporation (FTC).

The premiums set by the BOC are as follows—

| % | *Period Forward* |
|---|---|
| 0.6 | 1 month |
| 1.2 | 2 months |
| 1.8 | 3 months |
| 2.2 | 4 months |
| 2.6 | 5 months |
| 3.0 | 6 months |

These rates are the same as the BOC's present RMB futures premiums against sterling, and, as with RMB forward rates against other currencies, may be subject to change by the BOC from time to time. RMB may now be bought forward in the US via any third country bank with a correspondent relationship with the BOC.

*US firms must have a contract or contracts with an FTC to obtain RMB forward.*

sales manager took displays around to London's main line stations. Regular supplies are still hard to get but sales of these everlasting flowers have made the waiting worthwhile. China, having been so difficult in the beginning, is now encouraging Floral Imports to explore export possibilities in America, Germany, and Switzerland. **CIF to C&F** . . . There has been a trend in the Light Industrial Corporation to sell at C&F rather than CIF. This seems to be satisfactory for most importers as they would prefer to insure themselves anyway, and can include insurance on a Chinese product on their major insurance form covering all purchases.

### FOODSTUFFS

**Low Acid Foods:** . . . According to FDA officials, four branches of China National Foodstuffs Import and Export Corporation, Shanghai, Dairen, Kwangchow and Fukien were sent registration numbers between August 12 and 15, 1974. The numbers are as follows: Shanghai, 06186; Dairen, 06187; Kwangtung, 06188; Fukien, 06266. Although these branches are registered, the FDA still has not received completed processing forms which were sent out in August with the registration numbers. When a plant in the US or in a foreign country registers, the process by which each product is canned and treated must be on file with the FDA to insure passage by inspection officials. At the moment, Chinese foodstuffs from branches which have been registered are getting through Customs as long as no previous problem with a particular foodstuff exists. If, however, Customs wants to check on the process and finds no processing form on file, that product will be detained. China's Foodstuff Corporation should send in the process forms as soon as possible! **Instant Noodles from China:** . . . These noodles come in small, single serving size packages with a packet of instant soup enclosed. Both the noodles and the soup are to be mixed with boiling water but there is a problem knowing just how much water to use as the directions call for "one pound of water"—this makes preparation frustrating for fastidious noodle gourmets! **Donuts for China?** . . . Rumors have it that a donut machine has been sold to China!? Please advise if you know anything about this sale. **Essential Oils** . . . China is keeping its citronella oil at a high price with no attempt to compete with other markets. China has always been ahead of the market in this area. For a year citronella oil had been about $3.00 C&F against Indonesia's about $2.70 C&F. **Lickin' Good but Stickin' Bad** . . . China was pushing lollipops at the Spring Canton Fair. Pops were offered in green, orange, red and yellow, some animal shaped, others classically round with plain plastic wrappers. The lollipops were delicious but not so relished by US importers due to the wooden sticks which are against FDA regulations. US children will not be tasting Chinese pops this year.

### ARTS AND CRAFTS

**A Positive Note** . . . Importers of Arts and Handicrafts report that this division of China National Light Industrial Import and Export Corporation is beginning to understand US Market requirements. There has been a recent willingness to meet customer specifications, particularly on labeling, packaging, and design. Importers have been very pleased with delivery dates quoted three to four weeks earlier than the usual time and are encouraged to find their correspondence to Light Industry answered more frequently. As a general rule, however, the more familiar a customer becomes to the Chinese, the more apt he is to receive special treatment insofar as specifications and even financing. Some very "old friends" have been able to make financial arrangements with the Chinese which would make other struggling importers green **Crafts Fair** . . . China National Light Industrial Products Import and Export Corporation will hold a Willow, Straw and Maize Goods Fair in Tientsin, China, from August 20 to 30.

### MINERALS & METALS

**Tin Leads the Way** . . . As of April 1975, tin is the largest US import from the PRC in terms of value. By April, $22,437,407 of tin was imported according to the Department of Commerce. Second to this was rosin at $3,258,372. **Tungsten Ore** . . . Tungsten ore is the fourth largest import at $1,409,217, following antiques.

### MISCELLANEOUS

**US Customs Detentions** . . . Among the detentions recently listed from all parts of the world as well as from domestic producers are a few Chinese products. Most of these products are from China National Cereals Oils and Foodstuffs Import and Export Corporation and have been detained because of incorrect labeling. Products include: Dried Rice Powder, detained for a net weight statement not "dually expressed;" Rice Vermicelli for lack of man-

datory labeling; Preserved Apples for no ingredient statement; Dried Dates for "inaccurate net weight statement not in lower 30% of principal display panel;" and Acupuncture Anesthesia apparatus for inadequate directions for use (hopefully those who buy acupuncture equipment will know how to use it!). Other products detained were chile, ginger, and preserved apricots because they contained insects.

**Complaint Against US Government** . . . An American importer recently returned a sample with the pattern to China. The box was very well sealed but when it arrived in China, the sample was there but not the pattern. Do either the US customs or the Post Office have a drawing of a pair of trousers? Did the sketch look like a mysterious weapon? This sort of occurrence can be very costly or mean a complete loss of business.

**Still Costly Financing** . . . Importing from China remains an expensive proposition for importers. Exchange fluctuations and the unfavorable US Dollar-Renminbi rates have often resulted in substantial losses to companies. In one case the change in the exchange rate resulted in a 25% loss for that company and no doubt for others who began their negotiations at the same time. The recent willingness on the part of some of China's Trading Corporations to denominate contracts in US Dollars has been an encouraging factor to those on the verge of throwing in the towel. Importers are hoping that eventually they will not only be able to pay in dollars but also purchase RMB forward. But the price of financing imports from China is considerably higher from other sources abroad. There is the cost of settling exchange through third country banks. Then, China's L/C terms requiring that they be opened 30 or 60 days before shipment means that the importer's funds must be tied up for a long period of time at high interest rates.

**Where Are Those Ships?** . . . Shipping to the US from China on time is still a major problem although some improvement has been seen over the past year. Importers complain that shipment is often not made when the goods are ready and, in the case of urgently needed merchandise, it can be very frustrating to see an invoice dated three or four weeks before actual shipment was made. Cables or letter advises of the date of sailing, the name of the vessel, routing, etc., are often delayed or fail to reach the buyer. Until six months ago shipments from Shanghai remained in Kobe for as long as a month for containerization and transshipment. Shipments via Hong Kong are more reliable but also require excessive time in transit. One progressive step in Chinese shipping has been direct shipment from Shanghai to Eastern US ports once a month. This has resulted in some reduction of time in transit and, since these ships are usually not containerized, delivery of smaller shipments is quicker. While containerization is economical in the case of full container shipments, mixed containers take eight to ten days to sort. **Imports Show Substantial Increase** . . . Imports for the first five months of 1975 show an increase of 71% over the same period last year. This year imports are averaging $13 million per month as compared with $9.6 million last year.

**MGTFL Off to a Blazing Start** . . . We are happy to report that the second official meeting of the MGTFL was held in New York on Friday, June 13. At this meeting, the Charter Members of this illustrious and most exclusive club received and donned the official uniform, a bright tee shirt with the club's title on the front. The club will be considering applicants from the very few individuals who might qualify. Individuals should address themselves to the Club's Secretary. 完

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*UCBR* welcomes contributions to "Importer's Notes." Please write to Suzanne Reynolds at the National Council.

## Transistor Radios Manufactured by the China National Light Industrial Corporation at the Spring 1975 Canton Fair.

Gradually, regular visitors to China are noticing wider Chinese ownership of radios, and broader selections of receivers displayed in local department stores. Not surprisingly, radios are also appearing in greater variety as export items at the Fair. They include:

*PEONY*—This radio has six transistors and AM/SW bands, made by the Kiangsu Branch of the Corporation.

*PANDA*—This brand. with eight transistors and AM/FM/SW bands, operates on five 25 penlight cells. It is also manufactured by the Kiangsu Branch.

*FEILO*—With seven transistors, AM/SW tuning, cover in 1 D size, and leather case, this model is made by the Shanghai Branch.

*SEAGULL* 705—Receiving on AM/SW bands through a swivel antenna, this unit is made in Tientsin.

*PEONY*—A more powerful model, with 22 transistors, this radio has multiple bands available. Also made in Kiangsu.

Although clearly greater emphasis is placed on exterior styling with each Fair, designs remain behind current market preferences. The portables did not have cords for alternate operation with the batteries when convenient, and none of the radios examined had clocks or rounded edges on the plastic case.

While heavy polystyrene used to fashion the cases makes them extremely durable, available colors were almost exclusively black and gray—a limitation which may be unsatisfactory for today's color coordinating consumers.

The "inside" story was more disappointing to those seeking a competitive product to market. The electricals were all of the same relatively primitive design. None was made with printed circuit boards; the components were soldered together by hand rather than by automatic wave techniques, a continuous flow process which represents the current state of the art. The large size of the multiband PEONY receiver indicates no advances in the technology of miniaturization or at least no use of miniaturization to achieve a competitive consumer product in world markets.

**BOOK REVIEW**

# THE REPORT OF THE PLANT STUDIES DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA

**Shannon R. Brown**

*Printing and Publishing Office*
*National Academy of Sciences*
*2101 Constitution Avenue, N.W.*
*Washington, D.C. 20418. $7.25*

This is a very interesting report submitted to the Committee for Scholarly Exchange with the People's Republic of China by a group of Americans who visited China for about one month in August and September of 1974. The group included ten scientists whose interests ranged widely over the plant sciences, a Chinese-speaking staff member of the National Academy of Sciences, and a professor of Chinese history. Such a group, consisting mostly of scientists, but usually assisted by one or two China specialists, has been the dominant type of "official" American delegations sent to China in the last few years.

The report is organized into several sections: organization of science and agriculture in China, the status of agriculture, reports on specific crops, the biological sciences in China, potential for germ plasm exchange, and social and political factors affecting agriculture. There are also several appendixes, the most interesting of which constitutes the suggestions made by the Plant Studies Delegation to its Chinese hosts. The heart of the report, and the section with the greatest amount of first-hand information, is the chapter on specific crops. It includes discussions of rice, wheat, soybeans, and other plants, as well as a discussion of Chinese vegetables which, despite its technical nature, cannot fail to make the reader hungry for Chinese food. Also included in this chapter (but not confined to it) is considerable information on two important matters that obviously troubled the American delegation a great deal: first, a level of basic research which they considered insufficient, and second, the irreplaceable loss of germ plasm as the Chinese substitute foreign seed varieties for indigenous ones.

With respect to basic research, the scientists concluded that the Chinese are not investing enough in this area to enable them, at a minimum, to take full advantage of scientific achievements elsewhere. On the other hand, the delegation was favorably impressed with the extension system developed since the Cultural Revolution, although they feared that the scientific capital it draws upon is rapidly being exhausted. The second major concern of the delegation was the narrowing of the genetic base of Chinese plants and the related loss of germ plasm. This tends to increase the vulnerability of Chinese plants to as yet unknown or unexperienced diseases and pests while simultaneously reducing the supply of genetic characteristics that could otherwise be drawn upon in time of need. The Chinese apparently were not aware of this problem, but fortunately an international effort to solve it has since begun.

Despite the understandable concern the authors had for scientific matters, the report also includes much valuable information for readers with different interests. For those doing business with China there is information helpful in evaluating the Chinese market for agricultural commodities, agricultural equipment, fertilizers, insecticides, and seeds. It is also helpful in assessing the market for equipment, complete industrial plants, and technical assistance, should the Chinese continue their emphasis on self-sufficiency. Furthermore, if the Chinese do expand their basic research activities, as their American guests urged them to do, this would probably result in expanded demand for certain kinds of scientific equipment and materials. Finally, because of its attention to agriculture, the report is of general value as well. For no matter what happens to markets for specific items, Chinese agriculture will continue to be a fundamental determinant of both the level and composition of China's trade, exports as well as imports.

The report is also informative about the Chinese economy. For example, the delegation noted that the Chinese are known to have tested new varieties of wheat and rice within a year of their first release by developers in other

countries, whereas in corn production they are still using hybrid varieties that are thirty or forty years out of date. This suggests that a given amount of investment in corn research to exploit this backlog of knowledge would have a much greater pay-off than investing the same resources in further wheat or rice research. Since they are concerned with science as such, the authors did not raise this or similar questions about the economics of Chinese scientific research; and by not doing so, certain economic aspects of research and relevant differences between the economic systems of China and the U.S. were not noted.

American scientists are used to working in a market economy where most prices are determined by supply and demand and where producers are motivated by considerations of profitability. Unfortunately, it is not so clear how the Chinese evaluate the economic effectiveness of their research (or other investments), but as the corn example suggests, they may be underestimating the return on corn research. Also, given the likely social pay-offs, there is evidence that they may be over-investing in research designed to increase multiple cropping or to extend rice production further north. Thus, like any other economy, the Chinese economy has its gaps and bottlenecks. The point here is not to criticize Chinese planning (about which we know little), but rather to suggest that a greater understanding of the Chinese economy may reveal unexpected business opportunities. With such knowledge a businessman, if he is a good salesman (and a good diplomat) can become less dependent on what the Chinese think they need and want. For example, has anyone tried to sell the Chinese hybrid seed corn lately?

The great value of this report is that it is based primarily on first hand observations by skilled and intelligent observers. Consequently, it provides concrete and reliable information of a kind not previously available. It is certainly to be desired that future delegations will continue to write such reports and that persons expecting to travel to China will read them and build on them. One way to facilitate this process might be to include a glossary of important Chinese characters, especially of the names of persons contacted, to guarantee unambiguous identification for future travelers. Unfortunately, such a glossary was not included in this report, but apart from this minor defficiency, it is an excellent report which can be readily recommended to a wide range of people interested in China.—Shannon R. Brown 完

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## VEGETABLE PRICES

Vegetable prices in Yuan/500 g. at one of about 120 markets in Shanghai. Where range is given, higher price is for larger sizes. Two Yuan = $1.00

| *Leafy Vegetables* | *Price* |
|---|---|
| Chinese cabbage (non-head) | 0.25-0.35 |
| cabbage | .09 |
| celery | .07 |
| chrysanthemum | .08 |
| rape | .055 |
| mustard | .06 |
| spinach | .16 |
| pea leaves | .23 |
| leek | .12 |
| leek (blanched) | .28 |
| amaranth | .055 |
| lettuce | .065 |
| water convolvulus | |
| shepherd's purse (wild) | |
| *Fruit Vegetables* | |
| tomato | .22 |
| snapbeans | .19 |
| yardlong beans | .19 |
| peppers | .11 |
| eggplant | .06 |
| pumpkin (mooch) | .07 |
| squash (maxima) | .17 |
| winter melon | .045 |
| cucumber | .09 |
| bitter gourd | .12 |
| sponge gourd | .09-.12 |
| snake bean | |

| *Poultry* | |
|---|---|
| live chicken | .80-.96 |
| live duck | .90-1.43 |
| *Roots and Tubers* | *Price* |
| taro | .06-.15 |
| potato | .11-.18 |
| garlic | .25 |
| radish | .055-.07 |
| carrot | .09 |
| ginger | .44 |
| tamarix | .055 |
| lotus | .17-.19 |
| onion | .05-.09 |
| yam *(Dioscorea)* | |
| beet | |
| *Seeds* | |
| green soybeans | .14 |
| lablab | .20 |
| shelled limas | .42 |
| jack bean | |
| *Miscellaneous* | |
| zizania | .23 |
| cauliflower | .19 |
| amaranth stem | |

Source: Trip Report of the Plant Studies Delegation to the People's Republic of China National Academy of Science.

# CHINA ECONOMIC NOTES

## *From Chinese Media Reports*

### OIL AND GAS

**New Petroleum Products**—Exhibited for the first time at the Kwangchow Fair were aviation jet fuel and hydraulic oil for precision machine tools. In all, more than 80 petroleum products were displayed. The appearance of new products was attributed to the rapid progress of China's petroleum industry under the principle of self-reliance. According to a Chinese broadcast, last year's output of crude oil, natural gas and refined oil showed 13 to 20 percent increases over 1973. The production of lubricants, kerosene, diesel oil and gasoline also rose substantially.

**Oil Field Statistics**—A Japanese delegation, on returning from a recent trip to China, estimated that production at the Shengli oil field, in the Northern Shantung district, was more than 200,000 b/d. Another report said both the crude oil processing plan for Shengli and its synthetic ammonia plan for January 1975 were ahead of schedule. According to a provincial broadcast, the daily synthetic ammonia output reached 226 tons.

**Oil Output Rise**—Crude oil production in China's largest field, Taching, overfilled its first quarter production and achieved a 15.1 percent increase over the same period in 1974, reports Hong Kong's *Ta Kung Pao*. Western journals speculate that China's production this year will reach 72 million tons as compared with 60 million tons last year.

**Petrochemical Plants**—A Chinese scientific journal reports that construction on a petrochemical complex Southwest of Peking, which was begun in the late 1960's, is now completed. By 1969 three large scale oil refining installations had been constructed and, following these, butyl rubber and phenol acetone chemical installations were built. At present, 15 oil refinery and chemical installations are in production. The main plant now has eight branch plants which produce over 50 products, including fuel oils, lubricants, benzenes, paraffins, synthetic rubbers, plastics and organic chemical raw materials.

**Off-shore Rig**—The drilling rig on Pohai No. 1 is the first off-shore rig designed and made by China. Since going into operation three years ago, it has worked remarkably well reports China News Agency.

*From "Pohai Number 1 Offshore Drilling Rig," K'o-hsueh Shih-yen, No. 1 January 1975.*

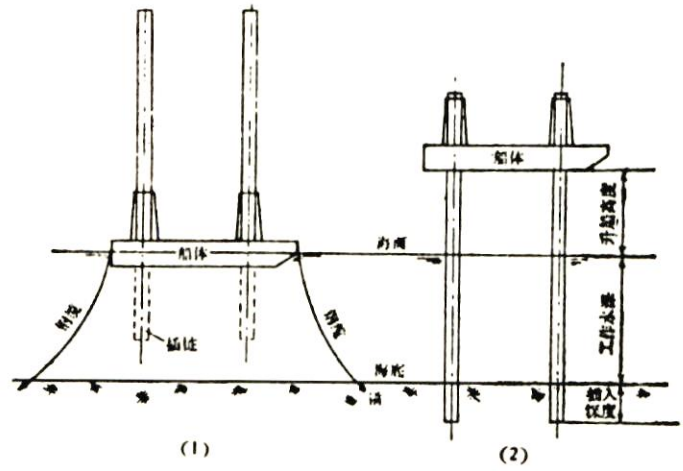



**Fig. I Showing operation of self-escalating drilling rig**

(1) Rig is towed to the well site:
   a. Tugboat helps it cast four anchors. b. Legs are driven into ocean floor. c. Press-stress to increase load capacity of legs and to increase the carrying capacity of the base.

(2) Escalation of rig:
   Following pre-stress, rig begins to escalate. Entire platform is raised to a certain height above water to avoid impact by waves and current before drilling proceeds.

**Oil Prospecting Equipment**—New China News Agency reports that four hundred sets of large oil prospecting instruments and more than 100,000 ancillary ones were turned out in Shensi province last year. The output represented a 220% increase over 1965. The equipment, used for the geophysical prospecting of underground oil and gas, includes seismographs, well-logging devices, gravimeters, field electric apparatus and gas analysers. Complete sets of large precision instruments are now supplied to all parts of the country from Sian. Progress has been made from electronic tube to transistor and integrated circuit types and from direct to analogue and finally to digital recording.

### CHINA'S ECONOMY IN PAPERBACK

Peking's Foreign Languages Press has recently published an attractive 58 page paperback entitled *A Glance at China's Economy*, which summarizes the economic progress achieved by the PRC since 1949. The book is divided into six sections—agriculture, industry, transportation, finances, foreign trade, and people's livelihood—and interspersed with more than 45 pages of photographs, both color and black and white. While the tone of this volume is unquestionably upbeat, it does not lack for candor: "Although China's industry has made remarkable progress, it is still far behind that of the industrialized countries." For China traders interested in seeing how the Chinese themselves view their economy, *A Glance at China's Economy* is a bargain at only 75 cents. Orders may be made directly from:

Guozi Shudian
P. O. Box 399
Peking, People's Republic of China

## MANUFACTURING PROGRESS

**Machine Production**—A digital-program controlled vertical melting machine has been trial produced by the Tsinan No. 3 machine tools plant and the Tsinan automatic instruments and meters plant in Shantung. The new product is of high precision and is completely automatic. The milling cutter can move transversely, vertically and longitudinally.

**New Surgical Instruments**—Shanghai's medical instrument industry has developed approximately 100 new products over the past two years. More than half of these involved new technology such as electronics, isotopes, cryogenics, lasers and ultrasonics. *China Reconstructs* reports that among the new instruments are a cryogenic scalpel used in the treatment of cancer, a laser scalpel, an adjustable external pacemaker for use in coronary conditions, a synchronous respirator used in cases of respiratory failure, a pneumatic breastbone cutter and a pneumatic skull drill.

**Electronic Products**—China is now producing and exporting complete sets of electronic components, semi-conductors and electro-vacuum devices and integrated circuits, according to Chinese reports.

**Computers**—A Chinese broadcast reported that the computers on display at the last Fair have a higher calculating speed and are of a better quality than those shown previously. On display was a DJS-130 electronic computer using integrated circuits and performing 500,000 operations per second.

**Laser**—According to a Chinese scientific journal, a laser cloud altitude measuring instrument has been made. This will be used to measure the altitude of a cloud in weather observation.

**Hobbing Machine**—Shanghai's No. 1 machine tool plant has just produced China's first heavy-duty hobbing machine. This machine, which consists of 11,286 parts, is used in the metallurgical, mining, petroleum and machine building industries. It is used to process spur, helical herringbone and heavy cylindrical gears with diameters up to 8 meters and a maximum module of 30. Fitted with a finger type gear milling cutter, it reportedly can cut a 70 ton gear with a maximum module of 60.

**Laser Developments**—China's twist laser lead screw automatic measuring machine was produced by a Peking machine tool plant in cooperation with research institutes. The machine uses a laser interference technique to measure the pitch errors of various high precision lead screws up to two meters. Hsinhua news also reports that China has produced a high-precision phase laser geodimeter for goedetic survey work.

**New Printing Technique**—Some printing houses in Peking have been using photo-composition coupled with light-sensitive nylon relief printing plates.

**Computer Output Up**—Shanghai's No. 13 radio works, which specializes in manufacturing electronic computers, announced that its production value in 1974 surpassed the record set in 1973 by 180%. In 1974, production of middle-speed computers for general purposes and desk-type computers, performing 110,000 calculations per second was five times that of 1973. The factory also produced two general purpose high-speed integrated circuit computers performing nearly 1,000,000 calculations per second.

**Color Films by Dye Transfer**—China has succeeded in making color films by the dye transfer process. China's color film industry is being developed in Peking, Shanghai, Tientsin, Liaoning, Hopei and Shantung.

## POWER GENERATION

**New Power Stations**—In Fukien, four stages of the Kutienhsi hydroelectric power station have been completed. The twelve generating sets have a capacity 40 times larger than that in 1947. Preparations are being made for the construction of a fifth stage. In Honan, the Tanho power station has been completed. It has two 100 KW generating units. A single furnace tangential firing boiler with a capacity of 410 tons an hour was designed and assembled by local workers. In Kweichow Province, 240 small hydroelectric power stations totalling 2,640 KW in generating capacity have been built since 1965. These stations are located in Liping County, Southeast Kweichow, and Miao-Tung Autonomous Chou.

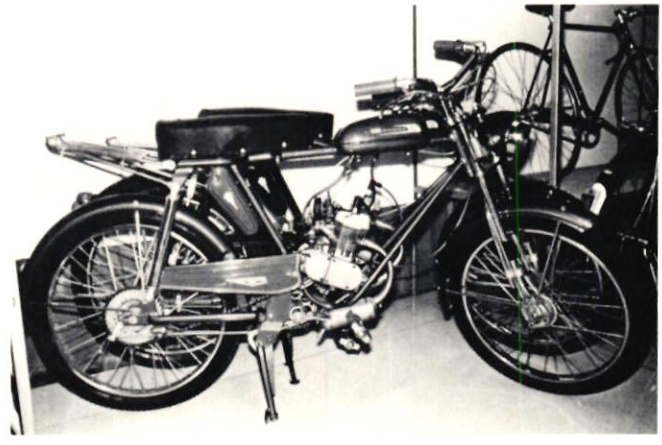
**Computer in Power Plant**—An electronic computer to control the operation of a 10,000 KW coal burning steam turbine generating set has been installed in the Kaoching Power Plant on the outskirts of Peking.

## AGRICULTURE

**Rice Acreage Expanded**—Since 1949 China's paddy fields have been expanded by a third and rice out-put has been faster than that of grain. The increase in rice crops has been due to double or triple cropping (comprising wheat-rice or green manure-rice,) and to the development of a number of early-ripening, high yield and disease resistant rice strains. In Chekiang Province, reports Hsinhua, atomic radiation is used to improve rice strains.

**Chemical Fertilizer Plant**—Fengyang County in Anhwei has built a chemical fertilizer plant capable of producing 3,000 tons of synthetic ammonia a year. Construction began in March 1973 and was completed with a year. The plant has already begun producing chemical fertilizer for rural communes. Another plant in Kirin boasts a record

**A Chinese motor-cycle in Shanghai, April 1975—harbinger of a new era of transportation in China?**



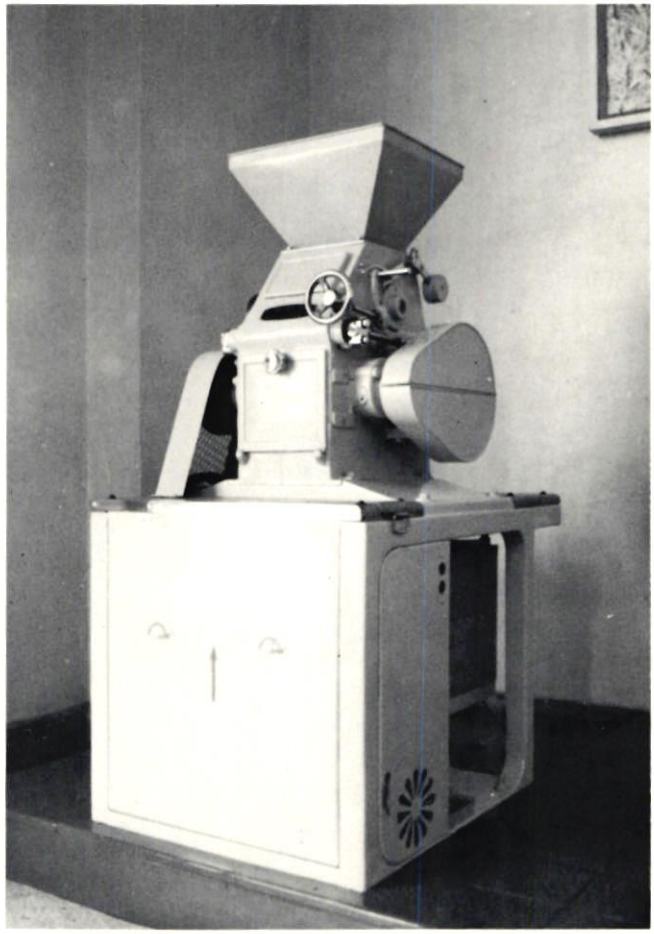
output of 331,000 tons of synthetic ammonia in 1974. The present production capacity is 6.6 times the original designed capacity.

**Crop Prospects**—Recent reports of unfavorable crop conditions in the PRC due to drought in the North and flooding in the South appear to be exaggerated. According to the USDA's Foreign Agricultural Service (FAS), steady rains throughout the North China Plain last fall, resulting in good soil moisture content through April, in combination with improved irrigation systems, have negated the possible effects of reduced rainfall in the area. With confirmed reports of on-time sowing and increased acreage given over to winter wheat, FAS expects the harvest of that crop to set a record. In the Northeast, where irrigation systems are not as developed as those on the North China Plain, the reduced rainfall could have a negative impact upon the harvest, but analysts are still cautiously optimistic. Similarly, prospects for early rice in South China are reckoned as favorable, despite reports of severe flooding. FAS points to good drainage progress made during the last several years in that part of the country as the key factor in overcoming any possible damage caused by the flooding.

## TRANSPORT AND SHIPPING

**Ports**—NCNA announced that a petroleum loading terminal of the 50,000 ton class was recently completed at the southern port of Chanchiang. Huangpu port in Kwangtung is now capable of accepting 10,000 ton vessels. The number of its loading and unloading machines has increased 70% since the start of 1975. The port is now being further expanded and will soon be capable of accepting 20,000 ton vessels.

**A rice processing machine displayed Canton, April 1975.**



**Freighter Launched**—Chiangnan shipyard in Shanghai which built FENGCHING has just launched CHANGYANG, a second 10,000 ton class freighter and is completing the hulls of two other freighters in the same class. A 16 percent rise in output value over last year was reported.

**New Marine Instruments**—Also displayed in Kwangchow were photos of many types of marine diesel engines, including a 10,000 h.p. one made by the Shanghai diesel engine plant.

**Freighter's Maiden Voyage**—Shanghai's newest 10,000 ton freighter, the SS FENGHUANG, just completed a five-month cruise from Shanghai to European ports. The voyage of the FENGHUANG closely followed a successful 32,000 mile maiden voyage by the SS FENCHING.

**Air Terminal at Urumchi**—China recently announced the completion of a 24 hour-service airport in Urumchi, Sinkiang in Northwest China. The total area of the terminal building covers 10,200 $m^2$. Its reception hall can accommodate 500 persons and its restaurant can serve 400 passengers simultaneously, according to China's *Architectural Journal*. With the broadening of China's international aviation ties, air traffic to Urumchi has increased making expansion of terminal facilities necessary.

**Canton's Shipbuilding Industry**—Canton announced the launching of the mv. Hsinyang on May 15. The ship has a length of 161.25 m, a beam of 20.4 m, and a height of 31.2 m. The ship can carry 12,000 tons of cargo a distance of 15,000 nautical miles non-stop at a speed of 18.3 knots. A similar ship, the mv. Liaoyuan, was launched earlier.

**Canton Port**—The Canton harbor is now a full fledged port, reports NCNA. The harbor now has reinforced concrete quays totalling more than 700 m, warehouses with a total floor space of 20,000 sq. m. and large storage areas.

## TEXTILE INDUSTRY

**Textile Progress in Fukien**—The New China News Agency (NCNA) reports that Foochow, Amoy, Sanming and other cities in the province now have modern cotton, silk, knitwear and printing and dyeing mills. Other advances include the manufacture of artificial fibers in some areas.

**Plastic Stockings**—Shanghai has trial produced plastic paddy footwear for farmers who work in rice fields. The plastic stockings are light weight, durable and fit well. Mud doesn't stick to them and they are reported to protect the wearer from rheumatism, skin diseases, schistosomiasis, leech bites and chemical fertilizers.

**New Cotton Prints**—An increasing variety of printed cotton, dacron and silk is appearing in town and country stores to the delight of China's female consumers, according to *China Reconstructs*. The designs are lively and the colors are gay, which appeals to China's peasants. 完

# INTERNATIONAL CHINA NOTES

## CHINA BUYING REPORTS

**Shape Steel**—Topy Industry Co., Ltd. will supply 12,000 tons of shape steel to China. The value of the contract is approximately ¥ 10,000 million. The shape steel will be manufactured at a rate of 3,000 tons monthly for completion by the end of September.

**Oil Filters**—Two oil filters of the AM Oil Field type were sold to China by San-netsu through its agent in Hong Kong. The AM Oil Field is an industrial filter system designed to filter lubricants, cutting oil, operating hydraulic oil, and tempering oil, for removing small amounts of sludge or water facilitating repeated use of such oil.

**US Cotton Sales**—In this period of drastically reduced agricultural exports to the PRC, the century old phrase "king Cotton" still retains a vestige of its former meaning: alone among the four staple farm products the US had been selling to the Chinese in large quantities, significant shipments of upland cotton continue to flow through the pipeline to Peking. USDA reports that by mid-June more than 234,000 running bales of American cotton had been shipped to China during the marketing year which will end July 31, 1975. Of this amount 192,000 bales valued at about $57 million have gone since the first of the year. In that same period no US wheat, corn, or soybeans has been shipped to the PRC. For the upcoming marketing year, none of these four commodities is registered for shipment to China.

**Image Analysis System**—Machimpex has completed negotiations to buy one image analyzing computer from a British firm. It is the model displayed at the British Machine Tool and Scientific Instruments Exhibition. The £65,000 system is used for quality control in engineering.

**Printing Ovens**—Gibbons Brothers, Ltd. of the U.K. is presently manufacturing six tin-plate printing ovens for the PRC.

**Tanker Oil**—China is buying bunker oil for its flagships under a contract with Exxon Corporation of the United States.

**Jet Engines**—Reports have it that agreement on all but minor details has been reached on production of Rolls Royce Spey jet engines in China. Initially, large parts will be shipped to China for assembly, with full production and training completed in the next decade. The Spey engines are used primarily for the Trident airliners China bought from Hawker Siddeley Aviation.

**Kraft Pulp**—Crown Zellerbach Canada Ltd. sold 15,000 tons of unbleached kraft pulp to the PRC. The contract price was reported to be "many millions of dollars."

**Gas Turbine Generators**—Japan's first export of electric generating facilities to China has come via Hitachi Ltd.'s sale of two 25,000-kilowatt oil-burning gas turbine electric generators. The ¥ 1,500 million order on a payment and yen down, payment-on-delivery basis will be completed by the end of July, 1976.

**Scientific Instruments**—Shandon Southern Instruments (U.K.) announced sales worth £10,000 to China with a potential of £100,000 worth of business.

**Steel Products**—China has ordered $6 million worth of steel products from Spain. The order includes seamless tubes, specialty steel, and rolled steel products. The contract is a result of the Chinese economic mission visit at the beginning of the year.

**Copper, Coconut, Timber**—The Philippine Trade Department approved specific exports to China growing out of the 1974 volume trade agreement. The contracts are for $3.94 million worth of copper concentrates, coconut oil, sawn logs, and timber.

**Submarine Cable**—By autumn 1976, an 850-kilometer Japan-China submarine cable capable of accommodating 480 telephone circuits should connect Reihoku, Japan and Shanghai. The cable is being laid by Kokusai Denshin Denwa and the Shanghai Municipal Post and Telegraph Administration for a total cost of ¥ 6,000 million (U.S. $19.48 million) shared equally.

### CHINA'S IMPORTS OF FOUR AGRICULTURAL COMMODITIES, CALENDAR YEARS 1972-1976

| | *1972* | *1973* | *1974* | *1975** | *1976** |
|---|---|---|---|---|---|
| **WHEAT** (million m.t.) | | | | | |
| US | 0.5 | 2.6 | 1.9 | ** | U |
| Canada | 3.7 | 2.4 | 2.0 | 3.1 | 2.0 |
| Australia | — | 0.8 | 1.6 | 1.4 | 1.6 |
| Argentina | — | — | 0.2 | 0.5 | 0.5 |
| France | — | — | 0.2 | — | U |
| TOTAL | 4.2 | 5.8 | 5.9 | 5.0+ | U |
| **CORN** (million m.t.) | | | | | |
| US | 0.4 | 1.4 | 0.9 | — | U |
| Argentina | — | 0.1 | 0.7 | 0.5 | 0.5 |
| TOTAL | 0.4 | 1.5 | 1.6 | 0.5 | U |
| **SOYBEANS** (000 m.t.) | | | | | |
| US | — | 198 | 700 | — | U |
| **RAW COTTON** (000 480 lb. bales) | | | | | |
| US | — | 635 | 800 | 33*** | U |
| ALL SOURCES | U | 1,700 | 1,600 | U | U |

* Estimate based on contracts already signed
** Less than 0.1
*** Already shipped
U Uncertain
Source: NCUSCT based on USDA and other data
*This table supercedes and corrects the information given in the table in UCBR Vol. 2 No. 2 p. 17.*

## Price Changes of Leading Commodities in Japan-China Trade Since 1968

**China's Exports to Japan**

| | 1968 | 1972 | 1973 | 1974 | 73/74(%) |
|---|---|---|---|---|---|
| Shrimps, lobsters prawns | 100 | 201 | 238 | 228 | − 4.2 |
| Chestnuts | 100 | 148 | 268 | 222 | − 17.2 |
| Beans | 100 | 135 | 206 | 252 | 22.3 |
| Raw silk | — | 100 | 178 | 189 | 6.2 |
| Rosin | 100 | 203 | 241 | 288 | 19.5 |
| Silk yarns | 100 | 136 | 279 | 252 | − 9.7 |
| Cotton fabrics | 100 | 177 | 308 | 454 | 47.9 |
| Silk fabrics | 100 | 124 | 199 | 246 | 23.6 |
| **Japan's Exports to China** | | | | | |
| Polyester fibers | 100 | 72 | 117 | 189 | 61.5 |
| Urea | 100 | — | 103 | 169 | 64.1 |
| Ammonium chloride | 100 | 77 | 113 | 200 | 77.0 |
| Ammonium sulphate | 100 | 72 | 116 | 168 | 44.8 |
| Vinyl chloride | 100 | 88 | 133 | 311 | 133.8 |
| Cold rolled plates sheets less 0.9 | 100 | 111 | 153 | 204 | 33.3 |
| Seamless tubes | 100 | 114 | 149 | 197 | 32.2 |
| Heavy plates & sheets less 6 mm | 100 | 133 | 171 | 259 | 51.5 |
| Plates & sheets of silicon steel | 100 | 85 | 123 | 149 | 21.1 |
| Roller bearings & needle-roller | 100 | 104 | 110 | 139 | 26.4 |

Source: JETRO
NOTES: 1968 = base year, on dollar base. Value of Chinese exports on CIF base. Japanese exports on FOB.

**Sugar**—The Australian Sugar Board announced the sale of two shipments of Australian sugar totaling 25,000 tons to China.

**Bearings**—Vandervell Products, Ltd. signed contracts to supply replacement bearings for Volvo and Fiat vehicles imported by the PRC.

**Motor Cars**—On June 3, 1975, Toyota Motor Co., Ltd. announced the sale of 544 motor cars including small capacity Toyo Ace trucks to China. The value of the deal is ¥420 million.

**Artificial Kidneys**—With the help of Chori Co., Asahi Chemical Industry Co. will undertake a sales drive to sell its newly developed artificial kidneys to China. The new kidney uses hollow bemberg fibers as the partition membrane of the kidney. Asahi has filed eleven patents in Japan and three abroad after spending six years in research and development of the new artificial kidney.

**Trucks**—China presently has more than 11,000 Berliet trucks in service. Following Vice-Premier Teng Hsiao Ping's visit to France and negotiations at the Berliet factory, further orders for trucks may be forthcoming.

**Seamless Piping**—China agreed to buy steel piping under a major steel agreement reached recently with six major Japanese steel makers. Originally the purchase of piping was to be on a deferred payment basis but China has now agreed on cash terms. Earlier, the Chinese demanded a lower interest rate for loans financing the export of pipe to China. The Import Bank of Japan refused to lower its 7.8% interest rate for piping to the 7% rate charged on the loans for basic equipment contracted for under the original agreement. All the contracts for steel products to be loaded during the May-August period are now completed. The total value of these contracts is about $400 million.

**Trucks, again**—China has purchased 260 trucks including dump trucks from Isuzu Motor Co., Ltd. Shipment is to be in September 1975, with total price about ¥ 1,000 million.

**Tape Recorders**—Following the Belgian exhibition in Peking, China has purchased 10,000 tape recorders from Schlumberger, a Belgian subsidiary of Schlumberger Ltd. USA, for delivery in 1975.

**Machinery and Valves**—Techimport ordered 1,500 electrical and pneumatic machines and valves totalling 300 tons from Munzing, a French firm. This machinery will be installed in the vaporizing and superheating circuits of the petrochemical complex in Shenyang, 400 kilometers northeast of Peking.

**Computers**—Four directors from Control Data have visited Peking at the invitation of Machimpex.

**Japanese Sales to China—Plant Negotiations** In a speech delivered in Paris in mid-June Mr. Masahiko Ebashi, an official with JETRO, noted that negotiations for copper refining plants and natural gas liquesfaction plants were underway between the PRC and Japanese firms. Mr. Ebashi also said he understood the establishment of oil storage facilities in China was being considered in anticipation of an intergovernmental agreement—"or that a refinery should be built in China, instead of building a residual oil cracking plant in Japan, so that Japan could buy refined oil products from China." According to Ebashi, Japanese firms claim it is not worthwhile to establish a cracking plant to refine crude oil from China unless Chinese oil prices are reduced to less than $9 a barrel. If a cracking plant was set up in the PRC, possibly it might involve Japanese funds against a guaranteed supply of output to Japan.

## CHINA SELLING REPORTS

**Oil**—The second meeting of the China-Australia joint trade committee held in April discussed possible imports of Chinese crude oil. Samples of Chinese crude oil are now being tested in Australian refineries for suitability on the Australian market.

**Dishonored Textile Contracts**—The Japanese Ministry of International Trade and Industry (MITI) estimates the value of dishonored textile contracts at ¥ 15,000 million at the end of February. The MITI survey covered 54 Japanese firms encompassing 85% of Japanese firms with Chinese textile contracts. The contracts involved cover the import of work dresses, underwear, and pajamas. Japanese firms are reported to have reached agreement concerning shipment dates and prices on about 70% of the contracts. Contracts yet to be settled total approximately ¥ 7,800 million with the Japanese urging China to cancel ¥ 3,400 million worth of contracts.

**Textile Mills**—China won an order to supply the bulk of machinery and equipment for two textile mills to be built in Baluchistan as a Pakistan-Iran joint venture. The mills will be commissioned by mid-1977 at an estimated cost of £29 million.

**Cotton**—A Japanese firm, Toyo Menka, has contracted to buy approximately 2,000 bales of cotton at 40-41 US cents per pound C & F to use in making low count yarns. This price is about 10% above recent international prices. In the future Toyo Menka hopes to establish long-term supply contracts with China.

**Tobacco**—USDA reports a record high of 188 million pounds of cigarette leaf imports duty-paid for US consumption in 1974: Some of that tobacco comes from the PRC.

**Maize**—Long-term export of Chinese maize to Ichiji Shukeijo KK, a Japanese poultry farm operator, has been contracted through a Chinese agent in Hong Kong. The deal is for 50,000 tons per year estimated to reach approximately $6-$8 million worth of maize.

**Home Furnishings**—Lord & Taylor has announced introduction of Chinese housewares which should arrive in September. Among the products are tables, rattan pieces, chests, baskets, ceramics, stoneware, woven mats, and Christmas ornaments. Price tags on the furniture will range from $95 to $1,000.

## EXHIBITIONS AND EXCHANGES

**Bulgarian Trade Agreement**—An agreement on goods exchange and payments for 1975 was signed in Peking March 11, 1975, between the People's Republic of China and the People's Republic of Bulgaria.

**Ghana Trade Protocol**—Ghana and China signed a trade protocol for trade development 20 May 1975. Under the protocol Ghana is to export timber, cocoa beans, cocoa products, coffee, minerals, tobacco leaf, hides, and skins to China. In return China will export agricultural machinery and equipment, ferro-metal products, cotton yarn, textiles, and general merchandise.

**Belgian Economic Delegation**—Prince Albert and his delegation from Belgium arrived in Peking to visit and open the Belgian industrial exhibition there in early April.

**Cologne Fair**—Chinese-German friendship was promoted June 13 to 25 via the Chinese exhibit at the Cologne Fair. The exhibit included agricultural machinery and equipment as well as irrigation systems.

**Industry and Technology Fair**—The most comprehensive Japanese industry and technology exhibition ever staged overseas will open in Peking in November. More than 200 companies will introduce every aspect of the steel, petrochemical, machine tool, electronic, and other industries from 18 November to 20 December 1975.

**Electronics Exhibition**—Almost 120 Japanese companies participated in the electronic products and measuring instruments fair held in Shanghai June 4-18. The fair, sponsored by the Japan Association for the Promotion of International Trade, displayed some 1,000 machines worth ¥2,400 million (U.S. $8 million).

**SBTC Visit**—Lord Nelson visited China the first week of April in his capacity as president of the Sino-British Trade Council. Lord Nelson was optimistic, predicting increased Sino-British trade.

**Canadian Trade Fair**—China has accepted an invitation to participate in Marketplace '76, the sixth British Columbia international trade fair. The fair will be held at Exhibition Park in Vancouver May 5-16, 1976.

**Canadian Art Exhibition**—A Canadian exhibit of 69 landscape paintings was shown in Peking and Shanghai in April and May to reciprocate for China's archaeological exhibit in the Royal Ontario Museum in Toronto. The collection includes a selection of traditional landscapes representing all parts of Canada.

**Laos-China Trade Agreement**—A trade agreement was signed in late March between Laos and China. As a result, China will grant RMB 50 million worth of loans to Laos for purchase from China of medicines, trucks, canned food, textiles, building materials, and oil.

**Trademark Registration**—The Chinese Minister of Foreign Trade and the Greek Ambassador to China exchanged notes confirming an agreement on registration of trademarks on a reciprocal basis.

**Japanese Shipping Delegation**—At the invitation of China Ocean Shipping Co., a 15-man Japanese shipping delegation led by Morishi Miwa arrived in Peking May 19th to discuss opening cargo liner services, and establishing a Sino-Japanese shipping council.

**Forward RMB Rates**—In accordance with the agreement concluded with the Bank of China in April, beginning May 6, the Bank of Tokyo is now quoting forward RMB rates against Japanese yen. The other 25 Japanese banks doing Sino-Japanese trade are expected to negotiate similar agreements individually. Forward rates must be supported by actual transactions.

**Canada-China Commercial Agreement**—The PRC and Canada have reached agreement on an exchange of commercial and economic missions in 1975. Topics to be discussed include transportation and energy.

**Environmental Delegation**—An eight-member Chinese environmental protection survey delegation from the Office of the Environmental Protection Leading Group under the State Council visited Japan leaving Peking June third.

**Oil Mission**—Idemitsu Kosan Co. sent a mission to China the first week of June for exchange of information on oil refining and distribution. It is the first such mission between Japan and China. The itinerary was not made public but reportedly included visits to Taching oilfields, a refinery in Peking, and other oilfields. The mission possibly discussed induction of Chinese technology to extract greater volumes of gasoline, kerosene, and naptha from crude oil than by technologies used in other countries.

**China-Bangladesh Agreement**—During a ten day visit by a four-member Bangladesh trade delegation, four trade agreements were signed at the Canton Fair. Direct trade relations were established and while the Bangladesh delegation invited China to participate in the Dacca International Fair in December, Chinese officials extended to

Bangladesh an invitation to the October Canton Trade Fair.

**China-Sudan Protocol**—A trade protocol calling for trade in 1975 amounting to £36 million was signed by China and Sudan. The trade apparently will be split evenly to maintain an equal trade balance.

## AIR AND SEA

**Tugboats**—Hitachi Shipbuilding and Engineering launched two tugboats to be delivered to Machimpex. They are scheduled for completion in September and will also be used as rescue ships. Total output power is to be 9,000 h.p. with a maximum trial speed of 18.8 knots.

**PRC-Belgium Agreements**—The PRC and Belgium have signed both a maritime and civil air transport agreement. The agreements are government-to-government arrangements, details of which were undisclosed at the signing 20 April 1975.

**Shipping Tax Exemption**—The PRC and Sri Lanka exhanged notes agreeing to provide for mutual exemption from income and other taxes on freight earnings by vessels of China and Sri Lanka in their respective ports. The China-Sri Lanka joint shipping service to which this exemption applies was established in 1972.

**Chinese Ship Repair Order**—Repair work on two Chinese cargo ships was ordered from Kawasaki Heavy Industries.

**Chinese Ship Departs U.K. Port**—The Chinese cargo vessel, *Fengbao*, built in Shanghai, left London on the return leg of her maiden voyage. The *Fengbao* is the fourth 10,000 ton long-haul cargo vessel built for service between China and Europe. Although there is no liner service from China to the U.K., these new vessels reflect China's growing self-reliance in shipping and alleviation of delays due to chartering problems on the Chinese side.

**Aircraft**—It is expected that the Chinese will soon order a substantial number of British Aircraft Corporation One-Elevens.

**Montreal Loading**—For the first time China is shipping wheat from an eastern Canadian port. 35,000 tons of wheat were loaded on the *Kuang Hai* with another 34,000 tons to be loaded on the *Ming Hai*. The shipping arrangements were made by March Shipping Ltd., general agents for the China Ocean Shipping Corp.

**Direct Shipping to U.S.**—Five hundred eight tons of Chinese synthetic cryolite for aluminum manufacture arrived in Seattle aboard the Greek flagship *Sklerion*. The shipment came directly from Hsinkang with Transmarine Navigation Co. acting as agents for the vessel. Previously, shipments of Chinese goods bound for Seattle came via Japanese ports.

## TOURISM

### Travel Gazette No. 1, 1975

The National Council recently received a new addition to its collection of travel guidebooks, *Travel Gazette, No. 1, 1975* published and distributed through China Travel Service (H.K.) Ltd. The book contains city maps, descriptions and transportation schedules in both English and Chinese. The English text covers Shanghai, Kwangchow, and Hangchow. Bright color pictures highlighting special sites of each city are scattered among accounts of the revolutionary history, industry, geographic facts, and famous features of each city.

The Chinese text describes the new wing of the Peking Hotel opened in October 1974 especially for accommodation of foreign guests. Included is a sightseeing map of Peking. Also featured in Chinese but not English are descriptions, information, and maps for Soochow, Wushi county—between Shanghai and Nanking—and Fushan.

The last section of the booklet contains all travel information for international and domestic transportation. CAAC international flight schedules featuring Peking-Karachi, Peking-Tokyo, and Peking-Paris options are published together with CAAC agents and foreign carrier telephone numbers in Hong Kong.

Details for baggage allowances, reservations, cancellations, children's fares, and hotel accommodations are given for domestic CAAC service. Passenger fares and schedules are provided for a variety of cities including Shanghai, Kwangchow, Peking, Chungking, Haikow and Swatow.

In addition, railway schedules are listed. There are simplified schedules for Kowloon-Canton trains on weekdays, Sundays, and public holidays. An abstracted map displays the major rail networks including that of Taiwan.

## FOREIGN AID

**Chinese Geologists to Tanzania**—Field studies of coal and iron ore deposits in Tanzania are expected to be completed this month. The Chinese geologists arrived in late 1974, and held discussions with the government and State Mining Corporation before conducting field studies. The goal of the study is to develop a coal mine at Tukuyu and an iron ore mine at Chunya with a railroad to transport the coal to the iron ore mine for its reduction. The project would be financed initially through a $75 million loan agreement established last year between the Chinese and Tanzanian governments.

**Fishermen's Compensation**—Leaking fuel oil from a grounded Chinese freighter has damaged Japanese fishing. As compensation, China has offered to pay 160 million yen to the fishermen.

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**Statistics**—According to US Government estimates, Chinese total world trade in 1974, was $13.7 billion. Of that total, exports were $6.3 billion; imports were $7.4 billion. Total PRC-US trade for 1974 was $933.8 million of which $819.1 million were exports and $114.7 million were imports. The figure for total U.S.-China trade in the first five months of 1975 is $178.9 million.

## JOBS WANTED

**PRC Oil Engineer.** Oil geology graduate Peking Geological College; 12 years work experience in PRC as oil engineer. Fluent in Mandarin and Cantonese. Seeks position with firm in oil trade with China as researcher, analyst, advisor translator and/or member of negotiating team.

**Writer-Researcher-Translator.** Seeking position doing research or translation work. Also experienced as Chinese language teacher. Six years as Chinese instructor at Cornell University. Born in Peking. 完

# CHINESE PUBLICATIONS of Interest to Businessmen

For businessmen interested in increasing their understanding of China's political and developmental perspective, PRC English language ideological and economic publications offer a firsthand insight into the thinking of the Chinese leadership and current aspects of China's economic development. Unless noted, all of these publications may be ordered directly from: Guozi Shudian, P.O. Box 399, Peking, People's Republic of China.

In addition, the publications are available for reference at the National Council offices in Washington, D.C.

*Peking Review.* Weekly, $4.50 per year, by air. This 32-page magazine carries articles on China's view of current world developments, both political and economic. Each edition features a summary of major world and domestic developments which have occurred during the previous week as well as a number of major policy pronouncements. Recent articles include "International Economy: The World Advances in Struggle," "Going in for Agriculture in a Big Way," and "Significant Progress in China's Grain Production." Issues also provide news about technical progress.

*China Pictorial.* Monthly, $4.00 per year, by air. As the name suggests, this 46-page magazine presents China in color pictures, rather like the Sunday rotogravure. Articles emphasize economic development on the local level, with a smattering of political content such as selections on the importance of the Legalist-Confucian debate. The crisp photos of Chinese machinery may be of particular interest to corporate planners. Recent articles have included shots of the Tsunyi Iron Alloy Plant and electronic computers manufactured in Peking.

*China Reconstructs.* Monthly, $3.00 per year, by air. This 48-page periodical is somewhat similar to *China Pictorial,* with a heavier emphasis on copy and not as many pictures. At the same time there is a greater balance among political, economic and historical subjects here, with technical subjects usually accounting for 25 or 30 percent of the content. A recent issue contained a fairly detailed description of the PRC's new hydro-power station with many good black and white photos. Other recent selections have highlighted a copper mine in the Northeast and a meterological station in Shensi.

*China's Foreign Trade.* Quarterly, $3.00 per year, by sea, $12.00 by air. Featured in *UCBR* (Volume 1, No. 5) this publication is a virtual must for anyone considering entering the China trade, and certainly informative even for veterans. The keynote article in the first issue was written by Foreign Trade Minister Li Chiang. Other articles have covered crude oil and petroleum products, various descriptions of Chinese ports, as well as descriptions of leading export products.

*Economic Reporter.* Bimonthly, HK$18.00 (US$3.50) per year by air. This 44-page magazine, published by, and available from Economic Information Agency, 342 Hennessey Road, Hong Kong, reflects the PRC perspective, though it is published in Hong Kong. It emphasizes economic developments within China in a more comprehensive manner than either *China Pictorial* or *China Reconstructs,* though the layout is not as attractive as either of those China-produced publications. Nevertheless, this is one magazine the foreign businessman interested in the China trade should consider. Recent articles have included pieces on China's currency and shipbuilding industry.

*Ta Kung Pao.* Weekly, $12.50 per year by sea, $18.00 by air. This 16-page tabloid newspaper from Hong Kong highlights the major news items from the Chinese daily press, including *People's Daily.*

In the last several months economic developments have been receiving substantial attention. A typical issue might carry a survey of crop conditions in China, reports on electrical output in Shanghai and details of the PRC's domestically produced offshore drilling rig. One always interesting feature is the "Letter from Peking" prepared by American expatriate Julian Schuman. Schuman's columns capture aspects of life in the Chinese capital which are difficult to find elsewhere, and occasionally offer some good insights into economic developments. A recent letter dealt with drinking in the PRC including the varieties of alcoholic beverage produced in China. The newspaper also reprints from the New China News Agency short one or two paragraph reports on Chinese industrial and agricultural developments.

Recognized as the official PRC voice in Hong Kong, *Ta Kung Pao* may be ordered directly from the publisher at 342 Hennessy Road, 7th Floor, Hong Kong. 完

# 美中贸易全国委员会及会员公司

## 热烈欢迎

# 中国国际贸易促进委员会代表团

## 一九七五年九月

# 第一次来美访问

The National Council for US-China Trade
and Its Member Companies
Warmly Welcome the Delegation from the China Council
for the Promotion of International Trade
on the Occasion of Their First Visit
to the United States of America
September 1975