



NO. 3

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.

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- 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.

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U.S. CHINA BUSINESS REVIEW



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Design
Louise Levine

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

CHINA TRADE EVENTS

MONTREUX, Switzerland May 8-11

Europe and China, an international conference, held under the auspices of the European Movement in collaboration with the Europe China Association. Papers included subjects on China trade. Details of this and future events: Europe China Association, Square de la Quietude, 7.B- 1150, Bruxelles, Belgium.

MILWAUKEE, May 14

Christopher H. Phillips, President of the National Council, addressed the World Affairs Council of Milwaukee at seminar on China trade.

WASHINGTON, D.C. June 2

The National Council for US-China Trade will hold its Second Annual Meeting at the Mayflower Hotel. Further information: Barbara O'Hara (202) 331 0290.

ANN ARBOR, Michigan June 5-6

University of Michigan, Graduate School of Business Administration, Ann Arbor, Mi. 48104, will hold a

two-day workshop on doing business with the People's Republic of China. Information: Frixos Massialas, Program Director (313) 763 1387.

QUEBEC CITY, Quebec, Canada August 18-20

In depth China trade symposium reappraising Canadian and US viewpoints, sponsored by the American Management Association (AMA), co-chaired by Eugene A. Theroux of the National Council and Roger E. Hatch, chairman of the Canadian Export Association. Details: Jack Cunningham (AMA) (212) 586 8100.

NATIONAL, September

Delegation from the China Council for the Promotion of International Trade (CCPIT), will visit the US hosted the National Council for US-China Trade.

KWANGCHOW October 15-November 15

The Chinese Export Commodities Fair will be held in Kwangchow.

SPECIAL INFORMATION FOR IMPORTER MEMBERS

The National Council now has on hand a number of valuable reference materials for US importers of Chinese products. These materials should give the prospective importer a good idea of what China has to offer, the volume and value of Chinese exports of hundreds of products to the US on a monthly basis, as well as the names of American companies already engaged in the China import trade, what they are buying by commodity, value and quantity, how products are being shipped, and through which ports. The Council's collection of China trade data from published sources worldwide provides importers and potential buyers of Chinese products with an in-depth picture of Chinese exports, product by product. Highlights of this information include—

The most complete set of Chinese export catalogues in the US. Published by the PRC's foreign trade corporations, these catalogues list products China has for sale with detailed specifications. Included is a listing of the products handled by each branch of a particular FTC.

Month-by-month Sino-US trade statistics — A monthly computer printout from the Trade Analysis Division of the Department of Commerce's Bureau of East-West Trade, containing a complete list of

products purchased from China by US firms, broken down into seven digit Schedule A and B, and SITC categories, comparable with the data published in the Council's Special Report No. 12, Sino-US Trade Statistics 1974.

Month-by-month consignee and port reports—Printouts from the *Journal of Commerce* Import Information Service under a program specially designed for the National Council. One of these lists Chinese exports to the US by seven digit TSUSA number, including name of consignee, port of origin, ship and shipping line, port of entry, date of entry and quantity. The second *Journal of Commerce* printout arranges products by consignee rather than TSUSA number. A third *JOC* printout contains product information according to port of arrival, weight, and value in US dollars. Many importer members have availed themselves of this information.

Detailed files, containing relevant material from more than one hundred publications worldwide, providing details of China's worldwide trade by product category.

For further information on how to utilize these resources, members should contact the Council at (202) 331-0290 or write directly to Council offices.

TRADEMARK LAW IN THE PRC:

Case Fables with Morals for Western Traders

Clark T. Randt, Jr.

For the US importer and corporate attorneys the practical application of China's trademark laws are sometimes difficult to fathom, both as they relate to products registered in China and to Chinese products whose trademarks are registered abroad. There is confusion too as to the application of China's domestic trademark regulations to foreign products—are foreign and domestic marks treated the same, for practical purposes? For the US importer, whose incentive to import Chinese goods may be considerably enhanced if he or she knows that distribution of the product will be backed by a registered trademark, the following article provides some insight into China's reciprocal trademark arrangements with foreign countries. For the corporate attorney, there is a detailed discussion, based on a hypothetical case, as to how the PRC's domestic trademark system operates. The article was prepared by Clark T. Randt, who represented the National Council at the Fall 1974 Kwang-chow Fair, and who is currently a law student at the University of Michigan specializing in international trade and East Asian Affairs.

The place is Wushr, People's Republic of China (PRC); the time, this morning. Comrades Wang and Chyou have just finished a fast set of tennis in the early morning sun before their work days begin. Fresh from their modern tear-open metal can, the new DA MA (BIG HORSE) brand tennis balls served

well. As Wang moves to return the balls to the can, he encounters resistance. Trying to push the ball past the sharp metal rim, Wang's hand is suddenly cut as the ball slips into place. That day at work with his bandaged hand, Wang discovers that others of his comrades have experienced the same mishap. The workers, familiar with the rights of the masses as articulated by Article 11 (4) of China's April 10, 1963 Regulations Governing Trade Marks, resolve to go before the local People's Committee and propose the cancellation of the DA MA trademark.

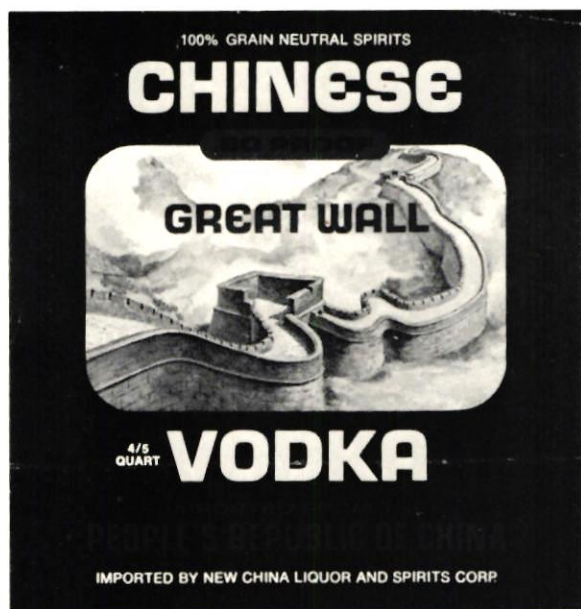
Of course, the entire preceding scenario is fictitious, but not without instructive value as the case illustrates one of the several functions which trademarks perform in the PRC's domestic legal setting. These functions are associated with the rubrics "warranty", "labelling", and "export licensing" under more familiar Western legal systems. Who cares? Foreigners engaged in or planning to do business with China should, because China's unique expansion of the institutional role of trademarks is likely to give Chinese officials a different perspective on what a trademark is. When the same word means different things to different parties to a negotiation, unforeseen difficulties and disappointments are a probable result.

Bare legislation without the supplemental definition usually provided by case examples raises as many questions as it answers. Although the PRC State Council promulgated a developed body of trademark

law in 1963, supplanting the PRC's Provisional Trade Mark Regulations of 1950, no reliable report of a domestic trademark dispute in the PRC has been unearthed. The attempt is, thus, to construct hypotheticals where the language of the law appears clear and to raise questions where the language leaves us unshepherded.

Reviewing The Design

Returning to Wang and his comrades, who plan, in effect, to enjoin operations at the DA MA factory by stripping the enterprise of its trademark, their proposal is passed by the local People's Committee



Great Wall

An interesting comment on the PRC's awareness of the marketing potential of export trademarks and on their flexibility toward foreign marks is the true case of the US owned New China Liquor and Spirits Corp. of New York. This company wanted to import Chinese vodka, but had reservations with regard to the Chinese brandname, Sunflower. This trademark appertaining to vodka from China conjures up images of a strange oriental tonic made from sunflowers, which is decidedly not the case. The 80 proof vodka from the PRC is made, like other vodkas, from grain, and, according to educated palates, is of extraordinary quality.

The American importers were able to convince the Chinese that they had a better idea. The Tsingtao bottling plant is now affixing GREAT WALL labels (printed and designed in the US) to the vodka, a trademark registered in the US by and for the importers. A mark that retains the Chinese identity of the product makes good sense as a marketing strategy for luxury items.

to the County Industrial and Commercial Administration, whence it goes to the Central Administrative Board of Industry and Commerce (CABIC) for final review. Operations are suspended, pending redesign of the defective container. This result is supported by the policy behind the promulgation of China's trademark regulations which, as stated in Article 1, is to "insure and improve the quality of products."

Like their foreign counterparts, Chinese trademarks serve to link merchandise with a responsible source of origin. The affixation of a registered trademark to commercial products in China, however, is more of a mandatory obligation than a right. Article 2 speaks of some commodities "exempted from trade marks," which must be accompanied by the names and addresses of the responsible enterprises. In this respect, the PRC's trademark law takes on the attributes of more familiar labelling legislation. This analogy is strengthened by Detailed Regulation (DR) 4, requiring that certificates from the Department of Health be attached to trademark applications for pharmaceutical products.

In capitalist economies, the market mechanism punishes the producers of shoddy goods with diminished sales, and trademark laws function to prevent consumer deception by passing-off. In other words, consumer expectations of quality appertaining to goods bearing a certain trademark are protected. In the PRC's planned economy, under which production quotas are set in advance by the State, this function of the market mechanism is replaced by quality regulation through trademarks. A look at how DA MA was first registered and maintained should prove elucidative in this regard.

Trademark Registration in China

Applications for the registration of a trademark must first, according to DR 13, be submitted to the County Industrial and Commercial Administration, after which the application is automatically reviewed by CABIC. Among the documents required of each application, as itemized by DR 3, is a quality standards table certified by the Industrial Inspection Bureau. The clear implication is that at least one can of DA MA balls was sent to the inspection bureau to establish a specific level of quality for the product.

Article 3 states that ". . . A trade mark is a mark indicating a certain quality of goods. The administrative organs of industry and commerce (together with the departments concerned) should supervise and control the quality of goods." This monitoring of output for quality consistency takes on teeth when we read Article 11 (1), which provides that CABIC can cancel an enterprise's trademark registration when it perceives a "lowering of quality of goods through roughness or carelessness in manufacture," in conjunction with the knowledge that these administrative

overseers are armed with documents establishing a tested quality norm for each product.

DA MA must also qualify under Article 4, which articulates the criteria for trademark registrability. Besides being "clear" and "concise", the trademark must be a "definite name." The latter restriction, it would appear, precludes the use of generic terms as trademarks. Thus if instead of DA MA our tennis balls sported the CHYOU label, this being the Chinese word for "ball", the trademark would not be acceptable for registration.

Different Categories

Our quest for registration is further complicated by the existence of another, previously registered, DA MA brand of tennis balls and DA MA incense. The registration of DA MA for an incense product poses no problem since registrations in China are separated into 78 different classes. Sport goods belong to Class 64, while incense falls under Class 76. The Western concept of well-known or famous trademarks possessing a priority which cuts across categories as well as national boundaries is apparently not recognized in the PRC.

The registered DA MA, appertaining to tennis balls produced by another enterprise, although the syllabic pronunciation is the same, the tonal values for MA are different as are the representative Chinese characters. The written symbol for the competing brand is clearly BIG MOM rather than BIG HORSE, but will the auditory confusion be sufficient to deny us registration?

Article 6 denies registration to trademarks that might be "mixed up with those of the same or similar goods" which have already been granted registration. Whether "same or similar goods" is synonymous with

A bilateral trademark agreement does not preclude China from registering its marks prior to the agreement. In these two illustrations from Canada, one Chinese mark, Crane Brand (right), was filed for in October 1970, and appeared in the Canadian Trade Marks Journal in February 1972, over a year before the Sino-Canadian trademark agreement was signed, on July 16, 1973 (see page 8). One of the first trademarks to be registered in Canada following the agreement was Peony Brand from Shanghai, filed in February 1974 and published in the Journal in February of this year.

商标注册申请书

APPLICATION FOR TRADE MARK REGISTRATION

中央工商行政管理局
To Central Administrative Bureau for Industry and Commerce

现拟以_____商标，
使用于商品分类表第_____类的下列商品，申请注册。
We beg to apply for the registration of the trade mark _____
in Class _____ as provided
in the Classification of Goods to cover the items mentioned below.

商 品 项 目 Item of goods	商 品 用 途 Use of goods	主 要 原 料 Main materials
1.		
2.		
3.		
4.		
5.		

申请人：_____ 企业名称
Applicant: _____ Name of enterprise _____
_____ 企业地址
Address _____
_____ 负责人姓名
Signature of person
entitled to act on
behalf of enterprise _____

代办人：中国国际贸易促进委员会商标代理处
Agency: Trade Mark Registration Agency of the China Council for the
Promotion of International Trade

年 月 日
On the _____ 19 _____

如商品过多，商品项目一栏填写不下时，可另纸写明附后。
If the space of the "Item of goods" column is not sufficient for inserting a large number of goods involved, separate sheets of paper may be used and attached therewith.

Application for registering a foreign trademark in China under the terms of a bilateral agreement.


"goods in the same class," we can only surmise. The Article 6 standard is not unlike that for interference under Section 16 of the US's Lanham Act: "likely... to cause confusion or mistake or to deceive."

However, whether this PRC Article is enforced by CABIC refusing BIG HORSE registration after mak-


TRADE MARKS JOURNAL

372.746 22-2-74. China National Native Produce & Animal By-Products Import & Export Corporation, Bank of China Building, 23 Chung Shan Road (E. 1), Shanghai, China. Agent: Fetherstonhaugh & Co., 70 Gloucester Street, P.O. Box 2999, Station D, Ottawa, Ontario.

JOURNAL DES MARQUES DE COMMERCE



仙鹤牌



CRANE BRAND

The English translation of the Chinese characters on the right hand side of the drawing is Peony. The English translation of the Chinese characters at the bottom of the drawing is Shanghai, China.

The right to the exclusive use of the words Shanghai, China is disclaimed apart from the trade mark.

Wares: Men's and ladies' leather shoes, leather garments, leather gloves, leather suitcases, leather bags and leather wallets. Proposed use in Canada.

The translation of the Chinese characters is the words "Sian and He together" which is the name of the bird and "Pai" which is the English transliteration for the word "Brand".

The right to the exclusive use of the word Brand is disclaimed apart from the trade mark.

Wares: Pencils and stapling machines. Agent for service: Alan Swabey & Co., 1117 St. Catherine Street West, Montreal 110, Quebec. Used in Canada since at least as early as 1963.

HOW CHINA VIEWS TRADEMARKS IN FOREIGN TRADE

Translated from Foreign Trade Practice, Shanghai Financial and Economic Press, Shanghai 1959 and used at China's foreign trade institutes.

I. The Significance and Function of Trademarks

A trademark is a mark representing a product which can use a particular phraseology, name, sign, symbol, illustration or a composite of these various elements, to clarify or distinguish similar products produced and sold by different enterprises.

Because the primary purpose of a trademark is to distinguish similar products, the trademark must accompany the product into the hand of the consumer. In capitalist societies, trademarks may be traded just like products.

The most important functions of the trademark are as follows: (1) to enable the consumer to distinguish products; (2) to maintain a product's fixed level of quality; (3) to guard against falsification in production; (4) to indicate a sense of responsibility to the consumer.

Capitalist trademarks are a tool monopolistic organizations use to monopolize the marketplace. Monopolistic enterprises use the medium of communication provided by the trademark to establish their false "reputations," and at the same time, utilize the trademark registration system to control the marketplace. The trademark holds a very important place in the efforts of monopolistic organizations to capture foreign markets. Monopolistic organizations use trademark registration systems to undertake registration of the products they manage abroad, particularly in colonial and client states, thus effectively making the trademark an invisible bond between its owner and the consumer. Thereupon they obtain legal protection in order to consolidate their hold on foreign markets.

II. The Questions We Must Pay Attention to in Current Trademark Work

(1) *The ideological implications of the trademark*—Aside from reflecting the particular characteristics of a product, our trademarks must be ideologically consistent with the image we wish to convey abroad. We must strenuously avoid the product trademarks of old, pre-liberation China such as those emblematic of the Kuomintang, those which are racially prejudiced (e.g. "Darkie Toothpaste") or those which reflect impure, pornographic thoughts.

(2) *The Design of the Trademark*—Foreign merchants often say that the quality of our products is very high and at the same time consumers are happy to purchase them. But they are still not fully satisfied with our labels, saying that regardless of design or color, these labels are not sufficiently clear and distinct. This criticism is worthy of our attention. Although we most decidedly must not exaggerate our message, as is the case with the capitalist countries, we should nevertheless strive for realistic design in our trademarks, in order to enable consumers to understand the actual contents of our products.

(3) *The Importance of Label Design on Cans*—The exterior design of a can should first be capable of explaining its contents, so the customer will instantly be aware of what is inside; next it must be attractive; and thirdly it should leave with the customer a deep impression, so that when he goes back to buy a second time, he will be able to recognize and recall the brand.

The design of the can's label, in general, should possess the following characteristics:

1. Each brand name being associated with a fixed base color, design and typeface. These basic forms not to be changed by alterations in the shape or size of the can so the customer recognizes the brand of can on sight.

2. Elements on the label to include the trademark, product depiction, product name, directions for use, specifications, volume measurement, place of manufacture, country of origin, etc. Among these elements, the greatest space allotment goes to product depiction and the most distinctive appearance to trademark. Next in order are name, directions, measurement, etc. These are what the customer is concerned with, and they are printed on the principal side of the can (which is to say, that side the purchaser sees when the can is placed on the shelf).

3. Generally, the trademark appears together with the written language, or supplemented by an illustration to enhance its distinctiveness. Colors are not numerous and the product depiction uncomplicated, so that it can be readily understood; the typeface is large and of standard form so it is easy to distinguish and remember.

4. During these past years our country's canned products have developed substantially, and the volume of exports has grown continuously. But from the standpoint of can design, there still exist shortcomings, some more important than others:

(a) The base color of the label on the cans of identical brands is different. (b) The product name is more readily apparent than the trademark on the face of the can and at the same time product name and brand name often are not on the principal side of the can. (c) Most cans lack directions for food preparation, or these directions are not detailed. (d) The product depiction is not sufficiently uncomplicated, relying too heavily on drawings and not heavily enough on photographs, with the result that the depiction is not sufficiently true to life. (e) The colors on the label are too numerous and moreover they clash.

Based on these observations, the design of a can's label should hereinafter conform to the following rules:

(1) So as to enable the consumer to have a deep impression of each brand's can, to be able to easily distinguish it, each brand should have a fixed color and design to act as its characteristic mark. Dissimilar products with the same brand need to be further distinguished only by an illustration, the basic shape of which is fixed and not subject to arbitrary change.

(2) Each completed label should at the least contain these items in the following order of importance: (a) brand trademark; (b) product name; (c) product depiction; (d) instructions; (e) volume measurement; (f) factory and country of origin.

(3) Since product depiction is one of the most important parts of the label, photos should be used to accentuate realism. They are much more effective than drawings.

(4) *Miscellaneous*—(a) In preparing the depiction, the question of how to portray national character should be considered. (b) The brand, trademark, product name and product depiction should be placed on the same side, so that people can recognize the can immediately.

(c) Insofar as possible, the label should be multilingual, so that consumers can all the more easily recognize our products.

ing a search through the prior filings or by an opposition proceeding brought by BIG MOM is unclear, though the pattern of the legislation favors the former. Article 9 provides for publication and issuance of a certificate of registration after a trademark has been "examined, approved, and registered" by CABIC. If, however, the application is rejected, Article 8 permits a final appeal to the same panel within one month from the receipt of the denial.

Despite the difficulties, DA MA (BIG HORSE) makes it over these final hurdles and is registered. Article 10 allows for registration for an indefinite duration, barring untimely CABIC cancellations under Article 11. Besides quality deterioration previously discussed, to maintain the DA MA trademark the manufacturers must not permit a full year to pass without employing the mark, unless special permission is obtained from CABIC. Also, alteration of the DA MA wording or symbol will result in cancellation of the registration and, in accord with DR 7, will necessitate a new application.

Much ado is made about the lack of any enforcement provisions against infringers in the regulations. That the legislation does not contemplate infringement is hardly strange when we consider that the only businesses in the PRC are state enterprises, and the idea of a legal entity suing itself is even more bizarre. If by oversight one state enterprise were to acquire an infringing registration, the matter would almost certainly be handled by administrative decree.

Exports

Let us suppose now that DA MA tennis balls are to be exported. Aware of the promotional function of trademarks in market economies, the PRC lifts its ban on foreign-language trademarks in the special case of merchandise for export under Article 5. The results are the PRC export trademarks which illustrate this article. But, before the DA MA balls can be exported, according to DR 4, the export trademark must be registered. A certificate from the Foreign Trade Bureau must accompany these applications. In this respect, the trademark in China functions as an export license.

Which of China's trademark provisions apply directly to foreign trademarks in the PRC? Though this important question is open to conjecture, "none" is the best answer based on the legislative structure. Every provision dealing directly with foreign filings refers specifically to "foreign enterprises," Article 12 of the Governing Regulations states the two prerequisites for foreign registration: 1) a reciprocal trademark agreement between the PRC and the foreign country, and 2) the specific trademark must first be registered in its country of origin. These basic requirements are supplemented by Detailed Regulations 15-20, each of which specifies "foreign enterprises."

委 托 书
POWER OF ATTORNEY

中央工商行政管理局;
To Central Administrative Bureau for Industry and Commerce

兹根据中国国际贸易促进委员会代理外国企业申请商标注册暂行办法, 委托该委员会商標代理处为
在中华人民共和国申请 (1) _____ 商標

We, in accordance with the Provisional Arrangements for Foreign Enterprises to Entrust the China Council for the Promotion of International Trade with the Application for the Registration of Trade Marks in China, hereby entrust the Trade Mark Registration Agency of the aforesaid Council with applying in the People's Republic of China for (1) _____

of the trade mark _____

企业名称 (2) _____

Name of enterprise (2) _____

企业地址 _____

Address _____

负责人姓名 _____

Signature of person entitled to act on behalf of enterprise _____

年 月 日

On the _____

商 标 移 转 注 册 申 请 书
APPLICATION FOR REGISTRATION OF ASSIGNMENT
OF TRADE MARK

中央工商行政管理局;
To Central Administrative Bureau for Industry and Commerce

愿将注册第 _____ 号

商標转让给 _____

使用, 转让人和受让人现会同申请移转注册。

We, the undersigned assignor and assignee, jointly beg to apply for the registration of the assignment of the trade mark _____

No. _____ from _____

to _____

转让人: 企业名称
Assignor: Name of enterprise _____

企业地址
Address _____

负责人姓名
Signature of person entitled to act on behalf of enterprise _____

受让人: 企业名称
Assignee: Name of enterprise _____

企业地址
Address _____

负责人姓名
Signature of person entitled to act on behalf of enterprise _____

代办人: 中国国际贸易促进委员会商標代理处
Agency: Trade Mark Registration Agency of the China Council for the Promotion of International Trade

年 月 日

On the _____ 19 _____

Under terms of China's bilateral trademark agreements with foreign countries trademarks may be assigned to third parties using the forms above.

In this respect, the PRC's separate treatment of domestic and foreign trademarks runs counter to Article 2 of the Paris Convention, which espouses national treatment. In light of the expanded burden placed upon domestic trademarks in China, it is doubtful anyone will bemoan not receiving national treatment. Article 5 prohibits trademarks in foreign languages. If this applied to foreign marks required to be registered in their native lands, an absurdity results.

The distinction between domestic and foreign marks is also emphasized by the many parallel provisions for

The Sino-Canadian Trademark Agreement

This agreement is a typical Chinese bilateral trademark accord with a foreign country. It comprises the notes signed in Peking on July 16, 1973, confirming the agreement, and includes a translation from the Chinese, as well as, in this case, a French version of the notes in English and Chinese.

Canadian Note

Peking, July 16, 1973

Excellency,

I have the honour to acknowledge receipt of your note of July 16, 1973, which reads as follows:

"I have the honour to refer to the discussions concerning reciprocal trademark registration, which the representatives of our two governments have held in order to strengthen the friendly relations between our two countries and promote the expansion of trade.

On behalf of the Government of the People's Republic of China, I confirm that the following agreement has been reached on the question of reciprocal registration of trade marks between the two countries.

"The Governments of both countries agree that, on a reciprocal basis, persons, partnerships, companies, corporations and governmental enterprises of either country may apply for registration of trade marks in the other country in accordance with its law and be granted the right to exclusive use thereof."

If the foregoing is acceptable to the Government of Canada, I have the honour to propose that this note and Your Excellency's note in reply to that effect, which is equally authentic in English and in French, shall constitute an agreement on this matter between the Government of the People's Republic of China and the Government of Canada, which shall enter into force on the date of your reply."

I have the honour to inform you that the foregoing is acceptable to the Government of Canada, who agrees that your note and this note in reply, which is equally authentic in English and in French, shall constitute an agreement between our two Governments which shall enter into force on the date of this reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

Canadian Ambassador

His Excellency Chiao Kuan-hua
Vice-Minister of Foreign Affairs
of the People's Republic of China

Chinese Note (Translation)

Ambassador of Canada to
the People's Republic of China

Peking, July 16, 1973

Excellency,

I have the honour to refer to the discussions concerning reciprocal trade mark registration, which the representatives of our two governments have held in order to strengthen the friendly relations between our two countries and promote the expansion of trade.

On behalf of the Government of the People's Republic of China, I confirm that the following agreement has been reached on the question of reciprocal registration of trade marks between the two countries:

"The Governments of both countries agree that, on a reciprocal basis, persons, partnerships, companies, corporations and governmental enterprises of either country may apply for registration of trade marks in the other country in accordance with its law and be granted the right to exclusive use thereof."

If the foregoing is acceptable to the Government of Canada, I have the honour to propose that this note and Your Excellency's note in reply to that effect, which is equally authentic in English and in French, shall constitute an agreement on this matter between the Government of the People's Republic of China and the Government of Canada, which shall enter into force on the date of your reply,

Please accept, Excellency, the renewed assurances of my highest consideration.

(Signed)
Chiao Kuan-hua
Vice-Minister of Foreign Affairs
of the People's Republic of China

Source: Canadian Government

domestic and foreign trademarks such as the different application attachments required by DR 3 and DR 16, or Article 10's indefinite grant of domestic registrations and Article 12(2)'s reference to a "period of validity" for foreign rights to be decided by CABIC.

US and China—Why Register?

For a comprehensive and lucid analysis of the US situation with respect to trademarks in China see Ann Fisher's article in *UCBR* (Vol. 1 No. 3).

Why register in the PRC at all? Trademark registration will avoid possible trouble with anticipatory registrations, though the home country registration requirement reduces this possibility, and PRC registration would insure against exports from China bearing your brandname. The home country registration prerequisite would seem, for the US at any rate, to squelch any plans for special-target Chinese trademarks on US products. All the complaints from the US levelled at the Madrid Agreement for making registration dependent on native country registration are à propos here. Americans will be disadvantaged by the rigorous Lanham Act. It should also be noted that China does not recognize service marks.

The PRC has concluded reciprocal trademark agreements with a number of non-communist countries as well as Hungary, Czechoslovakia, and East Germany to date, and no problems have been reported. Thus, despite the conceptual differences depicted above, China appears cognizant of the role of Western-style trademarks and amenable to them within the framework of their bipartite law. PRC observer delegations have even turned up at the World Intellectual Property Organization (WIPO) conferences in Geneva.

China has participated in the world's industrial property community to the extent of an observer mission to WIPO and of allowing their 1963 Trademark Regulations to be published in the January, 1974, *Industrial Property Review* (pp. 30-32), published by WIPO. Unfortunately, the translation is not official. Not only do the governing regulations differ from the unofficial English translations disseminated by the Chinese themselves, but the DR's or Implementing Rules refer to the "Chinese Council for the Development of International Commerce." As readers of this magazine are surely aware, the correct translation employed by the Chinese themselves is the China Council for the Promotion of International Trade (CCPIT). Since Hsou Tse-Min's foreign trademark registration section, which represents the PRC in such matters, is itself part of the CCPIT's Legal Affairs Department, this miscue may rule out PRC participation in the translation.

Copies of the unofficial English translation of the Governing Regulations disseminated by the CCPIT and the author's translation of the Detailed Regulations are available to Council members on request. 完



Some Chinese Trademarks





Li Chuan, CCPIT Vice Chairman, and Eugene Theroux of NCUSCT dining in Peking following discussions in April.

THE NATIONAL COUNCIL URGES SINO-US TRADE PACT

Many of the steps remaining to be taken to facilitate normalized US-China trade could be incorporated in an omnibus trade agreement between the two countries. Under certain conditions, clauses could be included according most-favored-nation tariff treatment on imports from China; commercial dispute settlement rules and mechanisms could be agreed upon; patent, trademark and copyright protection could be extended to US exporters to China, trade promotion facilities and events could help foster US sales to the Chinese, and so forth. (See *UCBR*, Vol. 2, No. 1) Even settlement of the matter of private US claims and frozen Chinese assets could become part of such an accord.

With such developments in mind, the Executive Committee of the National Council on April 3 adopted a resolution calling upon the US and China to "begin discussions without delay leading to a comprehensive trade agreement" between them and, in addition, urging Congress and the Administration to take "whatever steps may be necessary" to rid the Trade Act of 1974 of the troublesome Jackson amendment or take other necessary action in order to enhance the prospects for such an agreement.

The Council received support barely a week later when the Asian Pacific Council of American Chambers of Commerce (APCAC), meeting in Extraordinary Seminar in Manila, passed a similar resolution—and then adopted a second resolution which urged the Council to take up the matter of a nongovernmental trade agreement with the CCPIT in the event

of delay in the two Governments concluding a trade pact.

Business can be under no illusions that either a Governmental or a nongovernmental trade agreement is just around the corner. Neither Washington or Peking has taken any visible step toward discussions leading to such an agreement—even though some legal scholars believe that diplomatic relations are not a necessary condition precedent to a trade pact. A nongovernmental agreement would lack the force of law on such important matters in patents, copyrights, trademarks and commercial dispute settlement. But agreements in principle on these topics, or even detailed study of them, could become a useful basis for a later Governmental agreement.

European Move

Meanwhile, in an interesting development, the European Economic Community (EEC) agreed in mid-May to establish diplomatic relations with China and Peking said it was ready to start negotiating a trade agreement with the EEC. Almost certainly a trade agreement with the EEC, most of whose member countries already have individual trade agreements with the PRC, will serve to strengthen Peking's general trade relations with Europe, and enhance Europe's competitive standing with China vis-a-vis that of the US.

Following is the text of the National Council's resolution.

RESOLUTION

ADOPTED BY THE EXECUTIVE COMMITTEE
OF THE NATIONAL COUNCIL FOR
US-CHINA TRADE
APRIL 3, 1975

WHEREAS, the Trade Act of 1974 for the first time provides the framework for conclusion between the United States and the People's Republic of China, of a trade agreement including a most-favored-nation tariff clause and other mutually beneficial trade and commercial terms; and

WHEREAS, in the spirit of the Shanghai Communiqué, the National Council for U.S.-China Trade would welcome such an agreement as a useful and important means of promoting trade and trade relations between the United States and China, thereby improving the overall climate of bilateral relations between the peoples of the two countries;

THEREFORE BE IT RESOLVED that the United States and the People's Republic of China should begin discussions without delay leading to a comprehensive trade agreement between the two countries; and

WHEREAS certain provisions of the Trade Act, relating to emigration policies of non-market countries, were not drafted or enacted with China in mind,

yet by their terms do apply to China, and as such may constitute unacceptable conditions for a future Trade Accord between China and the U.S.,

THEREFORE BE IT FURTHER RESOLVED that the Congress and the Administration take whatever steps may be necessary with respect to such provisions that will enhance the prospects for an eventual Sino-American Trade Agreement.

Executive Committee Members: D. C. Burnham, Former Chairman, Westinghouse Electric Corporation; William A. Hewitt, Chairman & Chief Executive Officer, Deere & Company; David Rockefeller, Chairman of the Board, The Chase Manhattan Bank; Gabriel Hauge, Chairman of the Board, Manufacturers Hanover Trust Company; Fred M. Seed, President, Cargill, Inc.; W. Michael Blumenthal, Chairman of the Board, The Bendix Corporation; and Walter Sterling Surrey, Esq., Surrey, Karasik and Morse.

Resolutions Passed at Extraordinary Meeting of the Asian-Pacific Council of American Chambers of Commerce, Manila, Philippines, April 4-7, 1975

APCAC RESOLUTION ON TITLE IV OF TRADE ACT OF 1974

APCAC urges deletion of Sections 402 and 409 of Title IV of Trade Act of 1974 to reconstitute the Act into a viable tool of United States Trade Policy. Currently, these sections require prospective bilateral trade agreement partners to meet certain standards in their national emigration policies compromising the sovereignty of would-be partners. APCAC believes elimination of the emigration requirements will make the Trade Act of 1974 an effective update of US Trade Legislation and operational as a negotiating framework. Passed April 5, 1975.

APCAC RESOLUTION ON NON-GOVERNMENTAL BILATERAL TRADE AGREEMENT WITH PRC

APCAC urges the National Council for US-China Trade to initiate discussions with the China Council for the Promotion of International Trade on the desirability of establishing a non-governmental trade agreement between the United States and the People's Republic of China.

APCAC supports fully the concept of negotiating a non-governmental bilateral trade agreement in order that progress towards mutually beneficial positions on the important trade related areas specified under the Trade Act of 1974 Title IV Section 405 can be achieved prior to commencement and consummation of a government bilateral trade agreement. Passed on April 5, 1975. 完



In anticipation of a record number of Americans at the Fair, the National Council asked AMCHAM Hong Kong to search for an office manager to help staff the Council's headquarters in Canton. Pictured above is Charmaine Lam, the girl who met and surpassed the Council's exacting requirements. Her qualifications: fluency in Cantonese, Shanghainese, Mandarin and English; experienced in American business and trade promotion as a former executive secretary with IBM and Essochem Eastern Ltd.; a present Administrative Assistant with the Far East Bureau of the State of Illinois; typing and shorthand; qualified operator and repairman of Xerox photocopying equipment—and a captivating combination of poise, beauty and charm one might expect from a young lady who is also a recent "Miss Hong Kong." The Council—and, we believe, all American businessmen who attended the Fair—are grateful to the State of Illinois' Hong Kong office for making available this delightful addition to our office at the Fair.

CCPIT DUE IN SEPTEMBER

A high level trade promotion delegation from Peking—the first ever to visit the United States—will arrive early in September at the National Council's invitation.

Led by a senior official of the China Council for the Promotion of International Trade, the group will consist of approximately ten members and will include representatives of China's Foreign Trade Corporations. The visit is expected to last about two weeks.

General details of the visit were worked out in Peking between Eugene Theroux, Council Vice President, and CCPIT Vice Chairman Li Chuan and Wang Ju-kuen, Deputy Chief of the CCPIT's Liaison Department, during April 22-26, 1975.

CHANGES AT USLO

Peking Rotation

The 37th Fair was the last for Herbert Horowitz and William Rope, the two ranking commercial officers from the US Liaison Office in Peking. Both are near the end of a two year tour in China, and businessmen will miss their help and cooperation not only at the Fair but in Peking. Continuing on USLO's commercial staff in Peking for another year will be Robert Perito. Mr. William Thomas will replace Mr. Horowitz as chief of the commercial staff in July, 1975.

Office Hours

The US Liaison Office in Peking is now open Wednesday afternoon from 1:30 to 5:30 and closed all day Saturday. Prior to April, the office had been closed Wednesday afternoons and open Saturday mornings. Thus American businessmen seeking to meet with US commercial officials at USLO may now do so Monday through Friday, 8:30-12:30 and 1:30 to 5:30

TWO US MISSIONS TO CHINA

Two US commercial missions to China, one recently returned, the other set for July, have been publicly announced.

On May 20, an 11-man delegation from the San Francisco Chamber of Commerce returned from the PRC after a 24-day visit at the invitation of the China Council for the Promotion of International Trade. Heading the group was National Council Board member William Morison, President of Foremost-McKesson. The Council's Board of Directors was also represented in the Chamber mission by A. W. Clausen, President of the Bank of America.

The San Francisco Chamber first discussed their proposed trip with Chinese officials when PRCLO Commercial Counselor Chang Tsien-hua and members of his staff visited the city during their Council sponsored swing to the west coast last summer. The Chamber, the Liaison Office, and the National Council helped to finalize the arrangements.

Another US commercial delegation, from the Electronic Industries Association will travel to China on July 27. The 10-man group, to be headed by Glen Solomon, Chairman of EIA's Board of Governors, will be composed of electronic communications equipment manufacturers. John Sodolski, Staff Vice-President for the Association's Communication Division, will accompany the mission, serving as program director. Sodolski traveled to China for the Spring 1973 Kwangchow Fair, during which time an EIA mission to the PRC was first discussed.

SINO-JAPANESE TRADE 1973-1974

(\$000s)

What China Bought From Japan (cif)

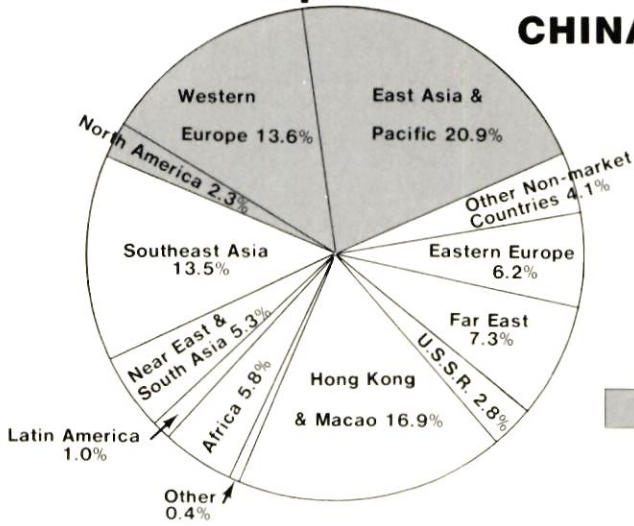
	1973	1974	Change (%)	Composition 1974 (%)
Textiles	62,888	202,987	222.8	10.2
Synthetic filament	16,552	67,314	306.7	3.4
Synthetic fibers	11,740	50,499	330.1	2.5
Artificial fibers	6,314	15,848	150.1	0.8
Synthetic textiles	19,195	51,876	170.3	2.5
Artificial textiles	325	306	-5.9	0.0
Chemicals	214,302	296,622	38.4	14.9
Chemical fertilizer	132,950	148,797	11.9	7.5
Ammonium sulfate	19,142	18,408	-3.8	0.9
Urea	92,891	101,805	9.6	5.1
Ammonium chloride	20,527	28,336	38.0	1.4
Artificial plastics	31,721	71,930	126.8	3.6
Vinyl chloride resin	13,412	30,732	129.1	1.5
Polyethylene	7,407	13,703	85.0	0.7
Metals and Metallic goods	542,918	839,127	54.6	42.2
Steel	508,263	727,860	43.2	36.6
Rods	83,852	129,391	54.3	6.5
Thick plate	98,712	134,059	35.8	6.7
Sheets	132,373	173,216	30.9	8.7
Tin-plate sheets	25,296	41,371	63.5	2.1
Galvanized iron plates	7,410	9,947	34.2	0.5
Band steel	12,470	20,596	65.2	1.0
Steel pipes	105,889	140,014	32.2	7.0
Non-ferrous metals	24,195	76,748	217.2	3.9
Metallic goods	10,459	35,619	240.6	1.8
Machinery	186,997	557,452	198.1	28.0
General machinery	84,024	249,501	196.9	12.5
Agricultural machinery	720	28,892	4,010.0	1.5
Metalworking machinery	9,269	19,640	111.9	1.0
Construction & Mining machinery	1,611	16,202	1,010.0	0.8
Pumps & centrifuges	15,062	29,257	94.2	1.5
Bearings & Parts thereof	18,808	17,412	-7.4	0.9
Electrical machinery	11,613	41,744	259.5	2.1
Vehicles	82,478	254,740	208.9	12.8
Automobiles	31,771	110,327	247.3	5.5
Ships and Boats	42,565	126,511	197.2	6.4
Optical instruments	3,849	9,933	158.1	0.5
Others	34,282	92,121	168.7	4.7
Paper & pasteboards	16,977	55,194	225.1	2.8
Synthetic rubber	5,012	8,332	66.2	0.4
TOTAL EXPORTS	1,041,386	1,988,309	90.9	100.0

Source: JETRO—Customs Clearance Statistics of the Japanese Ministry of Finance

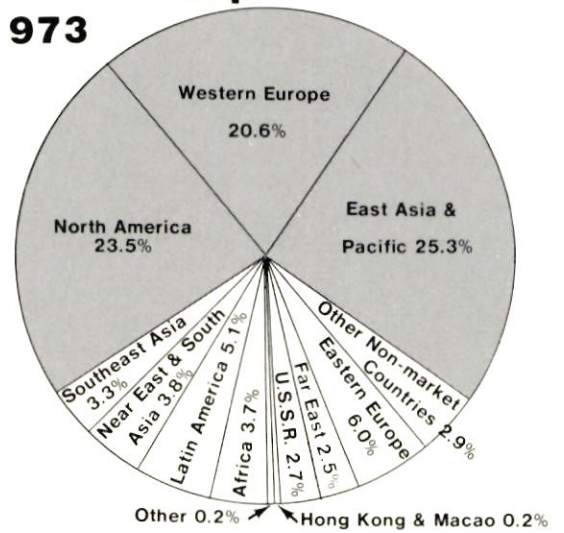
CHINA IN WORLD TRADE

THE DIRECTION OF CHINA'S TRADE, 1973

Chinese Exports



Chinese Imports

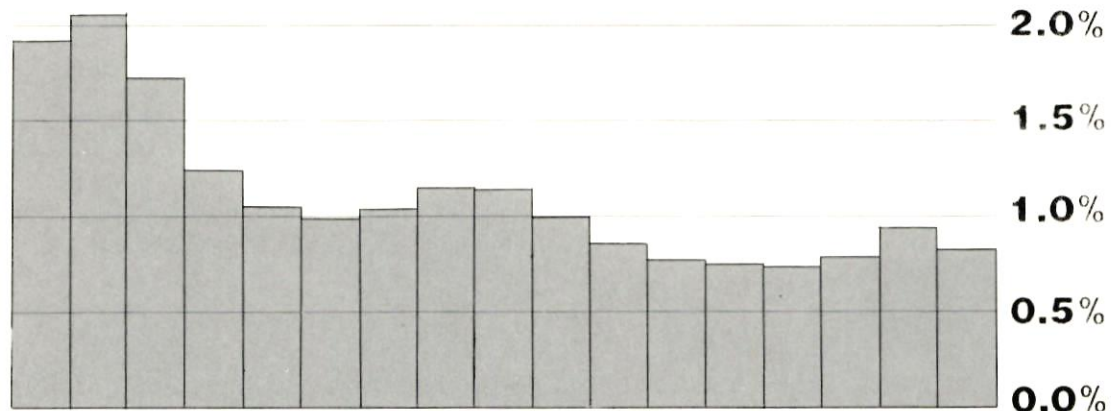


Industrial Nations

WORLD AND CHINESE TRADE: PERCENTAGE CHANGES, 1958-1974



CHINA'S PROPORTION OF WORLD TRADE, 1958-1974



Source: NCUSCT based on US Government and International Monetary Fund data

ECONOMIC INDICATORS FOR CHINA 1975

March 1975

Key Indicators	1952	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974 (Prelim)
GNP (billion 1973 US \$)	67	94	113	107	106	82	93	103	117	134	145	141	142	157	179	190	197	217	223
Population, mid-year (million persons)	570	641	657	672	685	695	704	716	731	747	763	780	798	817	837	857	878	899	920
Per capita GNP (1973 US \$)	117	147	172	160	155	118	133	144	160	179	190	180	178	192	214	222	225	241	243
Industrial production index (1957 = 100)	48	100	145	177	184	108	114	137	163	199	231	202	222	265	313	341	371	416	432
Agricultural																			
Grain (million metric tons)	154	185	200	165	160	160	180	185	195	210	215	230	215	220	240	246	240	250	255
Cotton (million metric tons)	1.3	1.6	1.7	1.2	0.9	0.8	1.0	1.2	1.7	1.9	1.8	1.9	1.8	1.8	2.0	2.2	2.1	2.5	2.5
Chemical fertilizers (million metric tons)																			
Supply	0.4	2.1	3.2	3.3	3.6	2.9	4.0	6.6	7.6	10.7	13.2	13.8	15.6	17.9	21.4	24.2	27.6	32.2	30.5
Production	0.2	0.8	1.4	1.9	2.5	1.8	2.8	3.9	5.8	7.5	9.6	8.1	9.5	11.3	14.0	16.8	19.9	24.8	24.8
Imports	0.2	1.3	1.8	1.4	1.1	1.1	1.2	2.7	1.8	3.2	3.6	5.7	6.1	6.6	7.4	7.4	7.7	7.4	5.7
Industrial Production																			
Crude steel (million metric tons)	1.35	5.35	11.1	13.4	18.7	8	8	9	10.8	12.5	15	12	14	16	17.8	21	23	25.5	23.8
Coal (million metric tons)	66.5	130.7	230	300	280	170	180	190	204	220	248	190	205	258	310	335	356	377	389
Electric power (billion kilowatt hours)	7.3	19.3	28	42	47	31	30	33	36	42	50	45	50	60	72	86	93	101	108
Crude oil (million metric tons)	0.44	1.46	2.3	3.7	5.5	5.3	5.8	6.4	8.7	10.8	13.9	13.9	15.2	20.3	28.5	36.7	43	54.5	65.3
Cement (million metric tons)	2.86	6.86	10.7	12.3	12.0	8.0	6.9	9.1	10.9	14.8	16.9	14.2	17.4	19.6	19.8	23.0	27.5	29.9	31.6
Machine tools (thousand units)	13.7	28.3	30	35	40	30	25	35	40	45	50	40	45	55	70	75	75	80	N.A.
Trucks (thousand units)	0	7.5	16.0	19.4	15	1	8.4	16.8	20.3	30	43	32	27	60	70	86	100	110	N.A.
Locomotives (units)	20	167	350	533	602	100	25	27	27	50	140	200	240	261	285	205	225	240	N.A.
Freight cars (thousand units)	5.8	7.3	11	17	28	3	4.0	5.9	5.7	6.6	7.5	6.9	8.7	11	12	14	15	16	N.A.
Cotton cloth (billion linear meters)	3.83	5.05	5.7	6.1	4.9	3.3	3.5	4.6	5.1	6.4	6.7	5.5	6.0	6.6	7.5	7.2	7.3	7.6	7.6
Foreign trade (billion current US \$)																			
Total	1.89	3.06	3.76	4.29	3.99	3.02	2.68	2.77	3.22	3.88	4.24	3.90	3.76	3.86	4.29	4.72	5.92	9.88	12.6
Exports f.o.b.	0.88	1.62	1.94	2.23	1.96	1.53	1.53	1.57	1.75	2.04	2.21	1.95	1.94	2.03	2.05	2.41	3.08	4.90	5.9
Imports c.i.f.	1.01	1.44	1.82	2.06	2.03	1.49	1.15	1.20	1.47	1.84	2.03	1.95	1.82	1.83	2.24	2.31	2.84	4.98	6.7

Source: US Government (CIA/ER)

A Scientific Mission to Peking and Shanghai

Robert W. Auten



Audience at Chinese Academy of Sciences.

For US exporters the lure of the People's Republic of China as a market is often difficult to pin down in terms of how China's needs and interests relate to a company's own technology and products. One of the ways in which a US firm can make a connection with those Chinese technicians and end-users involved in its own technical field, and perhaps in decisions to buy particular products from abroad (via a Chinese foreign trade corporation), is to hold a technical presentation in the PRC. But how does one arrange such a presentation? What is entailed? And is it worth while?

The following article, written by Dr. R. W. Auten, Director, People's Republic of China Affairs for the Philadelphia-based Rohm and Haas Company, recounts what happened when his company was invited to Peking and Shanghai to give lengthy technical presentations, twenty-one months after the firm made its initial request. The article is also an interesting illustration of multinational coordination by a US firm, stressing the importance of the appointment of a company officer responsible for the PRC.

The Rohm and Haas Company, Philadelphia, a multi-national producer of plastics and a wide variety of other industrial chemical specialties, agricultural chemicals, synthetic fibers, and human and animal health products, is one of the very few American companies that have so far been invited to present lectures and conduct discussions on scientific subjects in the People's Republic of China (PRC).

In responding to this invitation our Company sent a four-man team of scientists to give a two-day course

of lectures, on June 17 and 18, 1974 at the Chemical Research Institute of the Chinese Academy of Sciences in Peking, concerning the results of some of our advanced research on selected industrial chemical subjects as well as related practical applications. Thereafter four or five days were devoted to follow-up question-and-answer sessions with relatively small groups of specialists in Peking and one-and-one-half days of further discussion with other specialists in Shanghai. The invitation was extended by China National Chemicals Import and Export Corporation (CNCIEC), our host in China, and assistance with respect to details of arrangements was furnished by the China Council for Promotion of International Trade (CCPIT).

Evaluation of the Undertaking

As of this writing, slightly more than six months after the event, it is difficult for us to evaluate the commercial benefits, if any, which have accrued or may eventually accrue to our Company from this effort. Presumably time will tell. At present we would certainly not be justified in recommending the scientific symposium approach to other US companies as a reliable method for the quick development of sales of finished products to any of the China national foreign trade corporations, or sales of production process know-how to China National Technical Import Corporation (Techimport). On the basis of the very limited experience so far realized, it would be extremely difficult to predict what commercial success any other US company might be able to achieve through offers of scientific assistance.

What then did we accomplish? The mission achieved the following:

Introduction of our Company to CNCIEC, CCPIT, and a rather large group of Chinese scientists representing universities and governmental research organizations in the PRC; specifically, introduction of the Rohm and Haas Company as a strongly research-oriented multi-national company having a sincere desire to cooperate with the government of the PRC in developing the chemical and related industries of that very large Country through sale of products or licensing of processes. I believe that we achieved this type of introduction more effectively than would have been possible by relying entirely on long-distance correspondence and/or the usual types of commercial visits to the Chinese Export Commodities Fair in Kwangchow; and probably at lower total cost than would be required for setting up and staffing an exhibit of proprietary products at one of the foreign trade fairs occasionally held in Peking.

Facilitation of future communication, concerning both scientific and commercial subjects, through correspondence with CNCIEC, other China national foreign trade corporations, and China National Technical Import Corporation.

Possibly, though not necessarily, improvement of prospects for obtaining invitations to the Chinese Export Commodities Fair in Kwangchow. Whether or not we really accomplished anything in this direction is speculative. Other factors may have been involved, but the fact remains that I was invited to attend the Kwangchow Fair in October but not in April of 1974.

Acquisition of valuable information concerning the chemical and related industries in the PRC. Our symposium discussion, personal meetings with scientists and government representatives, and visits to several factories, a permanent industrial exposition, a research institute and a large university were especially helpful in this respect.

A modest contribution to the development of US-China friendship and understanding. If we achieved anything in a small way in this direction (and I think we did), at least as much can certainly be said for our host organization, CNCIEC, and collaborator, CCPIT, both of whom did so much to make the symposium possible and our twenty-day visit to the PRC so very informative and enjoyable.

Events Leading to the Invitation

The following is an outline of the events which led to the issuance of the invitation to our Company, as well as some of the details of the necessary preparations for the symposium itself.

Dr. David Adda had preliminary persuasive discussions of the symposium project possibility with representatives of CNCIEC, including several from the Shanghai Branch thereof, at the Kwangchow Fair in the autumn of 1972 and the spring of 1973, which he attended as a member of an Italian trade delegation. Dr. Adda, a French citizen, was at that time Corporate

Development Manager of Rohm and Haas Company's Italian subsidiary, and had had extensive previous experience in industrial chemical sales. Because of his personal contacts with CNCIEC personnel, we relied on Dr. Adda for essentially all communication with that organization's Shanghai Branch and Peking headquarters concerning symposium arrangements. Also, Dr. Adda helped me to coordinate our preparatory work in Philadelphia, Zürich, Tokyo, and Hong Kong, as well as Milan.

A formal written symposium proposal (multiple copies) was submitted in July 1973, to CNCIEC. We included a complete listing of the titles of the proposed lectures, suggestions for question-and-answer periods after the lectures, the names of the lecturers and other members of our four-man "task force", together with personal information and an educational and professional résumé for each of us. In addition there were a few practical details, such as the dimensions of the slides to be used for illustrating the lectures and the size of the projector to be provided by our Chinese hosts. We specified that there should be an interval of at least two months between the date of receipt of the invitation from CNCIEC and the date of the beginning of the symposium. Our offer was made in the form of a free contribution with "no strings attached", i.e. no reciprocal commitments were requested from the Chinese side. This, of course, was a calculated risk on our part.

The two experts whom we selected for delivery of the lectures and leading of the subsequent group discussions were: Dr. Robert Kunin, US citizen, Senior Associate of Fluid Process Chemicals Department, Rohm and Haas Company, Philadelphia; and Dr.

Dr. Kunin and Dr. Auten near the Ming Tombs.



EXPORT CONTROLS

Too Much Paper, Too Few People

American exporters whose China marketing program necessitates obtaining licenses from the Bureau of Export Administration apparently still have reason to grumble over the slow pace of OEA procedures.

Despite provisions of the Export Administration Amendments signed into law by the President last October which ordered OEA to act upon license applications within 90 days of submission (see *UCBR* Vol. 1, No. 6), a considerable number of cases—one source suggests 400—are presently spending their fourth month or more in the pipeline.

Conceding that the problem of delay persists, an OEA spokesman said that every effort was being made to improve the system but that “there was simply too much paper and too few people.”

Presumably, OEA has notified the companies concerned of the nature and probable duration of delays, in keeping with the letter of the new legislation. While this in itself might provide little consolation to would-be China exporters, there is now some reason for hope. The Department of Commerce says that cases held up 30 days or more in early May number only 780, compared to 900 at the beginning of the year.

In a related development, published reports that OEA head Rauer Meyer was giving serious consideration to a pair of important procedural changes appear to be somewhat over optimistic. It had been suggested that Interagency Operating Committee meetings might be opened to exporters when their cases were discussed, and that preliminary commitments in cases of prospective sales might be offered where previously only advisory opinions were given.

An OEA official said he was unaware of any new developments affecting the participation of exporters at Interagency Operating Committee meetings, and categorically denied that any alteration concerning the practice of offering advisory opinions was in the offing.—Ed.

Basil Vassiliou, Greek citizen, Manager of DCL Laboratories AG, Zürich, Switzerland (laboratory serving all the Rohm and Haas subsidiaries in Europe).

Dr. Kunin had served for many years in supervisory positions in the Rohm and Haas Research Division and is well known in his field through his numerous patents and other scientific publications. Dr. Vassiliou, somewhat younger, has published papers in at least three languages and has lectured extensively in Europe. (Dr. Vassiliou and Dr. Adda have subsequently been promoted to positions of greater responsibility in Rohm and Haas Company's European Operations (EO) organization, and Dr. Vassiliou has been transferred from Zürich to our EO headquarters in London.)

It should be noted that proprietary product names were *not* mentioned in the titles of the proposed lectures, which were designed to be worthwhile scientific contributions. The scope of each was defined in terms of a specific type of application or application problem. On the other hand we did not hesitate to make frequent reference to Rohm and Haas products by name in the bodies of the lecture texts, wherever it was appropriate to do so.

There was an encouraging exchange of correspondence with CNCIEC in August and September 1973. However no definite invitation was issued at that time.

We received a message, early in March 1974, advising us of CNCIEC's acceptance of our symposium proposal. This good news was received by telephone from the Commercial Section of the Tokyo Embassy of the People's Republic of China, in response to my personal inquiry two or three days before.

Finally we were in receipt of a formal letter of invitation, dated April 20, 1974. This stipulated that our visit would be scheduled during the latter half of June 1974 for a period of approximately twelve days: about eight in Peking and about four in Shanghai. (The length of the visit was subsequently extended to twenty days: thirteen in Peking, five in Shanghai, and one each in Hangchow and Kwangchow.) Instructions were included for obtaining the necessary entry-and-exit visas.

Subsequently we received a request for inclusion of two more related lectures on topics suggested by CNCIEC. We agreed and furthermore added still another of our own initiative. The program finally adopted included sixteen scientific lectures delivered by Dr. Kunin and Dr. Vassiliou, in addition to the chairman's (my) introduction and Dr. Adda's concluding remarks at the end of the second day.

Preparation For the Visit

Multiple copies of lecture texts were submitted in advance (in English) and translated abstracts (in modern Chinese). By air freight we sent to Peking about two hundred copies of each lecture text and about one hundred fifty copies of each abstract. The latter were accurately translated and beautifully printed with modern, simplified Chinese characters by American Industrial Report in Hong Kong. Ideally this shipment should have arrived in Peking at least three or four weeks before the beginning of the symposium. Actually we had some bad luck with one or two troublesome external circumstances beyond our control in the US and Europe, with resultant regrettable shortening of this lead time. Nevertheless the Chinese scientists who attended our lectures managed to come well prepared and were certainly armed with numerous appropriate and searching questions for the subsequent discussion sessions.

We printed suitable business calling cards for our group. The Chinese equivalent of each man's name was shown on the back of his card.

Obtaining entry-and-exit visas: In accordance with instructions given in the April letter of invitation, Dr. Adda, Dr. Vassiliou, and I were issued visas at the PRC Embassies in Rome, Berne, and Tokyo, respectively, whereas Dr. Kunin obtained his at the PRC Liaison Office in Washington, D.C.

Despite our widely separated points of departure, we decided it would be best and most considerate for us to arrive together on the same flight. Accordingly Dr. Adda, Dr. Kunin, and Dr. Vassiliou met in Paris and embarked on a Peking-bound Air France flight, which I boarded the following morning at Karachi, the only intermediate stop.

Welcome at Peking and Linguistic Support

Upon arrival at Peking airport, shortly before sunset on June 14, 1974, we were received by a welcoming committee of representatives of CNCIEC and CCPIT, two or three from each. On the following morning we met with several of these gentlemen to reach agreement on scheduling details, and then proceeded to CNCIEC headquarters to make our formal courtesy call on Mr. Cheng Mu, Vice-Director of that organization. He gave us a friendly welcome and invited us to a banquet in our honor on the following evening. (We reciprocated in kind about a week thereafter.) Also we were festively wined and dined in Shanghai soon after arrival about two weeks later.

On Sunday morning, June 16, the day before the beginning of the symposium, we had a very helpful preparatory working session with the four interpreters who had been assigned to the project, as well as a few committee members from CCPIT and CNCIEC. The thorough advance preparation of the interpreters, with careful attention to details, was most impressive. These gentlemen were not only bilingual but also experts in the scientific subjects to be presented and discussed. One of them, for example, was a rather young professor of polymer chemistry from Nankai University in Tientsin. Our linguistic support for the Shanghai discussion session at the end of June was also excellent.

Symposium Lectures and Supplementary Discussions

Two full days, June 17 and 18, were devoted to the presentation of our eighteen lectures in the Chemical Research Institute of the Chinese Academy of Sciences, located in the northwest section of Peking. The talks were given in an auditorium with sloping floor and seats arranged in tiers, with more than adequate capacity to seat the audience which varied in size from about eighty to one hundred listeners. Most of these seemed to be scientists from the universities and

governmental research organizations of the PRC. It is unlikely that there were more than a very few purchasing agents or other commercially-oriented end-user representatives in the audience, although we could not be sure.

In a few instances it was possible to persuade participants to identify themselves and their professional affiliations, especially those asking questions after each lecture; at other times, for example during the brief mid-morning and mid-afternoon intermissions, we were able to meet a few of these gentlemen in person. Although the Chinese do not usually hand out printed business cards during introductions, we found that the symposium participants were almost always willing to write their names for us and disclose the names of the organizations with which they are associated.

Naturally it was somewhat easier for us to get acquainted during the relatively small group-discussion sessions which were held in conference rooms in the Friendship Hotel (also in northwest Peking) during the four or five working days immediately following the lectures. In Peking there were three such groups, each with a designated leader or spokesman from the Chinese side and each comprising about ten to twelve specialists in the area of technology under consideration. For example, one contingent was eager to question Dr. Kunin at length concerning modern techniques for the treatment and disposal of industrial wastes. Three half-day question-and-answer sessions were scheduled for two of the groups, and four such meetings for the third. In order to take full advantage of the availability of our two experts, Dr. Kunin and Dr. Vassiliou, the schedule was arranged so that no more than two of the three groups met concurrently, in separate rooms, at any time.

The Rohm and Haas group poses in Peking after one of the visits arranged for them by the CCPIT. With them are a power plant specialist, CCPIT man, and interpreter.





The Rohm and Haas group sightseeing at the Summer Palace near Peking.

The interest stimulated by the lectures was so great that both our experts were subjected to unusually extensive and intensive questioning during these subsequent half-day group meetings. Although Dr. Kunin and Dr. Vassiliou have delivered many technical lectures in the US, Europe, and elsewhere, they both found the thorough questioning by the Chinese specialists to be quite unique in their experience. We learned that at least one of the groups met in the evening after the first discussion and again after the second, in order to review the ground covered during the previous day and organize their questions for the next.

Shanghai

On June 27 we flew to Shanghai for a continuation of the symposium. Although the lectures were not repeated there, the scientists who attended had had advance access to the English texts thereof and the translations of the corresponding abstracts. The Shanghai contingent was in fact a fourth discussion group of about the same size as each of the three with whom we had worked in Peking. However a different set of Dr. Kunin's lectures was selected for intensive review. For example, application of Rohm and Haas technology to certain segments of the pharmaceutical industry was one of the subjects concerning which Dr. Kunin was exhaustively questioned in Shanghai, but not in Peking. The fourth group convened three times for one half day each in a conference room in the Peace Hotel in Shanghai.

Throughout the entire symposium Dr. Kunin and Dr. Vassiliou limited their disclosures, with very few exceptions, to published information. However they were able to organize this in a helpful manner and give their Chinese audience the benefit of interpreta-

tions based on years of practical experience. From time to time during the question-and-answer sessions, it became apparent to our experts that certain elements of additional published information would be of interest and value to the Chinese scholars; and careful records were kept to enable us to send the corresponding reprints, technical brochures, and so on back to Peking after our visit, which we were careful to do. It is appropriate to report here that we were quite well impressed with the familiarity of the Chinese scientists, who participated in these meetings, with the international scientific literature pertaining to their respective fields of specialization.

The physical equipment used as lecture and discussion aids at both locations was very simple and conventional in accordance with our own planning: Our Chinese hosts provided a slide projector of the proper size for the lectures, and blackboards for both lectures and group discussions. For the future, more modern presentation techniques, such as tape recorders, movies or video tapes with Chinese-language sound tracks, might be worthy of consideration. As for the latter possibility, television receivers are available in Peking, Shanghai, and undoubtedly a few other major cities in the PRC. However anyone planning to use sophisticated electrical equipment in that country should be aware of the characteristics of the alternating current available to small-scale consumers: 220 volts and a frequency of 50 cycles per second.

Of the informative visits arranged for us, three afforded additional opportunities for worthwhile supplementary technical discussions, specifically our visits to Peking Thermal Electric Power Station, Shanghai No. 4 Pharmaceutical Plant, and Hwa Shan Hospital, Shanghai.

Visiting China's Foreign Trade Corporations

One of the most welcome benefits accruing from our Peking visit was the opportunity thereby afforded me for making introductory visits to the headquarters offices of China National Technical Import Corporation and several of the Chinese foreign trade corporations, especially China National Chemicals Import and Export Corporation (CNCIEC), with all of whom I had had previous correspondence on a variety of commercial subjects. These meetings proved to be informative and generally helpful in facilitating our subsequent correspondence (and may possibly have helped us to win an entrée to the Chinese Export Commodities Fair in Kwangchow about four months thereafter). In some instances the foreign trade corporations in Peking were represented by professional women as well as men.

During several of these meetings I took advantage of opportunities to report that many American businessmen are opposed to the imposition of discriminatorily high tariffs on imports from the PRC, and

correspondingly in favor of the according of so-called most-favored-nation (MFN) treatment to that Country on a reciprocal basis. In this connection I referred briefly to the efforts of the National Council for US-China Trade, especially the testimony of Council President Phillips before the Senate Finance Committee, in support of the foreign trade bill, which was needed as the first step toward the attainment of the MFN objective for our trade with the PRC, USSR, and certain other countries, and which was subsequently passed by both Houses of Congress and signed into law by President Ford early in January of this year. (However the terms have so far not been accepted by the USSR. A recent analysis of prospects for future conclusion of a Sino-US trade treaty may be found in the article entitled "China and the Trade Act of 1974" by Henderson, Ludlow, and Theroux which appeared on pages 3-10 of Vol. 2, No. 1 of *U.S. China Business Review* (Jan.-Feb. 1975)).

Costs—Other Practical Considerations

Rohm and Haas Co. paid all hotel and routine meal bills for our delegation inside the PRC and all travel expenses associated with the project, both inside and outside the PRC. The Chinese Academy of Sciences provided the auditorium for our lectures in Peking; and our hosts (CCPIT and/or CNCIEC) furnished the hotel conference rooms for the subsequent group discussions in Peking and Shanghai, expert interpreters for all meetings, and automobiles and drivers for local transportation. During our travels within China we had the pleasure of the companionship and good help of Mr. Shih Kuang-chang and Mr. Chi Teu-yü of CCPIT who added much to our enjoyment of the entire trip:

The total cost of our symposium undertaking, including first-class air fares from our several far-flung starting points to the PRC and return, was probably somewhere in the range of US\$10,000-US\$15,000. Other things being equal (such as travel distances), this is probably less than the total cost of a foreign company's participation, to any significant extent, in a trade fair or exhibition in Peking—at such specific, limited times as such projects may be scheduled by special inter-country agreements. Of course the latter alternative offers additional benefits such as opportunities to display proprietary products to large numbers of the Chinese public. The foregoing comment concerning cost comparisons is based to some extent on second-hand information, since neither the Rohm and Haas Co. nor any of its foreign subsidiaries has so far taken part as an exhibitor in any of the trade fairs held in Peking or elsewhere in the PRC.

A few examples of travel and living costs within the PRC, as of mid-1974, may be of interest:

Domestic air fares (CAAC), single class, one way
Peking to Shanghai US\$78.05

Hangchow to Kwangchow 80.65*

*This is the cost of a Shanghai-Kwangchow ticket purchased in advance in Japan and subsequently accepted, without adjustment, as fare for the Hangchow-Kwangchow flight (approximately same distance).

Rail fares, one way

Shanghai to Hangchow US\$ 3.50

Kwangchow to Hong Kong 12.40

(including special service and baggage charges)

Large hotel rooms, not air-conditioned, with private bath, per day (European plan)

Hsin Chiao Hotel, Peking (downtown)
US\$13.00

Friendship Hotel, Peking (N.W. section)
12.50

Peace Hotel, Shanghai (downtown)
19.75

Average daily cost of hotel meals (3)

Hsin Chiao Hotel, Peking
approx. US\$4.00—5.00

Friendship Hotel, Peking 3.50—4.00

Peace Hotel, Shanghai 4.50—6.00

The figures listed above are equivalents converted from actual costs at the then prevailing rate of exchange, RMB 1.9219 to the US dollar. The so-called "large hotel rooms" were actually two-room suites in most instances. Single rooms with bath would undoubtedly have been adequate, but because of the hot weather we were willing to pay for additional windows and cross-ventilation when and where available. As noted above, hotel meal prices were very reasonable. Quite understandably, prices at such first-class Peking restaurants as Fung Tse Yuan and Tsing Yang Fan Dien were considerably higher and approached more closely the corresponding prices which we pay in the better restaurants in the US.

Rohm and Haas Co.'s own secretarial staff and service department took care of the typing and reproduction of two hundred copies each of the lecture texts. The cost of translating, typesetting, and printing the corresponding Chinese-language abstracts by American Industrial Report in Hong Kong was equivalent to about US\$800. The multiple copies of both lecture texts and abstracts were shipped to Peking by air freight. Of course all lecture slides were prepared at Company expense. As noted above, we did not use any movie films or tape recordings.

Travel in the PRC

Our single-class domestic flights (CAAC), from Peking to Shanghai by Boeing 707 on June 27 and from Hangchow to Kwangchow by British "Trident" on July 3, were quite satisfactory. The equipment was neat, clean, and apparently well maintained.

Two train trips of a few hours each, Shanghai to Hangchow on July 2 and Kwangchow to Hong Kong on July 4, gave us welcome and informative opportu-

nities to view the Chinese countryside at close range. This type of travel also proved to be excellent, with air conditioning and comfortable reserved seats.

The hotels at which we stayed were clean and comfortable, although, as we anticipated, not luxurious. Except for the special government guest house, at which we spent one night in Kwangchow, our hotel rooms were not air-conditioned. Tipping is not allowed. Service was adequate, ranging from matter-of-fact to friendly. Hot water and tea were available free of charge in the rooms at all times. Two days were normally required for laundry service (very inexpensive) at the Friendship Hotel in Peking, one day at the Peace Hotel in Shanghai.

Taxis could be engaged at the hotels where we stayed in Peking and Shanghai. It was also possible to arrange to return from restaurant to hotel by taxi after "dining out".

With respect to the normal peregrinations of foreign travelers—shopping, sight-seeing, dining outside the hotel—we were free to come and go in Peking and Shanghai as we wished. In each Chinese city foreign visitors are required to register with the local police, but all such formalities were taken care of for us by CCPIT representatives.

We had no problems whatsoever with the conversion of US, European, Japanese, and Hong Kong currencies and traveler's checks at the foreign exchange offices in the hotels; and no difficulty with currency reconversion at the border when leaving the country. A full currency declaration (including declaration of traveler's checks) is required upon entry, and a record of each currency exchange must be kept throughout the visit, which must be submitted, together with a copy of the original declaration, to the customs officials at the time of departure.

Informative Visits and Side Trips

As mentioned above, we had opportunities to learn about the industry, agriculture, scientific research, and educational practices of the PRC through a number of special visits arranged for us by our hosts. We visited the following—

The Red East Oil refinery (more than 3,500,000 metric tons per year) and petrochemical center, about 60 kilometers southwest of Peking

Peking Thermal Electric Power Station (300 megawatts capacity)

Shanghai No. 4 Pharmaceutical Plant

Hangchow Silk Weaving Mill

Shanghai Industrial Exposition (permanent)

Red Star Commune (population about 80,000, area about 160 sq. km., primarily a huge farming operation, plus a duck farm and modern powdered-milk factory) located near Peking

Chemical Research Institute (in Peking) of the Chinese Academy of Sciences

Hwa Shan Hospital in Shanghai

Ching Hwa University (primarily polytechnic and industrial), one of the two largest in Peking.

We were accorded a friendly reception on each of these occasions and were usually welcomed by the Chairman or Vice-Chairman of the Revolutionary Committee in charge.

Hospitality

It would not be appropriate to conclude this report without at least brief acknowledgment of the hospitality which was extended to us throughout our twenty memorable days in the PRC and the sight-seeing outings which were arranged for us after most of our work had been completed in Peking. On our second Sunday we were taken on an unforgettable tour to visit the Great Wall and the Ming Tombs north of Peking. With regard to historical and artistic aspects, the high point of the trip for me was the afternoon (all too short) which we devoted to the Forbidden City in Peking. On the following morning, the day before we left the Capital, we were taken to the Summer Palace, on a small lake near the outskirts of the city, where we were treated to a delicious lunch at the Ting Li Kuan restaurant. Sight-seeing was the sole purpose of our brief visit to historic Hangchow and the nearby scenic West Lake.

In addition to the banquets given for us in Peking and Shanghai, our hosts arranged entertainments for us on five other evenings. We have pleasant memories of the Peking Opera (where "Azalea Mountain", based on a revolutionary theme, was presented) and a gymnastic contest between the PRC and Kuwait, held in a large air-conditioned gymnasium in Peking; evenings of ballet, singing, and instrumental music (also based on revolutionary themes) in Shanghai and Hangchow; and a highly entertaining performance of circus acrobatics in Shanghai.

All in all, our hosts including CCPIT and CNCIEC, went to great lengths to show their appreciation for the scientific information and assistance which we brought them; to give us helpful opportunities for learning about their Country and its society; and to enhance our enjoyment of the entire twenty-day visit.

Conclusions

Among the more important conclusions which we brought back from this experience, some of them confirmations of tentative conclusions based on our previous reading, I would like to mention the following—

- There is a very marked emphasis on *self-reliance* for the country as a whole.
- On the basis of comments of several of those with whom we talked we got the impression that there is an underlying feeling of friendship toward the people of the United States, together with a

sincere hope that the few remaining problems, standing in the way of the establishment of full diplomatic relations, can soon be solved.

- The scientific symposium approach seems to be worthy of consideration as a reasonably effective means of introducing strongly research-oriented foreign manufacturing companies, operating in highly technical areas, to the Chinese foreign trade corporations with which they hope to develop commercial relationships. The cost of presenting such a symposium in an effective manner is not exorbitant and is probably less than that of exhibiting to a significant extent in a trade fair in Peking. The subsequent time and effort

required for developing actual sales of products or know-how will undoubtedly depend on factors specific to the organizations involved on both sides, the particular segment of the Chinese market involved, etc., concerning which it is virtually impossible to generalize with any confidence at present.

- We were well impressed with the competence and up-to-date knowledge of the Chinese scientists whom we had the privilege of meeting.
- The Chinese government representatives with whom we talked, as well as the Chinese scientists, seem to have a great respect for the science and technology of the United States. 究

SCIENTIFIC AND TECHNICAL PUBLICATIONS FROM CHINA

China's journals of science and technology are now available on a regular basis from Peking. American readers interested in current Chinese technical developments within a particular field can order the publications by writing directly to:

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

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

A selected list of these publications currently available, together with description and pertinent subscription information follows.

Scientia Sinica. Bimonthly, \$13.20 per year. Broad range of scientific topics. Recent articles include "The Computation on and the Analysis of Coaxial Band Factors" and "A Study of the Theory of Stepwise Equilibrium of Inorganic Ion Exchange in Seawater." In English.

Chinese Medical Journal. Monthly, \$10.80 per year. Recent articles include "Correlation Between Allergy and Chronic Bronchitis" and "Surgical Treatment of Chronic Empyema." Abstracts in English.

Acta Geophysica Sinica. Quarterly, \$6.40 per year. Recent articles include "A Preliminary Study of the Relationship between Drought and Earthquake Occurrence" and "On the Fracture Zones of Changma Earthquake of 1932 and Their Causes." Abstracts in English.

Acta Microbiologica Sinica Every six months, \$4.20 per year. Recent articles include "Induced Mutagenesis in the Selection of *Streptomyces Aureofaceins*" and "Studies on Carbon Aggluti-

nation Test for *Leptospira II.*" Abstracts in English.

Science Bulletin. Monthly, \$7.20 per year. Recent articles include "Biosynthesis of Polypeptide Antibiotics" and "A Preliminary Determination of the Gyromagnetic Ratio of the Proton in China." In Chinese only.

Scientia Geologica Sinica. Quarterly, \$8.40 per year. Recent articles include "The Process of Crystal Development of Olivines in Silicate Melts" and "Geological Interpretation of Computing Results of Some Parameters of Focal Mechanism for Certain Earthquakes in China." Abstracts in English.

Acta Entomologica Sinica. Quarterly, \$10.80 per year. Recent articles include "On the Biology of the Apple Red Spider" and "*Trichogramma* of China." Abstracts in English.

Acta Zoologica Sinica. Quarterly, \$8.40 per year. Recent articles include "New Records of Chinese Birds from Yunnan" and "Age Investigation of Muskrat Populations." Abstracts in English.

Acta Botanica Sinica. Quarterly, \$9.60 per year. Recent articles include "Responses to Vitamin C of the Female Gametophytes of *Laminaria Japonica*" and "Effects of Ethrel on the Ripening of Tomato and Watermelon." Abstracts in English.

Other scientific and technical publications now obtainable from China include *Chemical Bulletin* (Bimonthly, \$5.10 per year), *Scientific Experimentation* (Monthly, \$2.40 per year), and *Wireless* (Monthly, \$2.10 per year). These are presently available only in Chinese. 究



Chinese radios in a consumer goods store in Shanghai.

Selling Japanese Consumer Goods to China

Alistair Wrightman

In the last issue of UCBR, John Kamm explored the market in China for foreign consumer goods. The following note from Alistair Wrightman in Tokyo adds detail of Japanese experience in selling consumer goods to the PRC, providing some interesting insight into how this presently very small, but expanding trade is carried out, and its prospects as seen from Japan. The views in this article do not necessarily represent those of the National Council.

Business interests trading with China have long realized that since the emergence of the People's Republic by far the biggest and best sales opportunities in that country exist for industrial equipment, plants and agricultural products. With the Chinese so heavily concentrating upon the building of a great industrial nation by the turn of the century, it is obvious that they can have relatively little interest in importing consumer items. Peking's recent apparently serious shortages of foreign exchange clearly serve only to underline the practicality of this approach to world trade and self-sufficiency wherever possible. But if it is a discouragement to most businessmen, to the executives of Japan's small-scale trading houses the Chinese consumer goods market is an area of steadily growing importance.

Somehow the tiny Japanese trading firms manage to sell Peking approximately \$10 to \$14 million worth of consumer products each year. The \$13.8 million worth of consumer goods which the Japanese managed to sell the Chinese in 1974, for example, were a varied assortment: \$433,000 worth of pharmaceutical items plus allied products worth an estimated \$40,000; more than \$3 million in soaps, detergents and polishing powders; joss-stick fireworks valued at close to \$40,000; a bit above \$15,000 for hunting gun ammunition; around \$1,100 worth of writing paper, envelopes and cards; and at least 113 color television receivers valued at over \$35,000.

The Japanese also were able to sell China last year 27 to 30 radios valued at more than \$7,050; automatic laundry machinery worth around \$3,200; electric irons carrying a total price tag of slightly above \$2,030; lighting equipment priced at approximately \$80,000; furniture valued at \$5,150; bags and suitcases worth at least \$3,000; clothing tagged at \$16,800 or more; cameras priced at about \$25,000; color film at \$30,000 or more; watches and clocks set at almost \$900,000 (most of this amount was spent on watches); tape recorders valued at \$180,000 or thereabouts; \$30,000 worth of records, tapes and sheet music; \$5,000 in pianos; almost \$400,000 worth of books, magazines,

newspapers and picture post cards; nearly \$30,000 worth of baby carriages, toys and sporting goods; about \$12,000 in pearls, jewelry and similar items; \$190,000 in buttons, zippers, combs and toiletry products, and \$4 million or more on passenger cars.

For Which Consumers?

It is obvious from this list that some of the items may be difficult to identify positively as consumer products. In some cases, as a matter of fact, the goods are being imported by China for the purpose of copying. Some Japanese manufacturers have found exact reproductions of their products (including in some cases the same brand name) in the markets of South-east Asia and in China itself.

Although a few Japanese makers on occasion have sold their goods directly to the Chinese, most of the consumer items which are going to China from Japan are being sold by the tiny trading houses which have been trading with Peking as "friendly companies" over the past two decades and long before Tokyo established diplomatic relations with the People's Republic of China.

Those in Japan who are deeply involved in handling trade with the PRC contend that no amount of promotion of Japanese consumer goods will result in greatly increased sales to Peking in the years ahead. Those imported products purchased from Japan's consumer item manufacturers or smaller trading firms, as a matter of fact, are being sold in only a few retail outlets in Peking, Shanghai and a few other cities. There appears to be little attempt by the Chinese to distribute imported consumer type products throughout the entire country, except for watches and such goods as Albanian cigarettes.

Most of the sales to China of Japanese consumer goods have been arranged during the Kwangchow (Canton) fairs, but a growing number of sales currently are being achieved through visits to the various Chinese governmental trading corporations in Peking. Only a scattered number of sales are the result of tours of Japan by Chinese trade missions.

No Substantial Expansion Expected

Japanese specialists in China trading claim that they would be extremely surprised if there is any substantial expansion of sales of foreign consumer goods to the Chinese in the next decade or so. They point out that the people of China simply cannot afford to buy most imported consumer products and that, in any event, Peking's trading policies are designed to increase import of producer goods at the almost total sacrifice of consumer items.

It is quite clear that China will continue to concentrate upon import of capital equipment, know-how and agricultural goods for a long time to come. Generally it is agreed that it would be impossible to make

a guess as to the time when the Chinese might open their doors to full-scale importation of consumer goods.

As matters now stand, unless large orders are considered likely, such as the case of passenger automobile sales last year, only the smallest trading firms are really interested in handling the consumer products which China has shown any intention of purchasing. Profit margins on relatively small orders are often insignificant and obviously in many cases pursued by the little trading houses just to keep their hands in China's business.

Even the most successful Japanese firms involving themselves in selling consumer goods to the Chinese do not appear to be overly optimistic about the prospects of expansion of this type of trading. Top executives of these Lilliputian trading companies report it is hardly worth sending a salesman to Peking for only one type of product in the consumer area.

This is why the trading firms in the medium- and major-size ranges have shown so little interest in handling consumer products in their trading with China—and why so very few Japanese manufacturers of this type of item have engaged in direct sales to the Chinese.

Larger than normal sales which promise a more reasonable profit margin usually require months of patient work and at any time the Chinese officials may shut down negotiations completely, turning their backs entirely on any thought of importing the consumer item involved. In any event, the Chinese are hard bargainers on consumer products, according to executives of Japan's trading houses.

Oil and Consumer Goods

Most probably, as China begins to sell more of its crude oil abroad to earn much larger quantities of foreign exchange, Peking may gradually increase its spending on the import of consumer durables. Naturally, those firms which have remained in the market will enjoy an inside edge.

There is no doubt that the vast majority of the consumer durables presently being imported by the Chinese are not intended by any means for the average citizen of the PRC and that a considerable number of these items are sold to foreign tourists and visiting businessmen in China's largest cities. Should Peking finally launch a program to encourage foreigners to tour China this may lead to stepped up imports of consumer goods.

But Japan's experience in trying to increase sales of consumer durables in the Chinese market tends to support those who argue there will be no major breakthrough in this area for the foreseeable future. And no amount of promotion, no use of catalogs and brochures, no increased dispatch of high-pressure salesmen will upgrade the market to any significant degree. 完



CHINA TEA

Suzanne R. Reynolds

A bright idea came into Alice's head. "Is that the reason so many tea-things are put out here?" she asked.

"Yes, that's it," said the Hatter with a sigh: "It's always tea time. . ."

From *Alice's Adventures in Wonderland* by Lewis Carroll

Of all the things China has given the West, tea has probably had the greatest impact. Western society has been denominated in its far flung reaches by the drinking ritual for which China is so famous. From Tokyo to Tuscaloosa, Bonn to Boston, drinkers will be found daily partaking of the camellia known as tea. It is hard to imagine anywhere in the world where tea is missing from the daily diet. The US has traditionally been one of the largest consumers of Chinese teas: this report will introduce the would-be importer, and the tea drinker to one of China's most civilizing and refreshing influences on the rest of the world.

Prior to World War II China was the world's largest producer of tea and may still be although no figures are available. Following the Japanese invasion however, China's share declined and India and Sri Lanka now hold the title of leading producers.

China is now anxious to regain her former position

in the world tea industry. It has been steadily increasing production and indications are that the PRC now has the capacity to export to the US in volume. It has been reported in an article in the Tea Association of the USA's newsletter that China has opened new tea fields and has been conducting many experiments in cultivation, fertilization and processing. The purchase of tea packaging machines from Baker Perkins (UK) and the visit of Chinese officials to Twinings in 1974, indicate that China will be increasing its export capacity.

Although tea in the US does not share the same popularity as coffee, there is a growing market of which China could be a part. The United States ranks second to the United Kingdom among the importing countries consuming tea. And while per capita consumption has been declining in the UK, it has been on the rise in the US.

US tea consumption reached an all-time high in 1974. Retail foodstore tea sales hit a record of approximately 141 million pounds, valued at about \$413 million compared with 1973 sales of approximately 140 million pounds, valued at about \$377 million.

US Imports

Since 1950 US imports have risen from about 114 million pounds to a record 178 million pounds in 1974. Together with the rise in imports came a sub-

A Short History of Chinese Tea

Tea began as medicine, became an art and grew into a beverage. It was first used as a medicinal drink, to strengthen and cure. In the eighth century, tea entered the realm of poetry through Lu Yü's *Classic of Tea*. Lu Yü identifies the act of preparing and drinking tea as a means of celebrating life, most especially the changes in life. This art and tradition was carried to Japan where, in the fifteenth century, it became a religion of aestheticism—Teaism. Today the cult is practiced in Japanese Tea Ceremony, an art of preparing and taking tea. Teaism, which was influenced by the Taoists, the Buddhists and the Confucianists, has become a cult founded on the adoration of the beautiful among the sordid facts of everyday existence. Another tea classic defines the taking of tea to be a "worship of the imperfect, as it is a tender attempt to accomplish something possible in this impossible thing we know as life."*

The origin of tea is not fully known. A legend has it that tea was discovered by a Chinese emperor of the third millennium B.C., Shen Nung. While burning a camellia bush, which is related to the tea bush, the emperor noticed a wonderful aroma: understanding its source he introduced tea cultivation to his people.

Buddhists attribute the discovery to Bodhi Dharma, an early patriarch who, while meditating, fell asleep. Angered at himself, he cut off his eyelids which fell to the ground and sprung up again as tea plants. Thus tea became antidote to sleep for the Buddhists.

Historically, the beginning of tea is difficult to pinpoint but early T'ang documents (618-907 A.D.) state that tea cultivation was practiced from the fourth century and, by the sixth century, the practice was widespread. Even before this time tea was known as a drink and was mentioned in several documents around the time of Confucius (551-479 B.C.) but under various names or Chinese characters. By the time of Lu Yü's classic the word ch'a came to be used as the common name for tea. Tea by the eighth century was a common beverage used by all classes of people.

From China tea spread to Southeast Asia and, several centuries later, to Europe. The first mention of Chinese tea in Western literature appeared in 1589. By the 17th century, when trade with China had opened to Europeans, tea, together with porcelain, had become a leading trade commodity. Some economic historians have suggested that Great Britain's growing demand for tea and her consequent balance of payments problem, led the British East India Company to introduce opium into China in the early 19th century.

*Kakuzo, Okakura *The Book of Tea*, Vermont, 1956.

stantial increase in the price of tea. The reasons for higher prices were threefold. First, consumption in producing countries, specifically India, has been increasing faster than production levels which has been limiting export supplies. Second, Sri Lanka and many other producing countries in Africa in 1974 suffered from poor crops. (India had a record harvest that year.) Third, worldwide inflation triggered a rise in production and transportation costs.

Prior to 1974 the price of tea in the US had been fairly stable due to a constant supply. This gave tea the best sales performance in the US beverage market next to orange juice.

US imports in 1973 valued at \$69.6 million were up 11 percent over the 1972 figure, and in 1974 imports were \$79.3 million, 14 percent over 1973. In 1975 it has been predicted that the imports on a pound basis will decrease to about 170 million but the dollar value will increase to approximately \$80 million.

Popularity Increasing

Consumption of tea in the US has increased due to the growth in popularity of tea bags, instant teas and iced tea mixes which has made tea a year-round drink. Industry level promotion since 1950 may also have helped improve tea sales.

With the rising demand for tea in the US and availability from traditional supplies down, one can safely say that there is a need for additional sources of tea. With China's production increasing, China could at this time enter the US market once again as a major supplier.

Among the products which China exports to the US, tea is one of the best buys because it can enter the US duty free—in crude or prepared form. Also the quality of tea from China is above standard and therefore has few problems meeting US specifications, assuming packages are labeled according to these specifications.

Buying Chinese Tea

Buying tea from China differs from purchasing elsewhere. Tea is normally sold at auctions held in Mombasa, London, Calcutta and Cochin (India), and Colombo (Sri Lanka). As there are no tea auctions in the US, the importer usually buys in the producing country or in London, either at auction or by direct negotiation. Prior to auction, samples are sent out of the teas being offered to leading tea buyers.

Having bought the tea, the importer either ships it to fill an order or sends samples to wholesalers throughout the world. American importers or packers who buy the tea direct are located in the major tea buying centers of New York, Boston, Philadelphia, Chicago, New Orleans, Los Angeles, San Francisco and Seattle.

By contrast, tea in China is sold exclusively by the China National Native Produce and Animal By-products Import and Export Corporation at the twice-yearly Chinese Export Commodities Fair in Kwangchow. Samples can be ordered between Fairs but unless the buyer is familiar with particular teas, the tremendous variety makes the task overwhelming. Tea catalogues are available from the Corporation.

Entry Into the US

Tea, entering the US, is subject to FDA regulations and the standards of the Tea Importation Act. When it enters the US, tea is tasted by the Tea Examiner, who is an employee of the Food and Drug Administration, and checked against standards established by the US Board of Tea Experts.

Standards are set each year by members of the board during a five-day meeting at which time nearly a hundred samples of tea are tested for color, aroma, freshness and purity. A minimum standard is decided upon for the year for each of the principal varieties of tea.

Should an importer object to the rejection of his tea, he may take his case to the Board of Appeals which will call in three tea tasters from the trade to judge the rejected tea.

Tea from China has had little difficulty coming into the US. One known rejection was for Puehr Tea, a Yunnan tea, which is slightly mouldy giving it a musty flavor. This is a specialty tea which was brought in in very small lots. Unfortunately, it was rejected by the FDA because of the mold. Other teas have had labeling problems. Sometimes the net weight of a tea is not in the proper place on the label and thus is detained. (FDA regulations require that net amounts appear in the lower 30 percent of the label if the principal display area panel of a package is larger than 5 square inches.) This is usually corrected at the expense of the importer and the tea is allowed through.

As for all packaged food imports, the country of origin must be stated on retail cartons.

China's Quality Standards

China's quality control is explained in detail in a recent report to the Tea Association. According to this article, Chinese teas, for the most part, have a relatively stable quality controlled by systematic fertilizing, cultivation, harvesting, and manufacturing processes. In preparation for export, tea is tasted and graded by tea experts from the tea exporting branches of China Native Produce Corporation. Additional quality control is ensured through checks made by China's national inspection bureau. In terms of conformity between samples and actual shipment, the Chinese have been praised for their accuracy. As the taste and color of teas may differ from season to

FROM A CHINESE NEWS REPORT

The Mechanization of Tea Processing in China

Chekiang Advances Mechanization of Tea Processing
(NCNA-English Hangchow, November 27, 1974)

East China's Chekiang Province is processing twice as much tea by machinery as in 1965, the year preceding the great Proletarian Cultural Revolution. Mechanization improves tea quality and reduces the worker's labor intensity.

Chekiang has grown and manufactured tea for centuries and leads the country in tea output. Under reactionary Kuomintang rule, tea production suffered serious losses. Since liberation, especially since the Cultural Revolution started, the Communist Party and the People's Government have paid great attention to the development of the tea industry and have given much material, financial and technical aid to tea growing areas for mechanization. Emancipating their minds, the people of Chekiang trial-produced in 1958 the province's first set of equipment covering all processes of tea manufacture. The initiative was supported by central departments concerned and the equipment popularized throughout the country.

During the Cultural Revolution, mechanized tea processing capacity in Chekiang has grown with the improvement of old machines and the adoption of new ones. In Shenghsien County, a major producer of the well-known Pingshui Gunpowder Tea (a kind of green tea), a simple, cheap but efficient machine for processing this kind of tea has been popularized in people's communes and their subdivisions. The county has established 500 initial tea processing shops with 3,200 machines for producing gunpowder tea. Over 70 percent of the county's gunpowder tea is manufactured by machine.

Tea refineries where finished tea was produced by manual labor with simple wooden machines before liberation have, in the main, shifted over to mechanized operation. At the Hangchow Tea Factory, the biggest in the province, tea stalk extractors are doing the work which used to require the manual labor of 1,200 women workers a year. Coupled with other technological innovations, this has raised efficiency five times or more.

Party committees in tea-growing areas have organized a concerted effort by all trades to develop tea manufacturing machinery. Farm implement plants and shops in 40 cities and towns, counties and communes in tea-growing areas form a network for building and repairing tea processing machinery. In picking seasons, industrial departments often send cadres, workers and technicians to tea gardens to help install or service machines and give guidance on tea processing techniques.

A Book About Tea

Recently, a translation of *The Classic of Tea*, by Lu Yü has been issued in the US. This edition, the first complete translation of this work to appear in the West, is introduced and translated by Francis Ross Carpenter, Associate Director of the Museum of the American China Trade in Milton, Massachusetts.

The book is in two sections. It has a long introduction, describing the development of tea in China, including the evidence of language as to the origins of tea. The introduction also describes how tea came to the West, complete with quotes from such poets as Pope and Cowper. There is a description of the life and times of Lu Yü, prefatory to the main text.

The text itself is illustrated with line drawings that add a considerable charm to already fascinating prose. The *équipage* for tea, as listed by Lu Yü, and the instructions for brewing tea, cannot fail to expand one's insight into the essentials of tea drinking.

Instructions from Lu Yü, circa 780-800 A.D.—
"Tea is picked in the second, third and fourth moons. Young and tender shoots, growing on rich, fertile soil, should not be pulled until they look like fern or bracken, and are four to five inches long. In any case, the shoots should be picked only while the dew is still cool.

When the tea shoots have flushed out into a thick undergrowth, select the fullest among the shoots of three, four or five branches, pull them off and pluck them.

Do not pick on the day that has seen rain nor when clouds spoil the sky. Pick tea only on a clear day."—NL.

Available at \$8.50 from Little, Brown and Company, 34 Beacon Street, Boston, Massachusetts 02106

The Tea Association and Tea Council

The Tea Association is made up of packers, importers, brokers, agents and other firms in the industry. The Association works with equipment manufacturers testing new brewing machines, and with the restaurant industry on developing new techniques for handling tea in quantity.

The Tea Council of the USA, which was founded to promote the sale of tea, is supported by members of the Tea Association and by the Governments of Sri Lanka, India, the Tea Board of Kenya, the Tanzanian Tea Authority, the Uganda Tea Board, the Tea Association (Central Africa) Limited, Gremio dos Plantadores de Cha do Distrito de Zambesia and US Tea Companies who account for at least 75 percent of total US tea sales.

season, buyers will only become familiar with variations and continuity through constant sampling of teas presented from different harvest periods.

US Imports of China Tea

Total US imports of tea from China for the period January through December 1974 were 2,735,996 pounds worth \$1,017,477. In pounds, this represents 1.5 percent of the total amount of tea imported in 1974. Unfortunately, the only general category of tea from China for which there is a breakdown is Green Tea which amounted to 347,182 pounds in 1974, 4.8 percent of total Green Tea imports. The figures given for the major types of tea imported from all sources are as follows: Black Tea, 169,998,000; Green Tea, 7,206,000; Oolong, 763,000, and Mixed, 1,077,000.

Bulk Tea from China

Chinese teas, offered in bulk form, are suitable for blending, instant tea manufacture, restaurant and specialty purposes. Teas suitable for blending include many varieties of graded black teas (dust, fannings, B.O.P.E., B.O.P. and O.P.). Oolong and Jasmine teas, appropriate for the restaurant trade, are also offered and several varieties of Green and Jasmine siftings with good extraction rates are available for instant tea manufacture.

Black teas imported in bulk are sold to dealers or packers usually through importers or brokers at a low margin. The packer, when buying the tea, is able to choose, from the large variety offered to him, that tea which, when blended with teas from other countries, will assure a uniform product in the end. The tea is then marketed under five or six major brand names.

Over 90 percent of the tea which is blended is sold in the form of tea bags and instant tea products. The retail price of these items is anywhere from 30 to 100 percent above the original purchase price—depending upon whether the item is sold as food or as a gift item and upon the retailer's estimate of the market value of the item. A very minor proportion of the manufactured tea is sold loose.

China's teas, if purchased in bulk form, have the largest sales potential at the moment and imports will most probably increase in this area. Bulk tea is not only the cheapest to ship but, also, certain varieties of Chinese teas can be substituted for other teas in a blend with broader market appeal.

Packaged Loose Tea

The dollar-volume of loose packaged tea is very small compared to that of bulk imports. Most of this tea goes to Chinatowns which represent less than one percent of the total tea market. Other loose teas go to specialty or gourmet grocery stores, and to

gourmet sections of large department stores. At this time, however, when prices are up, specialty foods do not sell well and few large stores want to increase their specialty food inventories.

Specialty teas sold loose and without containers are slightly cheaper than other teas. One of the most popular of the loose teas is Schow-chun, meaning first crop, which is grown in Yunnan. This sells for about \$3.50 a pound. Other good sellers are Keemun Black Tea, Jasmin, and China Black.

The market for loose teas in containers is very limited, not only because of market unfamiliarity but also because of high duty on containers which, if sold empty, would be of some value. The duty on tin containers in Column II is 25 percent of the value of the container as opposed to 5 percent for MFN countries; on aluminum containers, 45 percent vs. 9.5 percent; on paper boxes, 35 percent vs. 7 percent. The price of the containers plus the extremely high duty makes the retail product a very expensive item in a falling specialty food market. The ocean freight of individually packed tea is also higher than freight for bulk tea. At least two tea companies have been able to avoid the duty and unfamiliarity of product problems by packaging under a familiar brand name in Hong Kong and shipping out of Hong Kong port.

Instant Tea

China has recently produced a freeze dried green tea and black tea. Reports from those who have tasted this new product are moderately favorable but it is still in experimental stages. Tea buyers say that modifications in product, packaging and labeling are required before this product can be marketed in the US.

Receptivity to the black freeze-dried tea will be limited for several reasons. Since it is not cold-water soluble, it is unsaleable in the US. Again there is market unfamiliarity with the Chinese product. There is also tremendous competition from the four or five leading instant tea manufacturers. As grocery stores are hesitant to give space to unfamiliar products, they will naturally favor the well-known brands.

The green freeze-dried tea may have more chance of succeeding because it is unique and does save space, time and tea leaf disposal. But the product would be limited to the small percentage of green tea drinkers.

Given these factors it would not be advisable for China to spend the time and cost on a market study in this area if it seeks the US market. Furthermore, the instant tea industry in the US has not done well in the past year. Sales were off two points from 1973. In contrast, sale of iced tea mixes have risen 12 points* since 1973. Although it is too early to predict,

* Based on a 1974 A.C. Nielsen Company appraisal of the tea market.



this could mean that tea mixed with lemon and/or sugar will do better than instant tea in the future. Instant tea is now sold in individual containers for home consumption, to institutions for packaging tea drinks or for vending machines.

Tea Bags

The largest demand for tea in the US is in tea bags. As mentioned above, there is a market for China tea in bags, but unfortunately it is marketable only under established brand names.

The China National Native Produce and Animal By-products Import and Export Corporation is now selling tea in bags but only in limited quantities. Purchases such as the tea packaging equipment from Baker-Perkins should help to increase production in this area.

Chinese tea bags are not as porous as those of well-known brands but recently they have improved in durability. The bags are flo-thru and are on the whole very similar to those made by popular tea companies.

One particular brand, China Black Tea, Sunflower Brand, has become a popular item but production is still limited and there are adjustments which must be made for better marketing. Significantly, the reasons for its receptivity, other than fine quality, is its attractive package, but unfortunately the package does not say that it contains tea bags. All 72,000 boxes which arrived in the US have had to be labeled with content information to pass customs—a time-consuming and costly job.

Sunflower Brand boxes are also too large for retailing. Each package contains 72 tea bags as opposed to US cases which contain 12 or 24 tea bags. Grocers do not usually like to stock such large sizes because they will not move as fast as smaller sizes.

A recommendation is that, if the larger size packs are easier to ship, the packs might be made to include a subpack within the larger case. Alternatively, small packs could be shipped together.

Although Chinese tea packages are, on the whole, very attractive, some containers are covered with too

much Chinese writing which, understandably, has proven to have lessened its consumer acceptance in the US. (The average US consumer still tends to be skeptical of things foreign.)

In addition, although health claims are often alluring, statements such as "a cup of this tea will produce

The US Tea Market

According to an A.C. Nielsen Company report, US tea sales on a dollar basis increased approximately 72 percent between 1970 and 1974 (estimated at an 8 month rate). On a pound basis, sales were up 85 percent between the same years. The largest sales category since 1970 at least has been in tea bags. As of 1974 tea bag sales still led and were followed by instant teas, iced tea mixes and loose tea respectively.

Iced tea mixes have over the past four years increased steadily and have shown the best sales performance of all categories of tea. The percentage of total tea sales on a pound basis rose from 6.9 percent in 1970 to an estimated 14.2 percent in 1974. Sales on a dollar basis went from 16.5 percent in 1970 to an estimated 29.0 percent in 1974. This increase has been the most drastic change in the tea market and will no doubt continue as iced tea becomes a year-round drink in the US.

The increase in sales of tea mixes might now be coming at the expense of other tea sales. Instant teas in the past year have dropped slightly in sales from 22.1 percent (on a dollar basis) in 1973 to an estimated 20.1 percent (on a dollar basis) in 1974. But sales have, however, generally remained constant.

Tea bag sales, which still account for close to 50 percent of the market, have been decreasing since 1970. In 1970 pound sales represented 51.8 percent and dollar sales 52.7 percent of the market. According to 1974 estimates, pound sales have dropped to 48.9 percent and dollar sales to 45.8 percent. Although the changes are slight the general trend seems to be down. Tea bags, however, will probably hold their own for a while as the largest selling category as they are the major means by which hot tea is prepared in the US.

Loose teas have been decreasing in sales at a greater rate than tea bags and instant teas, from 12.1 percent in pound sales in 1970 to an estimated 7.2 percent in 1974. Dollar sales have not been as steady a decline but nevertheless have gone from 8.5 percent in 1970 to 5.1 percent in 1974. The decline may be due to higher prices in this category. For the most part, these teas are imported and sold in individual packages which automatically makes them more costly. The loose tea market, which was larger than the tea mix market until 1972, is now the smallest as it is a purely specialty market catering to the tea gourmets.

an effect against clear vision, refreshment, and digestion-helping" are well-intentioned but wrongly stated and would prevent this tea from coming through customs. All health claims are in fact unacceptable under FDA regulations.

On the other hand, there are also packages which contain no information about the tea, such as where it was grown, when it was picked, what sort of flavor it has—the inclusion of which would be attractive to a consumer.

Even if the labels are modified, Sunflower Brand tea bags, like the instant and loose teas, will have a difficult task competing against chain store brands and popular tea company brands. In fact, there is very little tea sold under a private label in the US. Of all the teas imported, 85 percent are probably sold at the grocery store level through 5 or 6 major brands.

Importing tea in bags is also riskier than importing in bulk as there tends to be a greater loss of flavor due to "shipsweat" or changes in temperature as the ship passes through different zones.

Marketing Chinese Tea

The best way for China to enter the tea market at this time is through exports of bulk tea. There is no duty on this tea, shipping costs are low, flavor loss in transit is less, and there is no competition with US brands. The expense and time involved in marketing tea in this form would be substantially less than trying to sell it under a Chinese brand name.

At the moment, purchases of Chinese teas in bulk form are relatively low but could be increased as importing problems are solved. Blenders are now cautious about adding these teas in their blends because of the industry's lack of familiarity with Chinese teas as well as questions concerning packing, shipping and regularity of supply. Most of these problems, however, are being overcome. Direct monthly shipment from the PRC, now available from Shanghai to US East ports, allows buyers to fit purchases into a blender's production schedule. China also plans to introduce palletization for easier cargo handling and modern disposable cardboard cartons to replace the bulky wooden tea chests. These new cartons have been used in shipments to Europe and are reportedly strongly strapped and water and oil proof. The two sizes are 40 x 40 x 40 cm and 60 x 40 x 40 cm. China is now offering forward shipping schedules of up to 7 months duration at a fixed price to assure a continuous, reliable source of supply.

Many tea importers have made suggestions to Native Produce on how China could help facilitate marketing its tea. These include the appointment of an importer to be the exclusive national or regional agent for Chinese teas, who will line up with food brokers and wholesalers in major cities. As the importer must provide the promotional money, he would

not invest in marketing a tea if there were other agents promoting the same tea.

Before a distributor is willing to take the imported tea, he must be assured that the market is already somewhat familiar with the product. The buyer, therefore, must do a considerable amount of market research and provide promotional activities such as authorizing a discount which a broker would pass on to manufacturers, distributors or retailers. Importers might also introduce the product through a certain number of free samples together with three or so retail packs and advertising information for chain stores to take an initial basis.

To help the importer, China might consider producing a number of samples for importers to display at promotional activities such as food fairs.

If China approached the market through bulk tea, this tea would be available to the 760 or so firms in the US that are either wholesalers of tea or retail chain stores with their own tea brands. Among these, there are few firms with widespread (although not necessarily national) distribution, handling a large percentage of the tea volume. In the forefront are Thomas J. Lipton, Inc., Tetley Tea Co., The Great Atlantic & Pacific Tea Company, Brooke Bond Foods, Inc., Salada Foods, Inc., Standard Brands, Inc., The Kroger Co., McCormick & Co., and Wm. B. Reily & Co. and M.J.B. Co. who are not only packers but also importers. Among the tea buyers there are but a handful that could consider Chinese teas for inclusion in their blends.

Another suggestion is that China reduce the number of teas which are available and concentrate on producing and marketing those teas which are most in demand. The number of teas which China now offers is astonishing yet there are only a certain number for which there is a market. In pushing those teas which sell best, China would certainly get the most return with the least effort.

Marketing Brand Names

Selling loose tea individually, packaged or in tea bags under a Chinese brand name will take market research and planning strategy. It has been suggested that China appoint an independent market research firm in the US to study the market and the best way to approach it. Otherwise, China should depend upon the communication and market information it is receiving from importers and chance a fragmentary approach to the market from the different perspectives of importers depending upon each's position in the market.

If an importer were to promote packaged tea, the strategy would be similar to marketing bulk teas but would be a far greater undertaking as the importer would have to approach the wholesalers, or the retailers and the consumers rather than just the manu-

facturers, (packagers-blenders). The importer must test the market, have a lot of capital and work with a low margin.

Although Chinese teas have the advantages of history and quality, the technology and knowledge of merchandising needed to market packaged teas in the US is often beyond most supplying countries' comprehension. The Madison Avenue advertising industry is in itself extremely complex.

If China wishes to market packaged tea itself, it must establish goals; decide how much it wishes to sell; what it wishes to spend on promotion and for how long. If a delegation from China's National Native Produce and Animal By-products Import Export Corporation were to come and study the market, it must be prepared to stay some time to begin to understand it.

If China is going to promote on her own, she will, among other things, have to determine the best package design to meet the market in terms of what appeals to a buyer, appoint someone to put the tea on grocery store shelves, make sure the area is within easy access to the consumer, and be prepared for a high promotion budget.

China should also consider promoting her tea in trade magazines. In addition to the newsletter of the Tea Association of the USA, two other magazines in which Chinese tea may be promoted are *Telefood*, a magazine through which specialty foods can be ordered, and *Specialty Food Merchandising*.

If China does not want to market packaged tea herself, or give the job to importers, it must then consider retaining a good advertising firm or market consulting firm. Hiring such a company may not be worth the expense considering the small size of the tea market in the US.

For the moment, China must concentrate on means of increasing her exports in this area. As tea is basically a non-essential item in terms of national needs, it is a commodity which must be pushed if it is going to sell. As there are other more established tea suppliers, the demand for China's tea is not strong and therefore it is up to China to lure buyers. It cannot, in tea, afford to wait for the buyer to come to China, nor can it afford to assume a "take it or leave it" attitude if it wants to see Chinese tea on the world market.

China might also consider holding meetings and perhaps tastings with members of the Tea Association of the USA. From those who are most familiar with the market, the Native Produce Corporation could obtain recommendations. Many China tea buyers are members of the Tea Association and have already sent proposals to the Corporation.

To sell tea, China must seek out the needs of consumers, tailor her exports to those needs and assure a constant supply, quality, communication and convenience.



Lee Sobin tasting tea with Native Produce officials in Kwangchow.

TEA TASTING ADVENTURE

Lee Sobin

Tea negotiations in the People's Republic of China are never simply business meetings . . . one doesn't merely discuss routine details such as price, shipping dates, and containers, although of course these important factors must be dealt with in due time and with patience and care. But, discussing tea can be a lesson in sensations such as taste and smell . . . it can be an education in geography, a lesson in agronomy and weather, tea processing in sociology and etiquette, as well as in simple human nature.

I, as other traders, am almost always fascinated by the nature of my meetings and this past Fair is no exception! Because I had not met the negotiators before—although they knew of me—there was the usual period of getting acquainted. There was Mr. Li, who was doing the talking in perfect English and several young girls eager to listen and learn, but too shy to practice their limited English with me. They poured tea and smiled, straining to follow the conversation. We talked of the world economic difficulties, "due to the capitalist techniques of manipulating markets" and of how they affected China. We talked of the growing interest in fine teas in the United States—particularly among the young—who are so alert to improving their health through diet. They explained that their production is increasing gradually without the quality changes that had been feared, as they worked to increase output to meet growing world demand.

We talked in particular about Oolong Teas and their general characteristics, although there are so many varieties that it is not easy to generalize about any one Oolong within the category. Each variety is manufactured by a

different technique which affects the character of that particular brand within the species. The species in general is a special semi-fermented process which brings out an exceptional richness and fragrance.

Mr. Li told me that this green tea can only be grown in coastal Fukien Province, which lies in the southeast corner in about the same position in China as our state of Georgia is in relation to the rest of the United States. It is, however, a much hotter area than Georgia, with oppressively humid weather, an annual rainfall of at least forty inches, and often a good deal more.

We had been talking for over an hour and I was beginning to get nervous at about this time because I suddenly glanced at my watch and realized that I was ten minutes late for my next appointment . . . "Let us make another appointment" Mr. Li urged, "and we will have a traditional Oolong tasting for you with our two veterans teaching you." So, we set a date for three days hence.

I met Mr. Li and the tasters in a long rectangular room with shelves on one wall filled with some of the many varieties of Oolong tea in beautifully designed and colorful tins. Interspersed between the many-shaped tins were some very attractive tea caddies which I had been told at the last meeting retained the freshness and fragrance of the leaves more efficiently, along with the tins, than the famous traditional china ones.

Standing proudly ready to greet me were Mr. Li Chia-chih from the head office in Peking, who interpreted in almost-perfect, unaccented English, with eyes sparkling behind his glasses and a broad smile as he listened intently for meanings to my conversation and jokes. The tasters from the Amoy Branch in Fukien Province were older, very experienced professionals whose whole lives had been

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spent tasting, judging and studying the tea production. Mr. Liu Hsieh-tu and Mr. Chen Chin-hai, by the standards of any society, were experts who lovingly and with great care performed their function, proud of their product and of their expertise. Even as they spoke, without any possibility of my understanding what they said, these characteristics were wholly evident in their demeanor. Mr. Liu listened seriously, nodding and interspersing his comments, while Mr. Chen did most of the talking. A large tin electric pot was already steaming in a corner on the floor, and Mr. Li motioned me to my place at the table.

The table had already been prepared with one small china tray with six round, thimble-sized cups surrounding a tiny pottery tea pot. Next to that was a rice bowl with four china soup spoons sitting in steaming, boiling water. On another large china tray were three tall, traditional covered tea cups with no handles, and opposite each one was a standard tea cup and saucer.

After introductions were made—Mr. Li had already spoken a few words about me—each man told a little bit about himself, in the manner of “getting to know one another”, according to custom. They told how they had been in the tea business for more than thirty years. Both were fine, strong, young-looking men with pride and enthusiasm for their jobs. Mr. Chen said he personally had begun tasting at the age of fourteen—that he had tasted only Oolong varieties and was still learning.

He told me that there was no season for Oolong . . . it can be produced at any time of the year in Fukien Province. The weather, he said, and the fertilizers are the source of the tea's unique flavors. As a matter of fact, soya bean fertilizers and green fertilizers were really responsible for maintenance of the same characteristics of Oolong over the years. I asked him what green fertilizer was, and he told of vegetable leaves and stems and green grass which are fermented all together in a pool of water.

Now they set out the beautiful tins of three varieties that we were going to taste and, as they stuffed the big cups and the tiny 5-gram pot with the leaves of *Huang Chin Kuei*, Mr. Chen told me that there were several hundred varieties of Oolong teas. This was a frightening thought, but he assured me that I would be tasting only the three types that he had placed in front of me. He reminded me to examine the appearance of the leaves and to hold the tea in my mouth savoring the flavor of the infusion for quality and special characteristics, as well as for fragrance. He explained that the amount of leaves and subsequent strength of the tea was a matter of personal taste—that it was a very refreshing and reviving drink after a tiresome day. As he talked, Mr. Chen poured the boiling water into the pots, rinsed the insides of the covers, then returned them to the pots and poured more boiling water over all the pots.

The tea steeped only for seconds when they put their faces down close to the pots, picked up the covers only a few inches away and sniffed deeply several times, replacing the covers quickly. They urged me to do the same, for this particular tea only needs one-half to one minute of steeping before drinking, since the fragrance disappears rather quickly. The fragrance reflected its own particular characteristics which I described as “honey-like”, and to which they nodded and urged me to drink it now quickly, beginning with the tiny pottery pot. This doll-like unglazed pot

holds the heat and fragrance better than anything else, and after Mr. Chen poured it into the thimble-like cups, they kept picking up the cover, sniffing and examining the leaves, then pouring more hot water over the once-used leaves, saying that this could be done several times and that, in fact, the used leaves could be left in the pot overnight to be reused again on the following day. Again they urged me to hold the tea in my mouth, to enjoy the fragrance and flavor. It was mild and smooth with the wonderful fragrance of magnolias. The infusion itself was red. I had never really appreciated such individuality as this tea had, and the discovery with such professional guidance was very exciting.

They poured the tea from the covered cups into the standard tea cups and motioned to me to taste with one of the soup spoons. It seemed a little less potent now, and I believe it was the difference between the china cups and the pottery pot that caused the change. The last cooled drops were poured into a slop pail on the floor as they made ready for the next tea.

Ti Kuan Yin was prepared in the same manner as the *Huang* which preceded it. Mr. Liu explained that this tea was made from the choicest leaves. He pointed out that these finest leaves were thick and big, and well-rolled, appearing black with a little yellow in them before infusion. Afterwards, as they shrivelled in the water, they turned green with reddish edges. Mr. Liu lovingly fingered the soaked leaves after pouring the tea and, as we tasted, he pointed out the perfection of these characteristics in the leaves. *Ti* has a strong, biting, tannic taste—a man's tea, I thought, with a very high fragrance. Its strength could prevent one from sleeping at first, but after a few libations, it would simply be invigorating and restorative after a tiring day.

For the final time, they rinsed the cups, threw out the water, stuffed them with tea, *Wu-I Ta-yen* this time, and covered it with boiling water for another strong infusion. Again they reminded me to tell American friends of their preference for tins, pewter, or unglazed potterly caddies; to boil the water vigorously; and to drink the tea plain—not using sugar or cream which changes the natural flavor. They suggested that this would be wise anyway—since people of many western countries (they did not say which) were getting too fat and this tea would help them to reduce!

Now each taster bent over the covers with the steam flowing into their faces, sniffing short little sniffs and then a long deep one, and quickly replacing the covers. The fragrance was high and exquisite, different than the *Ti*, sweeter—more like thick honey—and the flavor was comparable. This tea comes from the Wu-I mountain and the mountain fragrances must have given it its sweetness and its fragrance, which is more delicate in character than the others. This was my favorite. The special perfume of this tea would always remind me of China and my teachers.

As I gathered myself together to leave, we shook hands, each of us, and I thanked my friends for their patience and for sharing some of their wisdom with me. They reminded me that Oolong was good for coughs and stomach pain, and recommended several cups to be imbibed almost as a medicine. Finally . . . Mr. Li said, with a big grin, “Many friends drink too much whiskey and wine! Remember Mrs. Sobin, Oolong will restore them!”

茗
Ming

茶
T'u

發
She

價
Chia

餅
Chuan

茶
Ch'a

All the Characters
for tea in China.

ALL THE TEA IN CHINA

As a catch-all expressing a quantity of unimaginable proportions, All the Tea in China is apt. And tea tasters have as much pride in their profession as tasters of wines, and may even have more varieties to choose from. The following text and list of teas from a recent China National Native Produce and Animal By-Products Import and Export Corporation catalogue will give an idea of the enormous range China has to offer. Even if some of these teas differ from one another only in brand name, the compendium should be of interest to any prospective foodstuffs importer and give any everyday tea drinker plenty to contemplate.

CHINA TEA

China was the first country in the world to grow tea. It is not this, however, that makes China Tea famous, but its fine quality and numerous varieties. There are six main categories of China Tea: Black, Green, Scented, Oolong, White and Compressed, each with features of its own. The most popular

drink of the Chinese people, it is also much admired abroad.

Black Tea

Black Tea (fermented tea) consists of two broad groups: Congou and Broken Graded Tea. Both have the highest sale in the world market. Black Tea has a pleasing aroma, a strong though mellow taste, a jet black luster and a bright red liquor. Each variety displays local characteristics, due to different topography, climate, soil, varieties of species and varied processing techniques.

Keemun Black Tea, for example, has long been known for its clear color, fresh, smooth, slightly sweet flavor, brewed from fine, tightly-rolled leaves. It has an unique aroma reminiscent of the perfume of an orchid known in the export market as "Keemun aroma."

Yunnan Black Tea, grown mainly in regions 1,100-2,300 meters above sea level, is characterized by stout leaves, tender buds, a strong and refreshing taste, a sweet aroma and bright red infused leaves.

Congou

Keemun Black Tea	Panyong Congou
Yunnan Black Tea	Lapsang Souchong
Kweichow Black Tea	Tarry Souchong
Hunan Black Tea	Pingsuey Black Tea
Szechuan Black Tea	Black Tea Buds
Fukien Black Tea	China Black Tea
Chingwo Congou	Rose Congou
Paklum Congou	Lychee Congou

Broken Graded Tea

Broken Graded Tea	Kwangsi Graded Tea
Yunnan Graded Tea	Black Tea,
Yingteh Graded Tea	Semi-manufactures
Kweichow Graded Tea	Black Tea, by-products
Hunan Graded Tea	

Black Tea in Packets

Sunflower Brand	Golden Sail Brand
Keemun Brand	Yingteh Black Tea
Palace Brand	BOP Black Tea
Tea Pot Brand	Rose Congou
China Black Tea	Tea Plucker &
Sprouting Brand	Butterfly Black Tea
	Lychee Black Tea

Black Tea in Tins

Keemun Black Tea	Yunnan Black Tea
China Black Tea	Golden Sail Brand
Festival Evening	Yingteh Black Tea

Green Tea

The numerous varieties of Green Tea (unfermented Tea) occupy an important place in the world market. China Green Tea is especially known for its outstanding quality and its exquisite fragrance and mellowness. This is due to the fact that it is grown in mountain areas of a high altitude where long seasons of fog, appropriate temperature and fertile soil provide ideal conditions. Moist and wet, the buds and leaves acquire an innate luxuriance which makes full growth and rich flavor.

The chief varieties of Green Tea are Special Chunmee, Chunmee, Gunpowder, Hyson, Young Hyson and Sowmee. Special favorites are Lung Ching (Dragon well), Pi Lo Chun, Mao Feng, Yu Hua Tea, all products of distinction enjoying a high reputation in the world market.

Special Chunmee	Ching-liang-shan
Chunmee	Green Tea
Gunpowder	Shui-lo-tong Green Tea
Hyson	Yueh-tung Green Tea
Hyson without grade	Hunan Green Tea
Young Hyson	Yunnan Green Tea

Sowmee	Kwangsi Green Tea
Sifting	Kwangtung Green Tea
Fukien Green Tea	Pan-fired Green Tea
China Green Tea	Kooloo Tea
Chieh-Yang Green Tea	Green Tea, by-products
Pan-Fired	Shih Ting Liuh Cha
Huang-hang Green Tea	

Special Types

Lung Ching Green Tea	Kweichow Maojian
Pi Lo Chun	Douyun Maojian
Mao Feng	Lanhsiang Tea
Yu Hua Tea	"Chuen-shan" Silver
Lu Shan Yun Wu	Needle (Green Tea)

Green Tea in Packets

Ever-Green Brand	Ever-Green Brand
Special Chunmee	Young Hyson
Sprouting Brand	Temple of Heaven
Special Sowmee	Brand Gunpowder

Green Tea in Tins

Landscape	Celebration
Yenan	Temple of Heaven

Special Green Teas in Tins

"Goldenfish" Brand	Pi Lo Chun
Lung Ching Green Tea	Linyun White Downy Tea
Sun Flower Brand Lung Ching Green Tea	

Scented Tea

Scented Tea is processed from first-class green tea scented with sweet-smelling flowers. This also gives the name "Fragrant Tea" or "Flowery Fragrant Tea."

The different kinds of Scented Tea are named after the flower with which the tea is scented: Jasmine Tea, Yulan Tea (Chloranthus Tea), Tai Tai Tea and Yu Tze Tea (Pomelo Tea). Processed with flowers of subtle and distinctive scents, the teas yield a variety of refined flavor. The rich perfume of the flower and the brisk taste of the tea combine to make the beverage a work of art.

Jasmine Tea Yin-hao	Jasmine Tea B.O.P.
Jasmine Tea Tung-feng	Jasmine Tea Fannings
Jasmine Tea	Rose Tea
Chiao-she-hao	Chu Lan Tea
Jasmine Tea	Orchid Flower (Aglaia Odorata) Dried
Kao-hsiang-pien	Jasmine Flowers, Dried
Jasmine Tea	Three Friends Brand
Ming-chien-lu	Kooloo Tea
Jasmine Tea	

Jasmine Tea in Packets

Sprouting Brand Sunflower Brand
 Butterfly Brand Peony Brand

Oolong Tea

Skillfully manufactured (with ancient techniques), Oolong Tea (semi-fermented tea) has a bracing aroma, a full flavor and a pleasing after-taste. An added merit is its strength which allows for more infusions than the other teas. The chief varieties are Wu Yi Shui Hsien, Chi Chung, Ta Hung Yen, Tieh Kwan Yin, Se Chung, Ming Xiang and Oolong. They are well-known both in China and abroad for their unusual quality and are popular among Chinese living overseas.

Wu-I Shui Hsien Ping Ho Oolong
 Wu-I Chen Chung Min Nan Shuihsien
 Shuihsien Hsisug Yuan
 Wu-I Liuhsiang Siao Ta Hua Se Chung
 Chung Su Lan Ping Ho Se

Tea Catalogues from China.



Wu-I Min Chung Chung
 Wu-I Chi Chung Su Lan Ping Ho Oolong
 Minpei Shui Hsien Su Lan Chang Ping
 Oolong
 Minpei Oolong Tea Bust
 Ti Kwan Yin Crude Tea
 Se Chung Tea Stalk
 Oolong Fonghwang Lang-h'ai
 Fo Shou Chung Sei-Yen Oolong
 Kueihua Ti Kwan Yin Sei-Yen Se Chung
 Kueihua Se Chung Pak-Chun Oolong
 Kueihua Oolong (Also available in
 Fonghwang Tan-chung packets.)
 Fonghwang Oolong
 Ping Ho Se Chung

White Tea

White Tea is another specialty delicately processed with unique methods which do not use fermentation and rolling. Three kinds of White Tea are grown: Big White, Shui Hsien White and Small Cha. From the tender leaves and buds of the Big White, two types of high-quality White Tea are produced. One is the "Silvery Tip Pekoe" or "Flowery Pekoe." Its silvery lustre, refreshing aroma, light-yellow liquor and sweet mellow taste make it the most distinguished of the White Teas. The other is "White Peony," a variety with a delicate aroma and taste and a clear yellow liquor. Other types of White Tea include Kung Mee and Show Mee, which are also very popular among world consumers.

China White Tea (High-grade-Pai Mu
 (Flowery Pekoe) Tan)
 China White Tea Fukien White Tea
 Sunflower Brand

Compressed Tea

Compressed Tea is processed from Green Tea or Black Tea Dust. After being steamed, it is pressed into different shapes of various specifications, all retaining the original flavour. Under this category are Brick Tea (including Chin Chuan, Hei Chuan, Black Brick Tea, Fu Chuan and Kong Chuan), Bing Cha, Hwa Chuang Cha, Tou Cha, Pur Erh Cha and Loh Pao Tea. Compressed Tea caters to a large number of consumers who vary in their tastes.

Compressed Tea

Black Brick Tea Pu-Erh Beeng Cha
 Pu-Erh Beeng Cha Pu-Erh Tou Cha
 (Chi Tse Beeng Cha) Ching Yuen Tea
 Yunnan Pu-Erh Tea Loh On Tea
 Pu-Erh Tea Loh On Tea Stalk
 Liv Pao Tea

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DO THE CHINESE HAVE AN INTERNATIONAL MARKETING STRATEGY?

Jean-Francois Landeau

One of the questions asked by American importers of Chinese goods is What is the experience of importers of Chinese products in other countries? And, following from this, What can we learn from the experience of importers in those countries? In this article, by M. Landeau, Professeur au Centre d'Enseignement Supérieur des Affaires, France, the French experience is surveyed and some interesting points made. The views expressed in this article, which was translated from the French, do not necessarily represent those of the National Council.

With improved quality, greater variety and better packing and packaging, many products enjoyed a good reputation in the international market. The proportion of industrial and mining products in exports continued to rise. Peking Review, January 17, 1975.

The China market continues to fascinate potential exporters so much so they forget that, in addition to the Americans, the Japanese, the Canadians, the Germans, the British, the Australians and the French are also fighting to get a portion of this market—to mention only the most important. But it is interesting to ask whether the reverse is true: What means do the Chinese use to sell their goods to foreign countries?

This article surveys the case of France which, unlike the United States and West Germany, buys more than it sells to China.

If, intrinsically the result of the survey is disappointing, it is nevertheless encouraging from the American point of view. Jokingly, we are accustomed to saying, "Nobody sells to China, the Chinese are the ones who buy." The contrary is also true: China does not export, the foreigners are the ones who buy. Expressed in another way, nothing is further from Chinese preoccupations than marketing activities.

It is not surprising when we know that the People's Republic of China is a communist country. In line with the political choice made a quarter century ago, Peking's attitude towards foreign trade is one belonging to a nation where international business is viewed only as a means to obtain what the country needs and cannot produce domestically, and not at all as a basic

economic necessity, as with many developed western countries. In short, the Chinese are not motivated by the desire to sell, but by the need to buy western technology in order to save time. This difference is essential.

Such an attitude makes it possible to explain, for example, that although in charge of selling Chinese goods in France, the PRC Commercial Office in Paris has only two people, of a total of eleven, who speak a very good French. To the extent that this survey could determine, their marketing activity is non-existent. They do not do any kind of market research and when they need some information on a French firm, they go through one of two French trading firms, (Brambilla S.A. and la Compagnie Oliver) which have had relations with the PRC for a long time, in a very informal way.

Misleading Advertisements

In short, Chinese commercial officials do not take any commercial initiative, only indirect contacts. This is so true that this "lack of presence" by the Chinese becomes a temptation for European salesmen. Thus, during the preparation of this survey, the advertisement reproduced here was published in *Le Figaro*, one of the most important French newspapers. It is indeed a false (misleading) advertisement placed by an Austrian antique dealer, inasmuch as a PRC commercial representative for Europe has never existed, and even less so, a general official representative for France. The firm, Brambilla, for example, is only an agent for France for a certain type of rugs.

The other advertisement shown here for comparison is quite different. It was published a few days later in the newspaper, *Le Monde*, by la Compagnie Francaise de l'Orient et de la Chine. Here we can see that all the marketing terms: choice of Chinese goods which can be sold in France; determination of optimal prices, taking into account scarcity, exclusivity and exoticness; promotion and advertising; distribution, through 12 retail stores, are the responsibility of the trading firm.

It would be incorrect to say that the Chinese are totally passive as far as their export promotion is concerned. Thus, Chinese participation in international fairs has not stopped increasing, as indicated in the following figures: 3 in 1970; 6 in 1971; 12 in

Représentant Commercial pour l'Europe de la

RÉPUBLIQUE POPULAIRE DE CHINE

dispose d'antiquités locales, de tapis, d'objets d'art et artisanaux de plus de 100 ans, à des prix intéressants.

Certificats d'ancienneté et d'authenticité.

Envoi global d'une sélection d'objets d'art de valeur.

Ecrire PC n° 172, Le Figaro, Cedex 20, Paris-Brune.

Translated, the advertisement above reads:

The PEOPLE'S REPUBLIC OF CHINA Commercial Representative for Europe has available for sale: authentic antiques, rugs, art objects and handicrafts over 100 years old, at interesting prices, with certificates certifying authenticity. A large shipment of selected, valuable art objects: Write PC No. 172, Le Figaro, Cedex 20, Paris-Brune (Le Figaro, November 30, 1974.)

Translated, the advertisement on the right reads:

La Compagnie Francaise de l'Orient et de la Chine announces the arrival of a ship from the PEOPLE'S REPUBLIC OF CHINA

1587 cases of straw goods and bamboo furniture, porcelain, ceramics, textiles to be sold at the COMPAGNIE FRANCAISE DE L'ORIENT ET DE LA CHINE

Retail store in France: Paris: 82, Rue du Faubourg Saint-Honore 8e. 167, Boulevard Saint-Germain 6e, 24, Saint-Roch 1er. Centre Commercial Maine-Montparnasse 113, Avenue Mozart 16e, Galeries Lafayette. Place de la Garonne, Saint Tropez. Place François Andre, Deauville. 67, Rue De Paris, Lille. 54, Cours Mirabeau, Aix-en-Provence

Madrid: 14 Calle Conde de Aranda. Milan 7 Corso Europa. (Le Monde, December 4, 1974)

1972; 17 in 1973; and 19 in 1974. However, Chinese participation in international fairs seems to be due more to political considerations (a presence in developing countries) than economic.

The first exclusively Chinese industrial and commercial exhibition in a European country will be held at the beginning of June 1975 in Cologne, West Germany. It will be sponsored jointly by the China Council for the Promotion of International Trade, the PRC Embassy in Bonn and the Cologne Society of Fairs and Exhibitions. The PRC will present a complete panorama of its industrial achievements in a space of 6,000 square meters.

The Artificial Pre-eminence of the Kwangchow Fair

People are accustomed to viewing the Kwangchow Fair as the favored means of exporting for China. Indeed, it is at the Canton Fair that half-to-three-quarters of value of the PRC's exports seem to be

la Compagnie Française de
l'Orient et de la Chine
annonce l'arrivée d'un navire
en provenance de :

CHINE POPULAIRE
1587 caisses
de vannerie et meubles en bambou...



porcelaines, céramiques, textiles.
en vente à

la Compagnie Française de
l'Orient et de la Chine



CFOC

Magasins de détail en France :

Paris :

82, Rue du Faubourg Saint-Honoré 8^e • 167, Boulevard Saint-Germain 6^e
24, Rue Saint-Roch 1^{er} • Centre Commercial Maine-Montparnasse
113, Avenue Mozart 16^e • Galeries Lafayette

Place de la Garonne, Saint-Tropez • Place François André, Deauville
67, Rue de Paris, Lille • 54, Cours Mirabeau, Aix-en-Provence

Madrid 14 Calle Conde de Aranda • Milan 7 Corso Europa

transacted. But, in one sense, this preeminence is artificial, because many contracts are reserved for signing at the Canton Fair, precisely to give it more political importance. Must we see evidence of this in the large price increases, sometimes of several tens of percent, decided these two last years at each Fair? They illustrate the complete lack of comprehension by the Chinese of all that is finance, marketing and cost of production.

Another myth, also deeply rooted and according to which the PRC sells its goods to industrial nations, is the practice of barter. Unlike certain European non-market countries, China no longer uses this means to balance its trade. The last known barter arrangement with French firms known to this writer dates back to 1959 with two contracts [locomotives (ALSTHOM) and trucks (UNIC)]. But it is certain

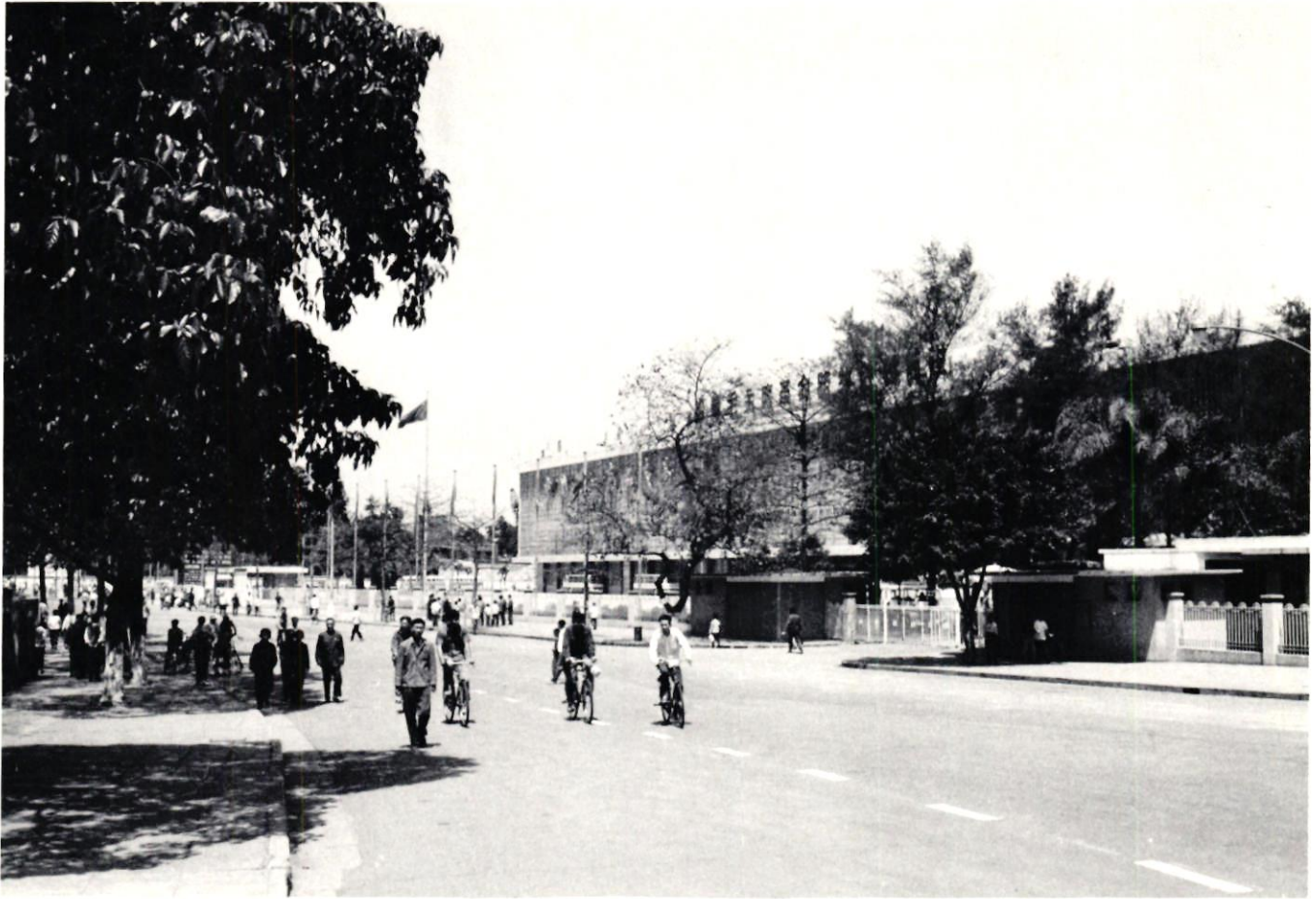
that the day this practice should prove necessary, the Chinese will revert to it again.

The United States, which sells to China eight times more than it buys, might be somewhat concerned in this regard. But it would be wrong for Americans to worry about it. On this point, the view of the director of a French trading firm, doing business with the PRC since 1957, is clear. Americans must take advantage, without reservations, of the avenue which is offered to them—all Chinese foreign trade is operated by remote control. The day when the Chinese would like Americans to restore the balance in bilateral trade, they will let them know clearly when signing a contract. If they have said nothing until now, it is because they give more importance to the purchase of American technology than to the sale of their own goods. 完

RMB: DOLLAR RATES 1975

Date		RMB: \$	US¢/ RMB	Change %	Date		RMB: \$	US¢/ RMB	Change %
January 3	Bid	1.8498	54.0598		February 14	Bid	1.7874	55.9471	
	Offer	1.8406	54.3301			Offer	1.7784	56.2303	
	Median	1.8452	54.1946	-0.30		Median	1.7829	56.0883	+1.72
January 4	Bid	1.8406	54.3301		February 21	Bid	1.7766	56.2872	
	Offer	1.8314	54.6030			Offer	1.7678	56.5674	
	Median	1.8560	54.4662	+0.50		Median	1.7722	56.4270	+0.60
January 7	Bid	1.8242	54.8185		February 25	Bid	1.7589	56.8537	
	Offer	1.8150	55.0964			Offer	1.7501	57.1395	
	Median	1.8196	54.9571	+0.90		Median	1.7545	56.9962	+1.01
January 15	Bid	1.8332	54.5494		February 27	Bid	1.7519	57.0808	
	Offer	1.8240	54.8245			Offer	1.7431	57.3690	
	Median	1.8286	54.6866	-0.48		Median	1.7475	57.2246	+0.40
January 22	Bid	1.8167	55.0448		March 8	Bid	1.7729	56.4047	
	Offer	1.8077	55.3189			Offer	1.7641	56.6871	
	Median	1.8122	55.1815	+0.90		Median	1.7658	56.5450	-1.20
January 23	Bid	1.8076	55.3219		March 12	Bid	1.7552	56.9735	
	Offer	1.7986	55.5987			Offer	1.7464	57.2606	
	Median	1.8031	55.4600	+0.50		Median	1.7508	57.1265	+1.03
January 24	Bid	1.7986	55.5987		March 14	Bid	1.7622	56.7472	
	Offer	1.7896	55.8784			Offer	1.7534	57.0320	
	Median	1.7941	55.7382	+0.50		Median	1.7578	56.8892	-0.42
January 25	Bid	1.7896	55.8784		March 31	Bid	1.7745	56.3539	
	Offer	1.7806	56.1608			Offer	1.7657	56.6348	
	Median	1.7851	56.0192	+0.50		Median	1.7701	56.4940	-0.70
January 28	Bid	1.7716	56.4461		April 7	Bid	1.7870	55.9597	
	Offer	1.7628	56.7279			Offer	1.7780	56.2430	
	Median	1.7672	56.5866	+1.01		Median	1.7825	56.1010	-0.70
January 29	Bid	1.7787	56.2208		April 12	Bid	1.7977	55.6266	
	Offer	1.7699	56.5003			Offer	1.7887	55.9065	
	Median	1.7743	56.3602	-0.40		Median	1.7932	55.7662	-0.60
January 30	Bid	1.8001	55.5524		April 24	Bid	1.7869	55.9628	
	Offer	1.7911	55.8316			Offer	1.7779	56.2461	
	Median	1.7956	55.6916	-1.20		Median	1.7824	56.1041	+0.61
February 5	Bid	1.8181	55.0024		April 26	Bid	1.7958	55.6855	
	Offer	1.8091	55.2761			Offer	1.7868	55.9660	
	Median	1.8136	55.1389	-1.00		Median	1.7913	55.8254	-0.50

Source: NCUSCT based on data supplied by the Chartered Bank



The Road to the Kwangchow Fair.

KWANGCHOW DIARY— SPRING 1975

Heavy rain dampened somewhat the opening day of the Spring 1975 Chinese Export Commodities Fair, the 37th such event. Clusters of large red balloons, trailing long streamers bearing political slogans, such as "Long Live Marxism-Leninism-Mao Tse-tung Thought," rose up high over the Fair grounds. They were quickly drawn back to the ground, however, as the streamers became water soaked. In order to get the balloons aloft again, workers hauled them down, removed the streamers, and the balloons rose again in the air. Thus was politics removed from the opening ceremony.

The important political element was not entirely absent from the event. The New China News Agency dispatch reported on opening day that "the whole exhibition vividly reflects the tremendous achievements on various fronts won by the Chinese people of all nationalities who, under the guidance of Chairman Mao's revolutionary line, have conducted the movement to criticize Lin Piao and Confucius in a deep-going way and implemented the Party's general line for building socialism." Almost as a kind of afterthought, the NCNA reported that "the exhibition also reflects the constant development of China's foreign trade."

China's Vice Minister of Foreign Trade, Chai Shu-fan and Lin Li-ming, Chairman of the Fair, spoke on similar themes in toasts before the huge banquets which are traditionally held on the first evening after the Fair opens.

COUNCIL RECEPTION AT THE TUNG FANG

Among events at the Fair, a reception for American businessmen and representatives of US firms is becoming a tradition. This year's event held on April 30 on the roof of the Tung Fang Hotel, drew more than 100 Americans and a distinguished group of Chinese officials, as follows:

Rong Feng-xiang, Member of the Fair's Leading Body; *Wang Yong-jian*, Deputy Secretary General of the Fair; *Zhao Guang-li*, Chief of Cereal & Oils Delegation; *Liu Ben-lin*, Deputy Secretary General of the Cereals & Oils Trading Delegation; *Wang Ming-sheng*, Vice Chairman of the Textiles Trading Delegation; *Chen Guei-ying (F)*, Staff Member, Textiles Trading Delegation; *Ma Ke-jin*, Deputy Secretary General of the Native Produce and Animal By-Products Trading Delegation; *Yuan Ping (F)*, Staff Member, Native Produce and Animal-By-Products Trading Delegation; *Hua Ming*, Staff Member, Chemical Delegation; *Liu Yü-shu*, Staff Member, Chemical Delegation; *Mao Pei-heng*, Deputy Secretary General of the Machinery Trade Delegation; *Hu Bi-wu*, Staff Member, Machinery Delegation; *Sun Yüe-fu*, Secretary General of the Metals and Minerals Trading Delegation; *Hu Su-qiü (F)*, Staff Member, Metals and Minerals Trading Delegation; *Liu Pei-jin*, Deputy Secretary General, Light Industrial Products Delegation; *Zhou Xüe-qüan*, Staff Member, Light Industrial Products Delegation; *Sun Fang*, CCPIT Fair Representative; *Li Yü-tian*, CCPIT Fair Staff; *Bai Li-xin*, Fair Representative, Foreign Trade Transportation Corp.; *Lin Guang-zhao*, Assistant Manager, Business Dept. Bank of China; *Sung Yü-sheng*, Staff Member, Dairen Branch Bank of China; *Sun Wei-yan*, First Liaison Office, Deputy Chief; *He Lin-sheng*, Staff, First Liaison Office.

Perhaps because of the rain, attendance on opening day seemed well below that of previous Fairs. Fewer than a dozen Americans could be counted among the many hundreds of Fairgoers gathered at the entrance of the building to be first inside in 1975. As the Fair progressed, however, attendance swelled, business activity grew, and prospects seemed high for a Fair considerably more successful than world economic conditions might otherwise have indicated.

The National Council's office was opened in the Tung Fang Hotel one day prior to the opening of the Fair. As in the past, Council services to American businessmen included:

- A comprehensive trade reference library;
- Electric typewriters, loaned by the IBM Company;
- Soft drinks in substantial quantities given by the Coca-Cola Company, the Dr. Pepper Company, and the Pepsi-Cola Company;
- A 660 Xerox Photocopier, the only one available to foreign businessmen in Canton, loaned by the Rank Xerox Company; and
- Consultations to American firms.

The Council's office was opened by Vice President Eugene A. Theroux, and was staffed in addition by James W. Sweitzer, borrowed from the Hong Kong office of Manufacturers Hanover Trust Company, and Mrs. Charmaine Lam, borrowed from the State of Illinois trade promotion office in Hong Kong, and Mr. Arne J. de Keijzer. Both Mr. Sweitzer and Mrs. Lam are fluent in the Mandarin, Shanghai and Canton dialects, and thus added new depth to National Council's services at the Fair. Mr. Sweitzer also serves as Chairman of the China Commercial Relations Committee of the American Chamber of Commerce in Hong Kong.

Comments from the Chinese as well as buyers indicated that this Fair may have been less well attended than previous events, though this fact does not necessarily portend a reduction in trade volume. Low attendance seemed a reflection of the fact that the world economy is still struggling with recession and inflation. The Chinese had already accomplished a good deal of export business at pre-Fair sales events in Tientsin and Peking, and this, too, may have contributed to reduced attendance. There were certainly fewer Americans on hand during the first few days of the Fair than there have been in most of the past Fairs at which US firms were invited, but as the Fair moved along American attendance began to swell, reaching some 400 by Fair's end, the largest attendance yet. American business carried out at the Fair was tentatively estimated at about \$70 million.

Despite a lessened world demand for products of all kinds, Chinese prices in many commodities were found to be at or above world market levels. Last year's \$0.8 billion trade deficit may have prompted Chinese planners to seek higher prices at this Fair, but Chinese expectations of an improved world economy may also have kept them from the temptation of lowering prices prematurely. Few avid buyers had arrived by early in the Fair but, of these, many held the hope that the Chinese were sufficiently strapped for foreign exchange that bargain prices were inevitable as the negotiators encountered buyer resistance. But bargain hunters at this Fair, on the whole, were disappointed.

Export enquiries made by or on behalf of American firms were met by what some perceived as an unusual degree of disinterest on the part of the Chinese. "Let's face it, they are broke," commented one exporter. It was well known in Canton that the Chinese experienced a substantial trade deficit, and, consequently, exporters tended to be gloomy about the prospects for interesting the Chinese in anything but the most advanced, necessary, and competitively priced products and technology. Rumors were also about that the Chinese had for political reasons decided to reduce imports from the United States, and to purchase goods elsewhere in the world instead, unless such purchases were absolutely necessary. The Chinese dismissed the idea that trade with US exporters was being cut back on political grounds, and insisted that the principles of trade of equality and mutual benefit, and the principle of an exchange of needed goods, determined their foreign trade with all suppliers, those in the US included.

Nevertheless, one major international trading house which acts for some American exporters said it was told to find supplies in countries other than the US when possible, on the ground that in 1973 and 1974 the US had sold far more to China than Americans had bought. A response

that the imbalance would narrow this year brought the reply that trade would still be tipped decisively in favor of the US.

Reports of Chinese lack of interest in buying also reached the Fair with travelers arriving from Peking and Shanghai, where the Belgians and the British had just recently concluded trade exhibitions. Exhibitors reported only spotty Chinese interest in buying, though they also reported considerable interest in technical presentations given by foreign firms at both events. As in the past, a few American firms managed to exhibit at the Belgian and British exhibitions, through their subsidiaries in those countries. For example, the Belgian show included exhibits by Sprague, Fischbein and the Ridge Tool Company, and the British show included Perkin-Elmer and Rank Xerox.

Exporters were also distressed to hear rumors that the Chinese had made a policy decision to expand imports and exports with Japan, at the probable expense of other foreign countries. The Japanese last year supplied nearly half of China's total imports. Transmitters of such rumors explained that China now recognizes compelling geo-political reasons, as well as an economic justification, for establishing closer linkages at all levels with Japan. Chinese officials, however, disclaimed such a policy.

The Honorable George Bush, Chief of the US Liaison Office in Peking, and Mrs. Bush traveled through Canton on April 16 enroute to Hong Kong and made time for a private dinner with Mr. Theroux, Mr. Sweitzer and Mrs. Lam. They were joined by Herbert Horowitz and William Rope of the commercial staff of the US Liaison Office in Peking. Mr. and Mrs. Bush returned to Canton to host a large reception for American businessmen and Chinese officials.

It came as a surprise to some that the Chinese had invited such a wide range of new US firms. Among the early arrivals were representatives of Ringling Brothers and Barnum and Bailey Circus, actively looking for a broad range of goods for circus sales—and who also sought, unsuccessfully, to buy live Chinese pandas. "We understand your wishes," the Chinese reportedly explained, "but pandas are not among the live animals we export. How about some goldfish?"

Evidence that the Chinese might be coming to a better understanding of Western markets was mixed. Two examples illustrate the divergent trends:

- Among the new products displayed at the Fair was a 50 hp. Shanghai tractor remarkable for its brilliant red coat of paint and flashy styling. Unlike all other farm vehicles made by the Chinese, this tractor boasts a liberal amount of chrome—gear shift levers, bolts and trim—and headlights and back-up lights in a stylish, aerodynamic design.

- But another product found at the Fair can be added to the list of those whose brand names are unsuited to the US market. Interested perhaps in producing a typical home sewing machine for the typical housewife, the Chinese have done just that. Displayed at the Fair was a fine looking instrument, the body and treadle of which prominently bear its brand name: "TYPICAL".

Relief of a major sort came to American importers vexed at recent Fairs by the problem of not being able to sign contracts in US dollars. Many firms have suffered losses due to weakening of the US dollar in relation to the Renminbi. The Chinese had in almost every case previously refused

to contract with American firms in anything but Renminbi—and the problem was no more dramatically illustrated than by the exchange rate which prevailed on the Fair's opening day: US\$1.00 = RMB 1.7887, down from US\$1.00 = RMB 1.9358 on October 15, 1974, the opening day of the Fall Fair. By Fair's end, every one of the Foreign Trade Corporations had indicated a willingness to sign their export contracts in US dollars. Partly this reflected a willingness to accommodate American needs, partly it indicated a redoubled interest in selling, and in part it suggested some confidence in the dollar's future. Currency fluctuations have even had Hong Kong traders complaining for, while they do have access to a forward RMB market, the usual 1.5 percent charge for 6-month protection is not inconsiderable, and especially bothersome when profit margins are small.

Textiles: Prices and Activity Up

Few would have predicted it on opening day, but the Fair produced a good volume of trade in textiles, both finished apparel and piece goods. Geared up to do business, the Textile Corporation's 6000 items on display at the Fair were 85% brand new designs.

A gloomy international textiles picture over the last year had led some traders to expect Fair doldrums to precipitate measurably lower prices—and lower prices offered to US buyers during the visit of the Textile Corporation to the US in February and March (See UCBR Vol. 2, No. 2, March-April, 1975) fueled hopes that the trend

Do bicycles go better with Coke? (See page 48.)





NCUSCT's Theroux, Madame Han Fan-yu, Mr. Yeh Chung-chi of the CCPIT, and members of the Textile delegation that visited the US in Spring 1975.

would continue at Canton. Not so. Prices in most textiles began to edge up and activity quicken in response to a slight but perceptible hardening of demand in major world markets. But later prices softened.

The Textile delegation was among the first to accede to US buyer pressure for contracts in US dollars, and importers also reported a noticeably increased willingness on the part of the Chinese to accommodate special buyer requirements in quantity discounts, design, specifications, labeling and shipping of items of apparel.

Among the larger potential US buyers of textiles at the Fair were Sears, Roebuck & Co., J. C. Penney Company, F. W. Woolworth Company, Bloomingdales, May Merchandising Company, and Associated Dry Goods, as well as China regulars Blum International, S. Shamash & Sons, Inc. and Robert Bruce Company.

National Council representatives met to exchange views with Wang Ming-sheng, a leader of the delegation from Chinatex and also a member of the corporation's recent US visit. His early assessment of Fair business was not entirely optimistic, but by mid-Fair he was displaying the broad smile that won him friends during his US tour.

Footnote: Madam Han Fan-yu, who led the Textile delegation to the US, arranged a banquet in Peking on April 26 for Vice President Theroux to express, on behalf of her corporation, appreciation to the National Council, its members and staff for the US visit.

Light Industry: High Duties Limit Activity, But Some Good Buys

The producers of the Light Industrial Corporation are divided into two broad categories: arts and handicraft items and manufactured goods. Activity in the former category, where Chinese hand workmanship excels in the world, continued to grow. These include stone, wood, jade and ivory carving, cloisonne, jewelry, straw, rattan and bamboo goods, and antiques. Importers of China's manufactured goods, however, continue to be plagued by high US tariffs, limited range and high prices of Chinese goods.

In handicrafts, some importers are still pressing hard for exclusive arrangements of one kind or another, with only marginal success. Buyers of manufactured goods, and US manufacturers who are interested in Chinese production of brand-name goods, continue to meet Chinese resistance on private labeling matters. Regulations of US consumer protection agencies, as much as the narrow range of Chinese toys, continue to limit the potential in this otherwise promising area.

In sum, though, it might be said that the persistence of high and discriminatory US tariffs are a formidable disincentive for the Chinese to make the necessary effort to gear up for the US market. Among the growth areas to watch from this corporation: footwear.

National Council representatives met to exchange views with Wu Ping-kang, Deputy Secretary General of the Corporation's Fair Delegation, Chih Hsin-chu, Chief of the Arts and Crafts Department, and Chou Hsu-chuan and Ms. Chang Hsui-kuei, and to reaffirm a proposal for an exchange of Light Industrial Products delegations with the US.

Chemicals: Busy as Usual

The very number of US chemicals firms at the Fair suggested activity: Allied Chemical, Monsanto, Union Carbide, Dow, DuPont, Esso Chemicals, Mallinkrodt Chemicals, Velsicol, Fallek, Koch International and others were early arrivals.

American pharmaceutical firms present were, as well, a reminder that the Chemicals Corporation has an active interest in the purchase and sale of medicines, drugs and medical equipment. A "Who's Who" of the drug industry attending included Abbott, Baxter, Miles, Pfizer, Squibb and Whitehall International. At least one of the drug firms reported keen Chinese interest in advanced birth control preparations, and said it was urged to "cable us right away if you come up with a one-a-month pill."

Prices of many key chemicals, to the distress of many buyers, were at or above world market levels. Sellers found Chinese interest in insecticides, herbicides and fertilizers. Chemical Corporation officials Hua Ming and Wang Jui-siang met with Council representatives for general discussions.

Native Produce and Animal By-Products: Slower than Last Fall

Partly because this Corporation sold so heavily at the 1974 Fall Fair, and partly because it mounted two export events, in Kwangchow and Tientsin, before the Fair, business seemed slower there than it was last year. Three products of this corporation—tobacco, bristles and rosins—reached the top ten US imports last year and the year before.

Fair discussion areas for carpets were quiet, but then this item slows—in the prevailing world economy. Besides, the Corporation did reasonably good business with American carpet buyers at the Tientsin Carpet Fair in February and March. The Native Produce delegation's Deputy Secretary General, Ma Ke-jin, told National Council representatives that the Tientsin event went well enough to warrant serious consideration for holding it again next year.

Overstocks in the US and elsewhere explained the reduction of gum rosin prices of between 20-30% since the last Fair. And the inclination of major US bristle buyers to place orders between Fairs rather than in Canton gave a perhaps misleading impression that activity in this commodity was down.

Feathers and down, two commodities of which China is the principal world supplier, were lower in price at the Fair than previously—due less to the international economic situation than to the peculiarities in the world feather and down market. American buyers reported that the Chinese last year bought equipment from Eastern Europe and made payment, in part, in quantities of feathers and down. Unfortunately, for the Chinese, these same feather and down shipments were then offered for sale by the Eastern Europeans in hard currency markets, principally West Germany, at well below China's prices for the same commodities. The result was confusion in international pricing and a decision by the Chinese, evident at the Fair, to slash prices to prevent loss of their own markets. This naturally caused unhappiness among buyers who had bought a last year's higher prices, but the Chinese have been willing to offer such buyers some degree of satisfaction. Buyers were also buoyed by news that the US had eliminated altogether the tariff duty on most imported feather and down, both for Column I and Column II countries.

Machimpex Seeks US Customers

Last year's sales of Chinese machine tools to the US have apparently whetted the appetite of the Machinery Corporation for more US customers. National Council representatives were told by senior Machimpex officials Mao Pi-heng, Yen Hua, Rao Ku-fu and Hu Pi-wu that a new effort is being made to construct the machines, particularly the drive motors, so that no adaptations are necessary for their use in the US. Also, the Machinery delegation squelched rumors that any foreign firm had been given exclusive rights for sale of Chinese machine tools to the United States . . . there have been claims by a Canadian firm that it had secured an "exclusive" for North America. "We have sold our machines directly to firms in the US," said the Chinese, "and we shall continue to do so."

Machimpex made clear again at the Fair that they prefer to deal directly with US exporters, and not through foreign trading firms acting as intermediaries. Only when the exporters themselves do not wish to come to China to begin their own negotiations would a representative agent be warranted. It was also made clear, however, that the Machinery Corporation benefits when potential US exporters are well prepared for technical presentations to the proper Machimpex departments, and thus the Chinese acknowledged the usefulness of some American advisors to US firms in major transactions involving, for example, mining and petroleum equipment.

Hopes by Machimpex to sell hand tools to the US will not be fulfilled, according to one American dealer at the Fair, until Chinese prices come down considerably. He explained that while China's tool quality is good, the units cannot be priced at the same level as similar goods made elsewhere—the Column II duty destroys any competitive advantage the Chinese tools would have in this country.

Foodstuffs: Problems Remain

China's sales of food and beverages to the US remain far below potential, and indications at the Fair were that no dramatic rise is in prospect.

Buyers of frozen shrimp seemed essentially undeterred by last year's FDA rejection of some Chinese shipments, but interest in this product by new prospective importers was diminished somewhat with the recognition that rejection insurance is harder to come by than it once was. The Chinese have not agreed to the suggestion by some that they themselves issue a guarantee that the product will meet FDA inspection standards.

To the astonishment and dismay of some potential and otherwise willing importers, the Chinese remain puzzled and not yet in compliance with FDA regulations on certain low-acid canned goods. Explanations and documentation of the low-acid requirements have been passed to a number of CEROILS officials over the past two years, but to date the Chinese have not met the regulations. This puts a severe crimp in the ability of the Chinese to market one of their more salable foodstuffs in the US: canned mushrooms.

Large US food processors appear to have lost interest in persuading the Chinese to pack under their labels. In their place, the Fair witnesses a steadily growing number of small dealers who supply principally the Chinese communities in the US. Such importers have very limited buying power, but CEROILS, despite the appearance of frozen Peking Duck for export, seems in no hurry to develop a place for itself in the American supermarket.

Minmetals: Steady

In an expectation that the auto sales in the US, Japan and Europe were due for a recovery, the Chinese held antimony, used extensively in the industry, at just above world market levels. The product, one of which China is the world's major supplier, nevertheless promised to make a good showing in US imports this year.

Midway through the Fair antimony was quoted at £1400-1500 a ton (against world market prices of £1300-1325 for June delivery). Earlier another source said the Chinese were quoting him £1550 a ton. Later prices dropped.

Minmetals' Secretary General at the Fair, Sun Yao-fu, told National Council representatives that the Chinese look forward to expanding his Corporation's range of exports to the US. Among the items he mentioned were such manufactured hardware items as locks, latches, doorknobs, window frames, wrought iron and other formed metal products.

COMPUTER AND TV PROGRESS

A miniature, multipurpose digital computer capable of 500,000 operations per second on 220-volt A.C. power was one of the new products displayed in the Fair's electronic instruments pavilion.

Called the DJS-130, it is smaller and widely improved over the 115,000 operations per second unit displayed at the 1974 Fall Fair.

The Light Industries Hall showed color television receiving sets for the first time—and the same unit has been seen in regular operation by guests in the more expensive suites at the Peking Hotel.

PEKING AS ELDORADO

Voltaire's *Candide* never had a more frustrating travel experience than some American visitors encounter in Canton. Each Fair brings a number whose interest in going to China is more touristic than business. Having successfully convinced the Chinese to invite them to the Fair they think it will be easy once in China to wangle a visa for an onward excursion to Peking. Most are keenly disappointed. "It was like being in Purgatory and trying to argue your way into Heaven," lamented one American traveler who had resigned himself to leaving without a trip north.

Future Fairgoers with expectations of wide travel in China ought to bear in mind that in all but rare cases a Fair invitation means an invitation to attend the Fair. Period. It is understandably exasperating to the Chinese to invite a businessman to talk business, only to discover that he and his wife instead want to travel some 1500 miles to the Great Wall.

ON THE LIGHT SIDE

- An American asked the Council office if he could arrange to visit a Chinese commune or a dairy. It was explained that a commune would be possible, but that dairies were rare in China. He insisted that a Chinese had mentioned something about a people's dairy. The confusion was soon cleared up; his Chinese friend had been referring to China's major newspaper, *People's Daily*.

- The Italian Commercial Counselor, visiting the Fair from Peking, was having such a difficult time finding Italian traders that a well-intentioned US businessman offered to introduce him to some Italo-Americans.

- An American importer said he was unconcerned about the failure of Congress to repeal the prohibition on the import of certain Chinese furs and skins, since he brings in *teddy bear skins*.

—"Why pay freight on stuffing?" he asks. Why, indeed.

- A use has been found locally in Kwangchow for discarded Coke and Pepsi cans. They are cut into long strips of about three inches wide and bolted low on rear bicycle fenders as decorative reflectors.

- Perhaps as a prudent precautionary measure whenever aging Fairgoers take to the soccer pitch, this year's match between the Germans and the British was held at the Chun Shan College of Medicine Stadium. The event was sponsored by Bayer A.G.

- The menu at the Peace Hotel in Shanghai offers, among other things, "Chicken à la Maryland." Can Colonel Sanders be far behind?

- Some US exports to China just don't show up readily in the statistics. We wouldn't know the Canadian Embassy in Peking had an American "Buster Crabbe" outdoor swimming pool unless we'd seen it ourselves.

- Stories that CAAC gives its passengers only an apple or a piece of hard candy as inflight sustenance are not true. Fairgoers who recently flew between Canton and Peking were treated to a luncheon tray consisting of a large thick slice of bread, two salted dried fish, four slices of dried

beef, two chunks of duck meat, one hardboiled egg, two shrimp ball pastries, one pineapple slice, a macaroon, a raisin cupcake, a rice cake, tea and orange soda. Foreign air travelers still wonder, though, why they must pay more than double the fare charged Chinese citizens for the same trip.

DIVERSIONS

As in the past, the Chinese offered a wide range of events and tours to accommodate Fairgoers. Evening programs consisted of films, gymnastic displays by the Chinese Gymnastic Team, demonstrations by the Chinese Badminton Team, musical performances by the Kwangsi and Hunan Song and Dance Ensembles, and symphonic concerts by the Central Philharmonic Orchestra. Weekend and Sunday excursions were organized to a variety of agricultural communes, manufacturing plants and handicraft factories, and to places of historic interest.

TRENDS

While it is impossible to report definitely on all major aspects of an event as large as the Canton Fair, some trends do emerge:

- More business is being done by American importers between Fairs. This does not mean the Fair is unimportant, by any means. But buyers with growing orders and more particular needs find the Chinese increasingly willing to have them visit Corporation branches and major factories at non-Fair times most suitable to the particular business. For many such firms, attendance at the Fair has been very inconvenient as it conflicts with other seasonal tasks back home.

- Chief executives of major US firms are less in evidence at the Fair as time goes on. The best explanation seems to be that most of those who were determined to come and "see China" have already done so, and now they are represented at the Fair by buyers who actually conduct business.

- US export firms are coming slowly to the recognition that attendance at the Fair is of marginal use in actually advancing their sales effort. Decisions are made in Peking, and that's where the effort should be directed. The Fair does serve as a way of "experiencing" China and China business methods for those who, like one US exporter this Spring, simply wanted "to submerge myself here for a couple of weeks, and absorb things."

- A noticeably growing number of Chinese Americans who own and operate small firms—restaurants, groceries, variety stores, and small import houses—are turning up at the Fair. Since their volume of business is very low, and their knowledge of China's trade practices and relevant US tariffs and regulations often scanty, there is the suspicion that for many of them the Fair is simply one good way of returning to China to visit relatives, or to have a look around at the place many of them left twenty-five years ago or more.

- Despite the political banners and slogans which are about the Fair, political discussion with foreign guests is almost nonexistent. Foreigners learned from recent Hong Kong arrivals, or radio broadcasts, but not from the Chinese, for example, that Saigon had fallen to Communist forces. That business is business to the Chinese was also evident as the Fair was open as usual on May Day, 1975.

MEETING HELD WITH CHINA'S COMMODITIES INSPECTION BUREAU

During a round of meetings in Peking in April, Eugene Theroux met on behalf of the National Council with officials of the Commodities Inspection Bureau of the People's Republic of China (CIB) at the CIB's head office in the Ministry of Foreign Trade. Mr. Theroux's discussions were held with Division Chief Chang Chien-ping, Chu Chien-yuan and Hu Pai-sen. His report:

In an article in *China's Foreign Trade*, Vol. 1, 1974, CIB's Director, Chang Ming, began with the observation that the "inspection of export commodities is an important link in international trade." That is an understatement. Without a CIB certificate that certain inbound and outbound goods meet China's inspection standards, trade in those goods comes to a halt.

Mr. Chang Chien-ping describes the CIB as "a highly specialized administrative organization whose main task is to undertake and oversee quantity and quality control of all commodities whether in China's import, export or domestic trade." He explained that the CIB, under the PRC's "Provisional Regulations Governing the Inspection and Testing of Import and Export Commodities," maintains inspection bureaus at all main trade ports, distribution centers and production facilities in China. "Except," he added, "temporarily no such bureaus are maintained on the Province of Taiwan."

CIB's Chief Tasks

Chang said CIB's chief tasks consist of:

1. Supervision and inspection of goods being imported and exported, following Chairman Mao's teaching that "for all items, we demand not only quantity, but quality."
2. Issuance or denial of certificates of quality "after strict examination and inspection."
3. Inspection of the holds of ships, including supervision of loading and unloading.
4. Survey of damaged cargoes as requested by the FTCs concerned.

Since certificates of inspection issued by the CIB are often key documents in the settlement of conflicting claims, the CIB takes a very serious view of its responsibility for accuracy, said Mr. Chang.

Many foreigners have noted the fact that while a fundamental principle of China's foreign trade is equality and mutual benefit, there is a "onesidedness" on the matter of inspection: whether she is importing or exporting, China ordinarily requires that inspection be deemed final and conclusive in China upon examination and certification by the CIB. Certificates issued abroad won't do.

A standard form purchase contract used by the China National Machinery Import and Export Corporation, for example, provides, *inter alia*, that within 90 days after the arrival of goods, should the quality, specification, or quantity be found not to conform to the contract, Machimpex as Buyer "shall, on the strength of the Inspection Certificate issued by the China Commodity Inspection Bureau, have the right to claim for replacement with new goods, or for compensation, and all the expenses [such as inspection charges, freight, insurance, storage, loading and unloading] shall be borne by the Sellers." (emphasis added)

Inspecting China's Exports

To ensure the quality of China's exports, Mr. Chang explained, there are four basic steps of inspection:

1. Inspection of goods by the producing unit itself, whether factory or commune. As Chang Ming stated in his article, "the broad masses of workers conscientiously enforce quality standards in production."
2. Inspection of goods by the FTC charged with the export of such goods. Some supervision of production is followed up with "a thorough inspection of commodities before warehousing."
3. CIB inspection inland, prior to arrival of the goods at the shipping port. CIB inspectors are also sent to conduct on-the-spot inspections at the factory level to supplement the plant's own review system.
4. CIB inspection at the port of export. This includes not only inspection of the product, but of the sufficiency of packing for export as well. Goods may not be shipped without a CIB certificate.

In partial response to questions about the apparent onesidedness in the requirement that final inspection decisions, whether for imports or exports, are always made in China, and by the CIB, Mr. Chang described the intolerable situation prevailing in the 19th century, when Old China surrendered sovereignty over such foreign trade functions as customs and inspection to foreigners. "Today," Mr. Chang emphasized, "we have but one organization with the responsibility for inspection of goods in commerce—the China Commodities Inspection Bureau. There is no other." He might have added, but didn't, that neither the US Department of Agriculture nor the Food and Drug Administration would or legally could surrender any part of their consumer protection and inspection functions, either.

Results of an effective inspection system by the CIB, Mr. Chang said, tended to:

1. Promote production;
2. Enhance the quality of China's goods;
3. Protect and satisfy the buyer or consumer;
4. Build for China a reputation for reliability in international trade under the principles of "observing contracts faithfully and honoring our promises."

The CIB acknowledged that it was not infallible, and that occasionally mistakes will be made. "But," added Mr. Chang, "the superiority of the socialist system ensures that our problems and mistakes will be gradually reduced."

Another way the CIB seeks to reduce error is to employ "substantial numbers of experts and technicians, and to use advanced equipment and instruments," according to Mr. Chang. Experts and technicians are, in turn, he said, instructed by the Party and the Government "to have correct attitudes about work" and to be "strict, conscientious and scientific" about the conduct of inspections.

Inspecting China's Imports

The CIB confirmed that its rigorous attitude toward inspection had turned up more than one mouse in US wheat shipments. In most cases, the CIB employs both objective standards and the terms of the underlying contract in making inspections of goods arriving in China from foreign suppliers. No imported goods, whether primary products or advanced equipment, reach China's end-users without prior CIB clearance.

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CHINA ECONOMIC NOTES

From Chinese Media Reports

AGRICULTURE

Herbicide Application—Total acreage in China sprayed with weed killing herbicides has increased 11-fold since 1965, according to a *Ta Kung Pao* report. The newspaper says the spraying is now accomplished by power-driven ground installation or from aircraft, where before it was done almost entirely by hand. *Ta Kung Pao* comments that the areas most affected by the spraying include the sparsely populated expanses of Northeast and Northwest China as well as densely populated regions in the southern part of the country.

Hydrologic Development—China's network of hydrologic study centers, to guide the state in water resources utilization, now numbers over 10,000, according to a recent dispatch from the official New China News Agency (NCNA). The agency noted that in addition to this primary network, stations run by people's communes provide a valuable source of supplementary water information.

Serology—Workers at the Szechuan Provincial Scientific Research Institute have developed a new strain of sugarcane which is particularly adaptable to mountainous areas of the province, affected by low temperatures and frosts. So reports NCNA which noted that the work of the Institute in the sugarcane project was supplemented by the participation of local peasants. Sugarcane production in Szechuan has been setting records since 1971 and this past year the province has had surplus to send to other parts of China.

Plant Growth Hormone—Workers at No. 4 Chemical Plant in Paoting City, Hopei, in conjunction with scientists at Tienstin's Nankai University have developed a hormone preparation for plants. According to NCNA, application of the hormone controls the growth of treated plants, resulting in short sturdy stalks, thick and dark green leaves, developed root system and earlier tillering. The news agency says that the new hormone is particularly effective in preventing wheat lodging and excessive cotton growth.

Just Deserts—NCNA recently commented upon progress made by Chinese scientists and researchers in combating the effects of deserts, which, as it turns out, account for 13% of the PRC's land area. NCNA reported that the scientists and research workers had successfully trial produced a desalinizing device capable of producing 10 tons of fresh water daily, which would have obvious application in desert regions. One of the major problems to be dealt with in desert locales, the news agency said, is the damaging effects of sand upon railroads. NCNA described the tree planting project underway near Yumen (a major oil producing center) on the Lanchow-Sinkiang line, and said that it had helped substantially in preserving rail efficiency.

SCIENTIFIC RESEARCH

Laser Geodimeter—The Wuhan brigade of the National Seismological Bureau has developed China's first precision phase laser geodimeter, according to *Ta Kung Pao*. The device has already been tested in geodetic survey in a

variety of topographical and climatic conditions and has reportedly functioned well. Widespread application of this type of instrument will presumably reduce reliance on the base line measurement method of geodetic survey, which is ill suited to mountainous terrain.

Earthquake Forecasting—According to a radio broadcast from Canton, Kwangtung Province now has some 2,000 spare time earthquake forecasting personnel active at 400 stations throughout the province. One of the forecasting innovations described in the broadcast was an automatic well water level recording apparatus developed by local peasants in conjunction with educated young people.

Medical Equipment—The No. 2 Hospital of the Harbin Medical University, working together with the Peking Worker-Soldier Peasant Medical Works, has produced an integrated circuit, color-screen isotope scanning machine for medical use, according to a broadcast from Harbin Radio. The machine is used to scan the distribution of radioactive isotopes in the human body and reportedly has proven effective in detecting tumours.

MANUFACTURING PROGRESS

Tractor Platform Trailer—Another chapter in the continuing saga of Chinese self reliance came to light recently when *Ta Kung Pao* reported that Peking motor repair workers had successfully completed work on a 35 meter long, 400-ton truck tractor platform trailer. The tractor-trailer has over 25,000 parts, says the newspaper, and can be assembled or taken apart to meet the particular needs of the tonnage being moved.

Locomotive—The Canton Motive-power Machinery Works has successfully trial produced a 380 horsepower internal combustion narrow-gauge locomotive, according to a Canton broadcast. In the past, the machinery works produced steam locomotives almost exclusively, but with the second and third models already on the production line, this type of manufacture is apparently becoming a thing of the past.

Technical Innovation in Kiangsu—A recent radio broadcast from Nanking notes that during the last several years workers in Kiangsu Province, along China's central coast, have introduced more than 200 new pieces of equipment to improve preparation of food and commercial products. Among the innovations mentioned was a "baking converter" which replaces the traditional oven for baking leavened cakes, and a device capable of turning out some 9,000 meat dumplings per hour. In Soochow, the broadcast said, a cotton processing plant has built a silicon equipped machine for producing quilts, and now "finished products can be made from raw cotton automatically with the push of a button."

New Process—A new diagonal rolling process has been used by teachers and students at the Peking Iron and Steel Engineering Institute to make steel balls and bearing rollers, according to *Ta Kung Pao*.

Telecommunications Equipment—The Changchun Telecommunications Bureau in Northeast China has successfully trial produced a transistorized long distance semi-automatic relay device, and according to Changchun Radio, put it into serial production. As a result of this development, the broadcast said, semi-automatic telecommunications service can now be established throughout Kirin Province where Changchun is located.

Trucks—Nanchang Radio reports that the Transport Department of the Kiangsi Provincial Construction Bureau has successfully trial produced a small size dump truck, filling a gap in the province's motor vehicle industry. The truck is said to be light, simple to maintain and convenient to operate. At the same time, the Nanchang Diesel Engine Works has improved on its model 2105 engine, increasing the rating from 20 to 24 horsepower and reducing fuel consumption by about 10 percent.

Portable Spotlight—The Shanghai Silicate Research Institute working in cooperation with the Shanghai Hukuang Lighting Equipment plant have successfully trial produced a portable spotlight for making movie films, television programs and newsreels, says NCNA. The new device reportedly eliminates 95 percent of the infrared and ultraviolet light rays emitted in conventional spotlights, thus reducing possible negative side effects to human health.

Tractor Factory—NCNA reports that a small scale tractor factory in Shenyang, an important industrial city in China's Northeast, has raised its annual output from 300 to 12,000 units in the past 10 years without adding workers or over relying on state funds. The news agency says that the factory's success is directly related to increased productivity among its workers, and that in this effort, innovation and self-reliance have played the leading roles. NCNA commented that over 60 percent of the equipment in use at the factory had been manufactured by the workers themselves.

Plastics Plant—*Ta Kung Pao* reports the establishment of the Yishan Glass Fibre Reinforced Plastic Plant, the first such modern installation to be constructed in South China's Kwangsi Chuang Autonomous Region. The plant will manufacture glass fibre reinforced plastic, polyvinyl chloride sheets as well as tapes and sheets for making ducts. The entire inventory of the plant's equipment, says the newspaper, was made in China.

OIL AND GAS

Synthetic Ammonia Production—Tsinan Radio says that daily synthetic ammonia output at the Shengli General Petrochemical Works has risen to 226 tons. Shengli, in the northern part of Shantung Province, is one of the centers of China's oil industry.

Szechuan Natural Gas—Szechuan Province, already known for the quantity and variety of its agricultural produce is now apparently getting into the natural gas business in a big way. According to Hong Kong's *Ta Kung Pao* the number of gas wells in operation throughout the province, is presently 3.3 times as great as before the Cultural Revolution. The newspaper also said that daily gas supplies increased 3.2 fold during the same time period and went on to list some of the primary industrial uses of the gas, notably smelting of iron and steel, chemical fertilizer production and electric power generation.

TRANSPORT AND SHIPPING

Hainan Railway Line—Haikow Radio on Hainan Island reports that the Hainan Iron Mine has completed work on a new railway line, four months ahead of schedule. The new line, according to the broadcast, will result in increased productivity at the mine. In addition to local construction units, the Kwangtung Mining Construction Company was involved in the project.

Shanghai Port Construction—In 1974, says Radio Shanghai, that city's Municipal No. 3 Navigation Construction Bureau completed work on 10 deep water berths for 10,000 ton class ships.

Navigation—With the addition of electric lights and markers and general channel improvement, a dangerous 1,000 kilometre section of the upper Yangtze River in the Hupei-Szechuan area is now navigable 24 hours a day, according to NCNA. With these modifications ships as large as 3,000 tons can sail from Shanghai to Chungching in Szechuan. Since the early 1950s, the agency said, more than 120 shoals involving over four million cubic meters of stone and earth had been removed from the channel.

Tientsin Harbor Development—Among the construction projects recently completed in the northern Chinese city of Tientsin, NCNA takes special note of harbor development. The news agency says that in the past year two berths for 5,000 ton ships were opened and work on seven 10,000 ton deep water berths as well as a deep water pier for refueling 10,000 ton class ships was nearly finished.

Oil Tanker—From Shenyang Radio in China's Northeast comes word of the recent launching of a new 24,000 ton oil tanker, the Taching No. 62 at the Hungchi Shipyard in Talien. The hull of the tanker, said the broadcast, is 178 meters long and 25 meters wide and is one of the largest oil tankers so far constructed in the PRC.

MISCELLANEOUS

Power Transmission Line—Radio Lanchow reports the completion of a 35 kv power transmission line between Wuwei and Kulang counties in remote Kansu Province. Power is generated from Wuwei to seven communes in the Kulang area, providing power for irrigation wells which cover some 5,000 acres of farmland.

Typhoon Protection *China Pictorial*, in a recent issue, has called attention to typhoon protection measures along the South China coast by highlighting developments in Kwangtung Province. The magazine says that 50,000 acres of farmland near Swatow are now protected by sluices 1,500 metres long and 11 metres wide at the top. In addition two dykes of 16,000 metres each at the mouth of the Lienkiang River now divert overflow into a freshwater lake.

Woolen Mills—NCNA recently drew attention to the development of China's woolen industry, pointing out that 22 of China's provinces, special municipalities and autonomous regions now have woolen mills in operation. The agency said that production of woolen textile goods has increased 12-fold since 1949 and output of knitting wool has grown eight times in the same period.

Phosphate Production—China's phosphate production was put at 2,750 tons for 1973, 3,000 tons for 1974 and a projected 3,000 tons for 1975 by the United Nations Conference on Trade and Development.

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INTERNATIONAL CHINA NOTES

CHINA BUYING REPORTS

More Canadian Wheat for China—Under the terms of a three-year agreement signed in October 1973 in which China agreed to buy a minimum of 4.8 million tons of Canadian wheat, a third contract was signed in early April between the Canadian Wheat Board and China National Cereals, Oils and Foodstuffs Corporation. The contract involves 1.1 million long tons of wheat. Shipment is to begin in May 1975 and, as in previous sales, payment will be 25 percent cash when each vessel is loaded, with the balance and interest payable in 18 months. There has been speculation that, because of delayed shipments due to Canadian labor problems, China will turn to other suppliers in the future.

Seismic Recorders—Racal-Thermionic Ltd. (UK) have announced the sale of their Geostore system to China. This system, designed specifically for use in remote areas, is a field recorded used to assist the study of seismological phenomena. The Geostore has the advantage of extreme mobility and usually supports work already being done by fixed seismological observatories.

Supply Ship Delivered—The first of five oil rig supply ships to be delivered to China National Machinery Import and Export Corporation by Hitachi Zosen has arrived in China. The ship will be used to transport men and equipment from onshore terminals to drilling stations. It is equipped with a large after deck for transporting used materials back to shore and has various mooring devices to handle the mooring requirements of rigs.

Drilling Rigs—China has reportedly been negotiating with a European group for the purchase of five semi-submersible drilling rigs which would be built at a Hamburg shipyard. At the same time, talks were held in Peking with representatives of the Norwegian Rig Owners Association on the possibility of China taking over orders for some of the Aker H-3 semi-submersibles constructed in Norway.

Cattle—China received an air shipment of Canadian Hereford Cattle last October. The load consisted of 48 registered cattle, 32 bulls, and 16 keifers. The Pacific Western Airlines flight to Shanghai carrying cattle from Alberta was the second chartered commercial flight to China from Canada. (The first flight carried a load of satellite electronics from Calgary.)

Wool—China is ready to buy wool again from New Zealand. The resumption of wool imports was announced following talks with a Chinese trade delegation in Wellington.

Steel—Agreement was reached between Japanese steelmakers and a visiting Chinese mission on Japan's

export of 1.5 million tons of steel during the April-July period of this year. At the time of the announcement, the price of the steel was still under negotiation. The steel talks, which usually begin in January, got underway later this year because of the worsening balance of payments situation in China and the weakening of the international steel market.

TV Broadcast Unit—China will soon receive a £250,000 color outside TV broadcast unit from Pye Telecommunications (UK).

Bearing Plant—Nippon Seiko Co., Ltd. has concluded a contract with China to export to the latter a bearing manufacturing plant valued at approximately ¥1,200 million. Shipment will begin in the spring of next year. Designed to manufacture ball bearings for machine tools and railway rolling stock, the plant will be installed to expand a similar factory in Loyang.

PVC—China has resumed importing polyvinyl chloride from Japan and has contracted to import about 3,000 tons for March. The contract is dollar denominated and payment is to be made in dollars. The price per kilogram of PVC is estimated at ¥120-¥130. PVC imports had stopped since last October mainly because of a shortage of foreign currency in China. China had been annually buying 30,000-40,000 tons of PVC from Japan. The resumption of sales began after Japanese manufacturers visited China in February to negotiate. The agreed upon price is far below manufacturing costs.

Plant—Mitsubishi Petrochemical Co., Ltd. has announced that the company jointly with Mitsubishi Heavy Industries Ltd., Mitsubishi Corp., and Western Japan Trading Co., Ltd. signed a contract with Techimport to export ethylene production plant and technology to China. The value is about 9,000 million yen which will be paid on a RMB basis within five years with an interest of 6 percent. The sale involves an ethylene production facility with an annual production of about 120,000 tons and a hydrogenation installation for cracking oil. China's interest in Mitsubishi's process was initiated after a visit to the Japanese plant by a Chinese Chemical-Textile Mission.

Boring and Milling Machines—Pegard of Belgium has received an order from Machimpex for boring and milling machines valued at \$1.3 million.

Anti-depressants—An American firm reportedly received an order from China for a drug that is a tranquilizer and also an anti-depressant.

Barge inquiries—China National Machinery Export-Import Corporation has expressed interest in Nippon Kokan Kaisha's hopper and pull barges, crane ships and supply boats for port construction and oil extrac-

tion. NKK believes that it will receive a contract for 20 hopper barges.

Sheet Metal Working Presses—The first of two sheet metal working presses is now ready for shipment to China from the British firm of Wilkins and Mitchell. The order, worth £205,000, was obtained after a visit by a Chinese trade delegation two years ago.

Bulldozer Parts—Komatsu Ltd. may finalize talks with China on the export of parts for bulldozers which it earlier contracted to export to Machimpex. The value of the deal is estimated to be ¥1,000 million.

Jets—China is reportedly negotiating to buy a number of twin jet medium range BAC III Aircraft from British Aircraft Corporation.

Cranes—Nichimen Co. of Japan has received an order from China for 56 truck cranes to be used to improve port and harbor facilities. Delivery will be March or April. In 1973 Nichimen supplied the PRC with 760 cranes.

Thai commodities—China is reportedly interested in buying 20,000 tons of Thai rubber, 50,000 tons of kenaf, an unspecified quantity of maize, leaf tobacco, hard and soft woods and sugar. In exchange, China would sell raw cotton, paper, raw silk, chemicals, farm equipment, asbestos, refractory materials, fertilizers and bauxite.

Fertilizer—According to the agreement signed between the Japan Ammonium Sulphate Industry Association and the Chinese National Chemical Import and Export Corporation, Japan will export 600,000 tons of urea and 160,000 tons of ammonium sulphate to China. This was less than the Chinese wanted but Japanese producers are hamstrung by limited production capacity due to worldwide shortages of raw materials. The deal, worth approximately 200 million, is on a dollar denominated basis, payable at sight and is for January-June 1975.

Marine Equipment—Nichimen & Co. has won a contract from China to export four life-saving systems accessory to oil extraction equipment. Sumitomo Shoji and Japan Ocean Industry have jointly secured an order to build an ocean survey ship of 550 gross tons and are reportedly holding negotiations for another similar ship. The inquiries on marine equipment are the start of work by China on the exploration of marine resources, laying of undersea cables and construction of sea-berths. The survey ship which China ordered from Sumitomo is equipped with two submergible spheres which can be sunk to a depth of 300 meters from the surface of the sea. No research ship of this kind has yet been used in Japan.

CHINA SELLING REPORTS

More Oil for Japan—Through its two channels—the Importer's Conference of Chinese Petroleum and International Oil Trading Co.—Japan will receive a total of 7.8 million metric tons of low sulphur crude oil from China in 1975, almost double the amount

Japan purchased from China in 1974. Total breakdown is 2,100,000 tons for the conference, 5,400,000 tons for International Oil and a carryover of 300,000 tons from last year. The volume of exports for 1975 was fixed at oil purchase talks held in Peking in February for International Oil and March for the conference. The price was fixed at \$12.10 per barrel on a dollar-denominated and dollar-settlement basis which makes it slightly cheaper than Indonesian Minas crude. China has also matched Indonesia's terms by allowing Japanese importers 30 days usance. China may sell 18 million tons of oil to Japan in 1976.

Oil Deals—Idemitsu Kosan Company's president announced that China has no intention of conducting crude oil deals with Japan on a government-to-government basis. While in China, the company president reached an agreement with the Chinese on technical exchanges between the two countries in the fields of oil refining and petrochemistry.

Some Textile Prices Down—The price of China's popular 45 count polyester-cotton (35-65 percent combination) grey sheeting has reportedly tumbled from \$3.10 and \$3.15 per linear yard in February last year to about \$1.30 per yard.

Rapeseed—China will export rapeseed to the Japan Oilstuff Industries Cooperatives. Negotiations on quality, quantity, and price will be held in May or June when Chinese officials visit Japan. The Japanese association hopes to import 200,000 tons a year from China in the future.

Silk—Japan has asked China to make "orderly exports" of silk fabrics such as habutaye to the Japanese market. The request was made because Japan's textile industry has been suffering from increased imports of low priced silk fabrics. Imports in 1973 were double those in 1972 and, although there was a fall-off last year, imports in the first quarter of this year reverted to the previous high pace.

Drugs for Hong Kong Government—Hong Kong is now importing a large amount of drugs for use in its government clinics and hospitals. The latest order is for \$81 million worth of the pain killer, sodium aminosalicylate. A wide range of common drugs including streptomycin, magnesium trisilicate with aluminium hydroxide gel tablets, paracetamol and APC tablets, vitamin C, phenylbutazone tablets, promethazine hydrochloride and calcium gluconate, are now being imported from China.

Jeeps—Chinese jeeps are on the market but sales are slow. Available in left-hand drive only, they cannot be used by two of China's nearest customers, Singapore and Hong Kong. Other disadvantages of the H.K. \$20,000 jeeps are old fashioned design, lack of luggage space and weak electronic switches, as reported.

Non-fulfillment of Contracts—In response to a request by the China National Textile Import-Export Corporation, the Japan Association for the Promotion of International Trade met with business leaders con-

cerned with trade with China to discuss the non-fulfillment of contracts by Japanese firms importing textiles from China. Firms which contracted to import large quantities of textile products are failing to open letters of credit as they have been hit by a serious domestic textile market recession and thus have been unable to open letters of credit. The Chinese corporation has asked the Japanese side to propose a practical solution and hopes matters would be settled by the Spring Canton Fair.

Furs and Ski Suits—China National Native Produce and Animal By-products Import and Export Corporation has invited Japanese trading companies to enter into talks on export of China's miscellaneous commodities such as fur and ski suits.

Cotton—China has begun exporting cotton to Hong Kong as well as to Japan. Last year the PRC sold approximately 11,000 hundredweights (1.2 million pounds) of cotton to the colony. While the largest portion of this cotton is from China, industry observers believe that some of it originated in the US with small amounts also coming from Brazil and Nicaragua.

Coal—Japan's Electric Power Development Co. has reached a basic agreement with Peking on importing steam coal for power generation from China on a long-term basis. According to the agreement the Japanese firm will receive 1 to 2 million tons of steam coal annually from China. The China National Metals and Minerals Import and Export Corporation has committed itself to improving the quality of its coal by installing preparation facilities at its collieries.

Antimony—Japan reportedly imported 70 tons of antimony regulus from China during November 1974.

Fluorite—Nippon Steel Corp. announced the signing of a contract with a Chinese metals and minerals trade mission for 50,000 tons of fluorite from China to be delivered this year. Delivery will continue through March 1976.

EXHIBITIONS AND EXCHANGES

British Exhibition—The British Machine Tools and Scientific Instruments Exhibition was opened in Shanghai by Britain's Under-Secretary of State for Trade, Mr. Eric Deakins, on March 25. The exhibition, under the auspices of the British Overseas Trade Board, was held through April 4. A total of 58 exhibitors representing 68 UK companies took part. On display was advanced technological equipment worth about £1.7 m. A program of lectures by British technological exports ran concurrently with the exhibition which an estimated 100,000 Chinese technicians visited. British advanced technological equipment has been regarded as one of most potential areas of interest to China.

Electronics Exhibition—An Italian electronics and scientific instruments exhibition sponsored by the Montedison Group with six companies participating

opened in Tientsin in early April. According to NCNA, the exhibits included nuclear-electronic instruments, wireless communication apparatus, environmental-pollution-detecting equipment, bio-medical instruments, electronic computers and surveying and mapping devices.

Chinese Fair in Nagoya—The Japan Association for the Promotion of International Trade (Kokubosoku) announced that China had agreed to hold a trade promotion fair in Nagoya, Japan next year.

Exhibition in Panama—A Chinese trade exhibition opened on April 5. The first to be held in Panama, the fair is composed of five sections; Sino-Panamanian friendship, agriculture, light industry textiles, heavy industry, fine arts and handicrafts.

Exhibition in Jamaica—A Chinese economic and trade exhibition was recently held in Kingston, Jamaica. At the close of the exhibition, the Chinese delegation presented the Jamaican Government with three farm machines; a walking tractor, a rice milling machine and a flour milling machine.

Machine Tools—China will exhibit machine tools for the first time in North America. Toronto's National Industrial Production & Machine Tool Show is to be held from May 12 to 16. Among the machines to be exhibited are vertical drills, radial drills, milling machines, surface grinders, gear hobbors and lathes.

Trade Talks—Japanese trade officials flew to Peking in mid-April for their first working level discussions on trade with Chinese officials. Among topics reportedly discussed were mutual trade problems including the imbalance of payments, dispute settlement methods, textile import curbs—specifically an import ban on raw silk by Japan. Sino-Japanese trade last year totalled \$3.29 billion with a surplus of \$0.64 billion in Japan's favor.

Gas Mission—The Japan Association for the Promotion of International Trade (Kokubosoku) has announced it will send experts to China this year for discussions on natural gas import.

Trade Agreement—China and Morocco have signed agreements on trade, medical and sports co-operation. In January China signed an agreement with Morocco to design a 50-80 hectares sports complex in Rabat with a seating capacity of 60,000.

Malaysian Mission—A Malaysian rubber mission led by the Chairman of the Malaysian Rubber Exchange and Licensing Board visited China in April to study the market potential. The mission sought to promote rubber sales and looked into the technical aspects and end uses of rubber in China.

Non-ferrous Metal Delegation—A delegation from China National Metals and Minerals Import-Export Corporation visited London recently. To many, this visit was an indication that China had changed her policy on marketing non-ferrous metals. Both Wolfram antimony, usually offered only at the Canton Fair, and zinc (99.5%) were offered for export.

Engineering Mission—The Japan-China Association for Trade and Economic Affairs announced that two groups from China would visit Japan at its invitation to promote exchanges between the two countries on industrial technology. The first mission from the Chinese Northeastern Region Electric Bureau will exchange views on recently developed power distribution systems with Japanese electrical engineers and the second, from the Chinese Oceanology Society, will discuss oceanographic technology, including desalting methods, with their Japanese counterparts.

Trade Agreement—China has signed a trade agreement with Poland. According to Poland's official news agency, PAP, Poland will supply China with coal mining equipment, building machines, pharmaceuticals and metallurgical products in return for non-ferrous metals, minerals, tung oil, rice, tea and other goods.

Tungsten Association—The China Council for the Promotion of International Trade attended a three-day meeting with representatives of tungsten-producing countries in Bolivia beginning April 7. The meeting dealt with the establishment of an association of producing countries, its charter, and measures to stabilize tungsten ore prices. Developing producers represented by Bolivia proposed the introduction of a price range system and the establishment of a buffer stock pile. The Chinese delegation expressed support for the developing countries and their attempt to organize a raw material exporters' association to defend their national interests.

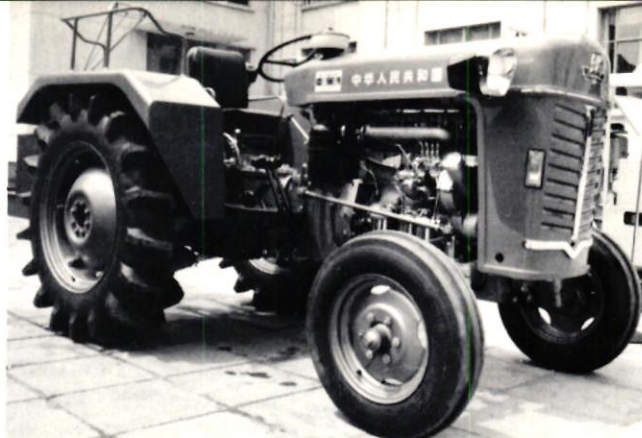
Mexican Oil Study—China and Mexico have begun sharing their experience in the petroleum field. At the end of 1974 and the beginning of this year a Chinese delegation was in Mexico to work out exchange projects in oil.

German Democratic Republic Signs Agreement—An agreement on goods exchange and payments in 1975 between China and the GDR Government was signed.

Packaging Materials Exhibit—China is likely to agree on a British proposal to stage an exhibit of packaging materials and techniques as the next in a series of specialized U.K. exhibitions to be held in China. Such an exhibition would be relevant to China's overseas sales effort as some foreign buyers have complained about the quality of the PRC's packaging of export items. The exhibition will probably be held in late 1976 or early 1977. Details should be worked out in about six months.

China-Iran—Under the agreement signed between the two countries, a "basket" of foreign currencies will replace gold in commercial transactions.

Trademark Agreements—China has signed trademark agreements with Belgium, the Netherlands and Luxembourg on reciprocal registration of trademarks. The agreements stipulate that citizens, societies and cooperatives of each of the countries may register the



A chromium-fitted tractor at the Fair, Spring 1975.

trademarks of their products with the other country.

Futures Market Between RMB and Yen—The Bank of China agreed on April 16th to establish futures between China's renminbi currency and the Japanese yen in order to meet the difficulties of Japanese companies exporting to China on a deferred payment basis. This will enable 25 Japanese banks to buy or sell renminbi six months in advance as a hedge against exchange risks. The forward rate will be tied to the spot rate for China's currency.

Yuan to Yen, Yuan to Dollars—Also under the banking accord China has agreed to let traders convert their Chinese yuan into Japanese yen. In the past yuan had to be converted into British pounds, then dollars and finally into yen with exchange risks and commissions at each step. Under the arrangement between the Bank of China and the Bank of Tokyo, traders will be able to get dollars directly for their yuan credits. China has apparently decided to maintain a significant portion of its working balances of foreign currencies in dollars.

AIR AND SEA

Air Routes Expanded—Since September of last year, three new international routes have been added by CAAC. One is the Peking to Tokyo service; the second is the Peking-Karachi-Paris route; the third is the Peking-Teheran-Bucharest-Tirana route. China now has seven international air routes. The others are; Peking to Rangoon, Peking to Moscow, Peking to Pyongyang, Peking to Hanoi and Canton to Vientiane via Hanoi.

More Chinese Ships for UK Port—The port of Liverpool is hoping to increase its handling of cargo from China. Chinese vessels already call at the port three times a month—twice to discharge and once to load. A spokesman for the China Ocean Shipping Co., Ltd. said turnaround times at the West Coast port are sufficiently short for the company to consider boosting the number of calls. The managing director of the port said that a special terminal for Chinese ships was under consideration.

UK Ships to China—According to reports, a British shipping line may start a scheduled service to China before the end of 1975 operating on a monthly basis.

The service would be the third regular one between Europe and China, following West German and Scandinavian lines now in operation. A regular service between China and the UK operated in the past but was suspended in 1970. The need for a new shipping line was stressed last year when British exporters found their goods being delayed for periods up to three months because of ship chartering problems on the Chinese side. A regular UK operated line would presumably minimize shipping delays and make it easier for exporters to finance their operations. The UK line would issue monthly Bills of Lading which could then be used as security for bank credit. One of the questions to be settled before shipping services begin is the congestion at Chinese ports which frequently cause delays of three to four weeks.

Tours—Thomas Cook and Son, announced it will be organizing tour groups to China from early 1975, following a visit by key executives to Peking, Shanghai and Kwangchow. The groups would consist of about 20 top middle-level executives.

FOREIGN AID

Limestone in the Congo—A limestone crushing factory was recently begun in Magdinou District, the Congo, with Chinese financial and technical assistance. The plant will aid agricultural development in the area.

Surveying—Chinese surveyors will journey to Tanzania sometime in 1975 to assess the quantity and quality of coal and iron ore deposits in the southern part of that country.

Decorative Glass Factory in Malta—Chinese and Maltese officials recently took part in a ceremony to mark the completion of a Chinese aided decorative glass factory in Valetta. More than 100 people including the Maltese Minister of Industry, Trade and Tourism attended the ceremony.

Textile Mill in Yemen—China is furnishing aid to the People's Democratic Republic of Yemen in the construction of a textile mill, in Aden. During a recent inspection of the site, Rubay'i Ali, Chairman of the Presidential Council of the PDRY and Chao Lei, leader of the Chinese textile technical team expressed satisfaction at the progress made thus far. It is not known when the mill will begin operations.

Textile Mill—A new Pakistani textile mill now being completed near Hyderabad will receive \$3.5 million worth of Chinese textile machinery. The deal is being financed by Machimpex. The PRC will also furnish Pakistan with technical and financial assistance for the construction of a paper mill and urea plant. The paper mill, which carries a R550 million price tag, will have an annual capacity of 30,000 tons of writing and printing paper. The urea facility, to be erected near Peshawar, will produce about 75,000 tons of the fertilizer component annually and will cost some R200 million.

MISCELLANEOUS

China Influences Fashion—Reports are that Pierre Cardin has been approached by China about becoming a consultant to the Chinese textile industry. Until negotiations have been worked out, there has been no comment by Cardin. Chinese shantung and crepe de chine are top fashion favorites in Europe and Chinese fashion influence is found in both adult's and children's clothing. Now popular in Paris are Chinese quilted jackets, coats, fur hats, Mongolian bots, loose shirts, canvas slippers and old-style Chinese quilted gowns. 完

A NEW CHINESE BEER ARRIVES IN THE US



Yuchuan Beer, a new beer from China, was officially introduced to the US market on April 18, 1975, by Franklin International. It will reportedly be distributed exclusively throughout the United States by Consumers Distributing Company, 1350 17th Street, San Francisco, California 94107.

Yuchuan Beer (pronounced U'CH-WON) is popular in the PRC because of its natural fermentation and full bodied taste. Malt for the brew is grown in organic soil that is chemical-free.

Consumers Distributing Co. plans to market the beer in liquor stores, Chinese restaurants and the gourmet and specialty sections of supermarkets. The beer is packaged in attractive, green-tinted 12 and 21 oz. bottles, similar to leading imported Dutch and German beers. Suggested retail selling price for Yuchuan Beer will be 54¢ for the 12 ounce bottle and 99¢ for the larger size, which will make it competitive price-wise to premium Japanese beers.

At present, there is only one other beer—Tsingtao brand—imported in the US from the People's Republic of China, but according to Consumers Distributing Company, Yuchuan Beer will receive much wider distribution and marketing support.

This first offering of Yuchuan Beer is a result of the efforts of Franklin International, a three-year-old foreign trading company. For further information about importing these or related products, call or write Thomas L. Fairbairn, President, Franklin International, 12121 Wilshire Boulevard, Suite 107, Los Angeles, California 90025, (213) 820-2621.

A NEW REFERENCE ON CHINA'S ECONOMY

China: A Reassessment of the Economy, 1975, a volume on China's economy is to be released by the Joint Economic Committee of Congress in June 1975. This publication, edited by John P. Hardt, will be one of the most comprehensive and up-to-date references available on this subject. Assessments of the Chinese economy have previously been published by the JEC in 1967

and 1972. The forthcoming volume includes an article on the Legal and Practical Problems in the China Trade by Eugene Theroux, Vice President of the National Council. This publication, which will be available from the Superintendent of Documents in Washington, D.C., has the following table of contents.

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