

# The China Business Review

May-June 1979



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# The China Business Review



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The Magazine of the National Council for US-China Trade

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# China Trade Events

## **WASHINGTON, DC, May 4**

John Dewenter of the National Council will speak at a seminar cosponsored by the Food Processing and Package Machinery Supply Association and the Packaging Machinery Manufacturers Institute.

## **BEVERLY HILLS, CALIFORNIA, May 7-8**

The Bureau of Business Services and Research of California State University will sponsor a conference on trade and finance issues for the 1980s. Paul Speltz of WJS will speak.

## **MIAMI, FLORIDA May 16-18**

"Trade with China" is the topic of the annual meeting of the American Apparel Manufacturers Association.

## **WASHINGTON, DC, May 17**

The National Council will hold its Sixth Annual Meeting at the Mayflower Hotel.

## **EAST LANSING, MICHIGAN, May 22**

Michigan State University will hold a seminar on China trade. Contact Richard Boales, (517) 355-3449.

## **CLEVELAND, OHIO, May 22**

Harold Champeau of the National Council will discuss the China trade with the Cleveland Chamber of Commerce.

## **WASHINGTON, DC, May 22-23**

Trade with China will be the main subject of a conference at the Johns Hopkins School of Advanced International Studies (SAIS). The conference, entitled "Doing Business with the People's Republic of China and Asia's Other Major Growth Markets," will provide corporate executives with information on how to "break the ice" in entering the China market. Cosponsors for the event will be the Johns Hopkins School of Advanced International Studies, the International Management and Development Institute, the National Council for US-China Trade, the Asia Society, and the Southern Center for International Studies. For information, contact Danelle K. Simonelli, (202) 785-6800.

## **MONTREAL, May 23-24**

Financial Post Conferences and the Canada-China Trade Council are cosponsoring a symposium entitled "China: How You Can Compete." The program will focus on the objectives of China's development plan, the role of consortia and trading companies in the Chinese market, countertrade, and finance. The program will also include case histories of companies which have successfully approached the Chinese market. Speakers will include Paul G. Desmarais, chairman, Power Corporation of Canada; William I. Coleman, executive director, Canada-China Trade Council; and Horst Intscher, first secretary of the Canadian embassy in Beijing. For further information, call (416) 596-5678.

## **LOS ANGELES, CALIFORNIA, May 30-31**

Harcourt, Brace, Jovanovich will sponsor a seminar on doing business with the PRC. Contact (213) 624-1000.

## **NEW YORK CITY, May 31**

White House Science Advisor Frank Press will discuss cooperation with China in science and technology at a conference sponsored by the MIT Alumni Center. Other speakers at the seminar, entitled "Business with the People's Republic of China: Opportunities and Challenges," include Nicholas Ludlow, editor of the *China Business Review*, Kenneth Morse of Chase Pacific, Julian Sobin of Sobin Chemicals, and Lucian Pye of MIT faculty. For more information, call the MIT Alumni Center, (212) 532-8181.

## **CHICAGO, ILLINOIS, June 1**

The Construction Equipment Advertisers/Public Relations Council of the Construction Industry Manufacturers Association will discuss the China market. The speakers will include Norman Getsinger of the National Council.

## **NEW YORK CITY, June 22**

Harold Champeau of the National Council will discuss Chinese agriculture in a seminar for journalists on "World Agricultural Issues" at the United Nations, sponsored by the United Nations Association of the USA. Contact William C. Powell, (212) 697-3232.

## **HONG KONG, October 10-11**

Business International will hold a conference on China trade. Write Business International Institute/Asia, 301 Asian House, 1, Hennessy Road, Hong Kong, att: Mrs. Lois Dougan Tretiak.

### **MABCO HOLDS CHINA BUSINESS BRIEFING**

MABCO, an international oriented business consulting and development firm, will sponsor four conferences on the China trade in May and June. General topics to be covered at each of the two-day briefings include legal and financial aspects of the China trade, market entry, negotiating tactics and protocol, and logistical problems in doing business with China. The registration fee for the seminars is \$375. The schedule is as follows:

May 15-16, Dallas, Sheraton-Dallas Hotel

May 30-31, San Francisco, Fairmount Hotel

June 7-8, Washington, Washington Hilton

June 28-29, Chicago, Sheraton Plaza Hotel

For further information, contact Susan P. Reutershan, (202) 338-6658.

### **CBS SERIES TO FOCUS ON ASIA**

"ASIA: HALF THE HUMAN RACE" is the subject of 30 programs to be aired every Monday, Wednesday, and Friday on the CBS Summer Semester television series between May 14 and July 20. The series, cosponsored by Bergen Community College and WCBS-TV New York, will be moderated by Robert Oxnam, program director of the China Council of the Asia Society. A viewer's guide for the series is available for \$3.50 per copy through the Asia Society, 112 East 64th Street, New York, NY 10021.

# CHINA WIRE

## HOLDING PATTERN IN CHINA—BUT SINO-US ECONOMIC TIES STRENGTHEN DAILY

As of June 9, China's National People's Congress will begin its big summer session to finalize new plan details and expand to cope with its new legislative responsibilities—foreign companies are on edge waiting for the new program.

### Look out for:

—The State Statistical Bureau to issue statistics, possibly including trade, national accounts, and production figures for 1978 very soon. Henceforth, these will be issued yearly.

—New commercial, civil, and industrial property codes as first in series of legal moves in China's eight-year legal plan, 1978–85.

—More power to the State Economic Commission as the emphasis shifts somewhat from construction to achieving production goals.

## SINO-US RECIPROCITY AHEAD...

The question now is, with so many Sino-US comings and goings, when will Chairman Hua come to the US? When is the most propitious time for President Carter's reelection campaign? Jimmy Carter will probably go to Beijing late this fall.

Meanwhile it's reasonable to expect reciprocity. Vice Premier Kang Shien, head of China's State Economic Commission is here now, guest of Secretary Schlesinger, talking about energy cooperation. In the same fashion, China's Ministers of Finance and Foreign Trade will be visiting the US this summer, the latter to sign the trade agreement. The Sino-US economic commission will be meeting this fall.

## EUROCURRENCY—CHINA PLAYING THE MARKET?

The recent news of China's rock-bottom (0.5% over LIBOR) Eurocurrency loans, at \$1.4 billion committed as of June 1, suggests China may be working both ends of the market: as of September last year, Beijing was lending \$2.4 billion to European banks on the market, probably at a little above 0.5%. But China may be just pump-priming, publishing Eurocurrency dealings that it's had all along as preamble to wider currency operations.

## TAKE STOCK IN CHINA—FOREIGN INVESTMENT COMPANIES OPEN FOR BUSINESS IN BEIJING. FUJIAN

Ready to invest in China? Write or call Xiao Yang, president of the 10-person Beijing Economic Construction Corporation, Taiyi Plant No. 3, Beijing (phone 55-1071), and the Fujian (Fukien) Provincial Investment-Enterprise Co. (which is offering RMB ¥500 notes paying 8%+ over 12 years, plus foreign currency shares, capital guaranteed returnable). The companies,

bridging provincial and municipal organizations and Ministry of Foreign Trade, seek foreign equity joint-venture partners, cooperation arrangements, and export processing.

Meanwhile, Japan's government is prohibiting investment in China by Japanese firms until Beijing produces an investment code.

## BEIJING'S FOREIGN TRADE INSTITUTE WILL TRIPLE STUDENTS THROUGH 1985

Beijing's FTI, under the Ministry of Foreign Trade, will triple its student body from 990 now to 3000 or so by 1985, compact its courses to three years from four, add accounting and statistics courses in the next academic year. Also slated are elective courses in marketing, merchandising, international legal matters, foreign economic theory, trade management, and transportation. An American is teaching there, and the FTI has entered into a three-year consulting contract with a well-known foreign firm, to beef up its trade know-how. And a new FTI is off-and-running in Shanghai.

## PLAN B

Telecommunications companies, in Beijing in droves, but agog with the slowdown, wonder how China will decide to expand its 3 million phones to 20 million by 2000 AD, which even then will be low by LDC standards. If China had as many phones per capita as the US today, it would need 720 million phones.

And Steel. The Jidong plant is on-again, off-again. Bidding is beginning for phase II of the Baoshan plant—the processing complex, with financing for phase I now deferred rather than progress payments. Meanwhile Vice Premier Kang Shien told the NCUSCT's mining group the 60-million-ton steel-output goal will be achieved in 1987, not 1985. The goal will require 500 million tons of iron ore, plus the manganese and copper to go with it. Baoshan, seen by a US group in late May, is proceeding right on schedule.

## MORE US-CHINA OIL SURVEYS

The China seas are being blocked out by foreign oil firms' seismic survey contracts with the PRC. Signing June 5–9 with China's Ministry of Petroleum are Exxon, Mobil, Union, and Texaco/Chevron. Surveys will take 1–2 years, production development 3–5 years, so offshore oil revenues in China's budget plans are still a big question mark. Meanwhile, China's petroleum corporation will open a 3 man office in Houston in June.

## IMF PREPARES FOR CHINA

The IMF has a four-man task force starting to work on China, preparing for the day when and if the PRC decides to join—but first ADB and the GATT?

# Offices in Beijing

## Approved, but no rooms available

"You are welcome to open offices in Beijing," PRC Ambassador Chai Zemin told an assembled group of US businessmen in April. "But you must understand that this is not an ordinary invitation. You may have to wait until our new World Trade Center is built to take advantage of it."

Space is the final frontier for companies hoping to establish business offices in the PRC. While more than one US enterprise, including the National Council, has received an official go-ahead to open offices, it may be at least three years before the Chinese are able to deliver more generous accommodations than those already enjoyed by a few companies in hotel suites.

Strolling along the corridors of the Beijing Hotel, the untutored visitor may be surprised to see the logos of foreign companies stuck proudly to the doors. These logos now represent the furthest extent to which companies have established a year-round presence in China. It will take something more solid than their shingles, though, for companies to hang on to their shares of the China market as the sinuous intricacies of cooperation agreements and joint ventures unfold.

The companies are not the only injured parties in the office crunch. Tourists are being shunted in and out of Beijing now, but fast isn't fast enough. Companies operating out of hotel rooms further exacerbate the problems of managing the flow of tourist traffic. "I'm afraid if the authorities knew how many of us were in the (Beijing) hotel," sighs one businessman, "they'd throw us out."

China has revealed plans to erect new, modern office buildings to house foreign companies as well as some

of the foreign trade corporations (FTCs). Planned sites include Guangzhou and Shanghai as well as Beijing—the Guangzhou complex may be ready as soon as the end of 1979. Where the buck finally stops is at the door of Deputy Foreign Trade Minister Zhao Changchun, director of the Ministry's "International Office Project." While dodging the hail of complaints, recommendations, and applications on one side, Zhao has been managing an intricate series of negotiations among firms competing for the contract—or contracts—to build the planned Beijing Trade Center.

Although a US group (Kaiser Engineers, Turner, and Gerald D. Hines) announced on March 29, 1979, award of contracts to design and finance the center (see *CBR* 6:2), discussions were still proceeding on a variety of proposals to build the center. By April, the negotiations had broadened to include not only Japanese companies (principally KAJIMA Construction Co.), but also French-, Hong Kong-, and US-based groups.

Such is the demand for formal business offices in Beijing that some observers think all the contending groups will come away with parts of the action.

An alternative that has been offered as a stopgap measure by Beijing authorities is to set aside a block of rooms in the Beijing Hotel for office use only. Some firms may be inclined to accept this offer for the time being, but the hotel is clearly not suited for business operations on a long-term basis, although a number of non-US companies, among them Marubeni, have established themselves in rooms formerly used as meeting rooms or private dining rooms, as opposed to the converted bedroom suites used by the others.

Currently being cogitated is the ideal form the trade complex should take. Late last year, all the foreign airline companies were moved into a single building complex. The layout of the airlines headquarters, located at Jian Guo Men Wai, with one office building surrounded by five buildings used as residences, may well provide a starting point for design of the trade center.

One requirement that many businessmen stipulate is for adequate apartment housing located near the company office. Most men and women assigned to Beijing spend too short a time to seek to bring their families along, but too long to want to stay in a hotel for the duration.

It takes an "act of God," according to one frustrated businessman, to arrange for a suite at the Beijing Hotel. According to a *CBR* survey concluded in April 1979, at least 26 US companies have been able to get His ear. These companies reported considerable difficulty with support services and business facilities at the hotel.

Of all the US companies in Beijing, only one, Pullman Kellogg, has direct access to a telex line. (Two other companies, Japan-based, also have telex lines—see Box). The opening up of new telex lines

**PLAYING A WAITING GAME: US BUSINESS OFFICES IN BEIJING (as of April 1979)**

<b>Company Name</b>	<b>Beijing Hotel Room No.† Cable/Telex/Telephone</b>	<b>Staff</b>	<b>Support Facilities</b>	<b>Years in Operation*</b>
ACLI International, Inc.	Room 5001 ACLI BEIJING 558331 x. 5001	C. Y. Chou	Standard support facilities	NA
Altman Incorporated	Room 1627 558331 x. 1627	NA	Standard support facilities	NA
Baker World Trading Corp.	Room 1209 BACASO 558331 x. 1209	1-2	Typewriters, copy machine, slide projection equipment, secretarial support from local embassy wives	4
Bank of America	—	—	—	(approved 3/79)
Bethlehem International Engineering Corp.	Friendship Hotel Room No. 1425 890621 x. 1425	NA	Standard support facilities	NA
C. Itoh & Co. (America), Inc. <sup>1</sup>	Room 5022 552231 x. 5022 (direct: 552362; 554005; 554025) 22160 CITON CN	J. Shimada, Branch Manager, and staff of 10	Standard support facilities, telex	NA
C-Tran International	Xin Qiao Hotel Room No. 553 557731	Anthony Shen, VP; Michael Mao, Marketing Manager; S. Y. Fan	NA	NA
Califas (HK), Ltd.	Room 4041 558331 x. 4041	T. R. Collard, J. Forsyth, L. F. Diggins, D. Mazingo	Standard support facilities	NA
Caterpillar	Room 6008 552231 x. 6008	A. J. Miller, Director	NA	NA
Chase Pacific Trade Advisors	Rooms 1201, 1522-1524 PACCHASE 558331 x. 1201, x. 1522, x.1524	1-5	Typewriters, two copy machines, files, carousel projector, movie projector, overhead projector, secretarial support from US office	4
China Investments	NA INCHINA	Rotations	NA	NA
The East Asiatic Co., Inc. <sup>1</sup>	Rooms 1408, 1409 ASIATICO BEIJING 22182 EAC PK CN 558331 x. 1408, 1409	Erik Christensen, Manager, with 4 assistants. Permanent staff.	Complete office facilities	Over 10 years
Fluor Corporation	Room 6009 and 1735 557631 or 552231	1	NA	6 months
Friendship International Corporation	Room 1601 83767 SOBIN HK 558331 x. 1601	David S. Cookson	NA	NA
IBM Far East	NA	Frequent rotations	Typewriters, IBM copier, transparency reproduction equipment, 35-mm. movie projector	NA

\* Indicates number of years firm has occupied identical suite.

<sup>1</sup> Maintains representative office in Shanghai.

† Except where otherwise indicated, room number refers to suites of Beijing Hotel.

for companies, like offices, is held up only by the inadequacy of existing facilities to service the anticipated traffic. Prior to Vice Premier Deng Xiaoping's January trip to the US, the American Chamber of Commerce in Hong Kong submitted a long list of requirements of US businessmen in the PRC, among them the need for individual telex lines.

Approved almost immediately by the Chinese, the Ministry of Posts and Telecommunications is known to be moving swiftly to meet the request. A team from the Ministry's end-user trading corporation visiting American manufacturers in February and March hinted that buying the systems needed to expand telex operations was among their objectives.

According to one source, Fluor Corporation, now supervising four major contracts in the PRC, will be the next US company to get its own telex line. But even #122 on the telex waiting list, Baker World Trading Corporation, is confident that the telex service hurdle will soon be crossed.

Besides telex lines, companies are waiting for answers on requests for approval of multiple-entry visas, rights to hire local staff, and access to local cars and drivers (currently reserved for diplomats only).

Secretarial service, sorely needed in the Beijing Hotel, has recently been provided by Margaret Sullivan (see *CBR* 6:1, p. 83), who will soon be working for Jardine, Matheson and its clients in the hotel—ET 完

### PLAYING A WAITING GAME: US BUSINESS OFFICES IN BEIJING (as of April 1979)—Continued

Company Name	Beijing Hotel Room No. Cable/Telex/Telephone	Staff	Support Facilities	Years in Operation*
Ingersoll-Rand Co.	Room 2101 6531 (Telex) 558331 x. 2101	Peter Lee, Dick Fung	NA	NA
International Corporation of America	Room 1426 INCORAM 558331 x.1426	1-2	Typewriters, copy machines, overhead projectors, movie projectors	4-6 months
Jardine International Petroleum	Room 5035 JARDINES BEIJING 558331 x. 5035	John P. Wright, Manager; S.W.O. McDowell, Peter Po	NA	NA
London Export (USA), Ltd.	NA KATYTRADE BEIJING	NA	NA	NA
Lubman & Co.	NA LUBMAN BEIJING	In Beijing on irregular basis	NA	NA
Mitsui & Co. (USA), Inc.	Rooms 1622, 1624 MITSUI BEIJING 22161 MITSUI CN 552231 x. 1622 (direct: 557926; 555623; 554768; 554375; 554179)	Staff of Mitsui & Co., Ltd. (Japan) office in Beijing Hotel	Telex	NA
Pan American World Airways, Inc.	Room 1701 556531	John Shoemaker	NA	NA
Pullman Kellogg	22123 KELOG CN	NA	Telex	5
SmithKline Corporation	Room 1634 558331 x. 1634	Margaret Hsu, Manager	NA	(approved 3/79)
Union Carbide Eastern, Inc.	Room 1442 UNICARBIDE BEIJING 558331 x. 1442	Richard C. Witt, Director	NA	NA
WJS, Inc.	Room 1709 558331 x. 1709	Account Manager, petroleum engineer, secretary, plus 10 rotating staff	Typewriter, calculator, slide projector, movie projector, files	3





Head of the China Posts and Telecommunications Corporation Jiang Xikui talks business with Rockwell executive James Lenehan

## Telecommunications

# Time for China to Join the Networks?

Linked with the US and West Germany in joint programs to develop civil space communications, China is necessarily moving toward upgrading ground telecommunications services and facilities.

The two programs go hand in hand. Without modern telephone and microwave technology—the switching exchanges, multiplexers, and heavy-load cables that automatically dissect and retransmit thousands of messages per second—the communications satellite remains an expensive toy.

That the programs are closely joined in China's import plans as well as in theory was shown last November, when, side by side with a high-ranking Chinese satellite team, came a group from the Ministry of Posts and Telecommunications (MPT) to look at US ground stations and microwave equipment. Led by Yue Die, deputy general manager of the China National Posts and Telecommunications Appliance Corporation, the group learned enough to invite Yue's boss, Jiang Xikui, to lead a second group in February.

Hosted by the National Council, the 10-man group under Mr. Jiang visited companies including RCA, ITT, Western Union International, Rockwell, Varian Associates, General Telephone and Electronics, and AT&T. The visit was wrapped up on April 1, and the group left with the promise that by the year's end MPT Minister Wang Zigang would tour the US telecommunications industry in person.

### **Microwave Network: Satellite Backup Planned**

There could be few clearer signs of China's intentions to upgrade its international communications links than recent PRC agreements signed with the US and West Germany to cooperate in satellite technology and installation. As far as US companies are concerned, China's satellite-communications plans have stolen the show. The interchange of delegations has heated to the point of overload. Bids on satellite birds and ground stations, as well as the management and design packages to go with them, are expected sometime in 1979.

Less attention has been given to development of ground-communications facilities. A problem that looms larger in the eyes of the Chinese than their international counterparts is that point-to-point radio relay systems for voice, common carrier and data applications are in their infancy, handicapped by a serious lack of carrier multiplexing, modulation, and telephone switching equipment.

The first delegation hosted by the National Council to cover this crucial development area, visiting the US from February 25 to April 1, 1979, alerted US companies to China's plans to establish a nationwide microwave communications system. As of 1978, China's microwave network was estimated to cover 13,000 kilometers, with signals transmitted through approximately 260 microwave repeater and terminal stations. Using Chinese-developed 960 channel tran-

sistor technology, this trunkline has been useful for facsimile and TV transmission but is thought to transmit telephone and telegraph service only sporadically. The delegation, representing industry, trade, scientific, and management departments within MPT, did not expand on the current plant or scope of the planned expansion. However, they did indicate buying interests in several specific areas:

- Hybrid circuit lab for microwave applications
- Portable VIP communications system, with earth-station package, for special communications links (e.g., Beijing-Hong Kong)
- Digital microwave transceivers with LSI
- Mobile communications units
- Airborne command posts

Accompanying the delegation was the associate chief engineer of the China Electronic Systems Engineering Corporation under MPT and three microwave specialists to provide feedback on US technology in the area. The delegation discussed microwave applications with Rockwell and Varian Associates during part of its itinerary.

### **Telephony: A Lagging Sector**

With over a quarter of the world's people, China has less than 0.8 percent of the world's telephones, according to the deputy director of the Science and Technology Office under MPT.

Zhou Huasheng, visiting the US in February and March 1979, told company officials at GTE's Automated Electric facility in Northlake, Illinois, that China had at the most 3.5 million telephone units, compared to the world count of 379 million. His statement refuted more optimistic estimates by US analysts that have set China's telephone inventory at 5 million units.

Improving this inventory was one of the major objectives of the delegation that Zhou was with, although a number of interests besides that were on the agenda (see above). Zhou's specific responsibility was to oversee negotiations on purchase of an optical fiber lab for China's own research effort in an important new area of cable technology. He was also there to act as ballast to the project directors of a program to develop modern production facilities for telephone switching systems, communications cables, and teleprinters.

Chief switching specialist on the delegation was Xie Xiaolan, chief engineer of the ministry's research institute in Xian. Xie has personally led China's development programs in crossbar and cross-point switching systems, and pioneered in the development of Stored Program Control (SPC) switching. His current role is to replace existing crossbar equipment with 300,000–600,000 SPC systems.

Xie's co-director in the project is Hou Deyuan, a senior engineer who picked up his basic training in the field 30 years ago with Bell Canada and now is

one of five deputy directors of the Directorate of Telecommunications under the ministry. The switching system project, which may involve up to \$100 million in foreign imports, calls for purchase of five to seven modern plants. Comparable figures were unavailable for the cable manufacturing and teleprinter assembly segments of the program, but it was disclosed by the delegation leader that final purchase decisions on all three segments would be made before the end of 1979.

Discussions on switching-systems production technology and plant were held with General Telephone and Electronics, ITT, and AT&T during its US tour. MPT has already opened negotiations with Thomson CSF of France and Canada's Northern Telecom, which have submitted applications for export licenses to their respective governments.

### **Computer Networks: A Related Cause**

Simultaneously with the MPT delegation, another group visited the US to explore technology for automation of Chinese text and computer networking. Underway is a project to establish a host and minicomputer networking capability between Beijing, Shanghai, and possibly Guangzhou, in support of research work of the Chinese Academy of Social Sciences.

Delegated by the Yan Shan (Swallow Mountain) Computer Corporation to conduct an international investigation on new computer technologies, the group visited France and Japan as well as the US, leaving Beijing in late January and returning in mid-April 1979. In the US, the group visited small- and large-scale computer manufacturers, telecommunications manufacturers, peripheral-display device makers, and research labs conducting investigations in the automation of Chinese text. The last technology is critical if China is to achieve large information storage, retrieval, and switching systems.

Computer and telecommunications systems are heavily dependent on one another. Because of the inadequacy of existing telecommunications support lines, China is virtually without computer networking capability.

The specific network that falls under the Yan Shan mandate is potentially as large as those operated in the US by the Library of Congress or Supreme Court for bibliographic retrieval, and similar in character. Research in China today is highly fragmented and suffers high redundancy levels. The role of the Yan Shan Corporation, formed in August 1978, will be to provide technical support to all the ministries, of which a computer center for the Chinese Academy of Social Sciences will be a key effort. The center may serve as a prototype technology for larger systems envisioned.

Traveling with the delegation as National Council escort officer was John Maier, who estimates that the complete project to set up China's computer center

could be done within two years' time. The kind of computer needed is a medium-scale general-purpose host computer, such as the Univac 1108, the IBM 370, or Honeywell's 60 series.

Led by Li Qianming, deputy director of the Technical Division, Computer Application Research Center, Yan Shan Corporation, the 8-man delegation had no commercial authority. All contract follow-up is to be handled through MACHIMPEX.

### **Making the US Connection**

In recognition of the requirement to develop control and a regulatory system in the PRC, the Ministry of Posts and Telecommunications is actively promoting regulation of the expanding telecommunications system in China. As in other countries, telecommuni-

cations networks in the PRC fall under the control of several agencies, and as the networks get bigger, the interference quotient multiples.

Among the regulatory models China is looking at are the Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA). In late February, a delegation from the China Posts and Telecommunications Ministry, including a key service management official, was briefed for over four hours by FCC Commissioner Charles D. Ferris. Later the official disclosed that China was considering establishing a control organization with similar functions to FCC and NTIA. Along these lines, NTIA Director Henry Geller has received an invitation to head a US Government delegation to China this fall.—ET

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### **CHINA POSTS AND TELECOMMUNICATIONS APPLIANCE CORPORATION—WRITE DIRECT**

Wearing a sporty tie and ever-ready smile, Jiang Xikui, leader of the first telecommunications group from China to visit the US under National Council auspices, was an eye-opener to company officials expecting a more severe and buttoned-down personality. He represents a new breed of Chinese businessmen coming to foreign trade from a background in domestic commerce—the corporate general manager.

Jiang has been head of MPT's Posts and Telecommunications Appliance Corporation for some 20 years, he said in a recent interview with *CBR*. As such, he is responsible for all supplies of material and equipment to end-users within the ministry, the major domestic operator of telephone lines, terminal equipment, and services. Within China, the unit Jiang manages is more commonly known as the Department of Materials Supply. He dons the corporation-manager hat when he goes outside China, and to sign contracts with foreign suppliers.

The interview Jiang granted *CBR* was not the least remarkable of his performances during the US tour. Describing in detail the relations of the corporation to MACHIMPEX, INSTRIMPEX, and other foreign trade organizations, he asked *CBR* to convey to the American business community the following points:

- The China Posts and Telecommunications Corporation welcomes direct correspondence from American businessmen on proposals relating to telecommunications equipment and services. Such correspondence may be directed to either the appropriate FTC or to the corporation, but all initial discussion on proposals will be handled by the corporation.
- Jiang is responsible for making all final decisions on machinery and technology imports on behalf of the ministry. Proposals received will be referred to experts within the ministry and then be routed back to him for final approval. China's FTCs are authorized to take action only on the basis of a formal

recommendation from Jiang's office.

- Delegations from the ministry are formed by different offices depending on whether they are interested in international service or hardware. (This provides an additional criterion for companies seeking to determine the intent of particular groups.)

Jiang also disclosed that the corporation had more than 30 provincial offices, including ones in Beijing, Tianjin, Shanghai, Xian, Wuhan, Shenyang, and Chongqing. Besides his corporation, the ministry maintains at least three other departments concerned with foreign trade: an engineering corporation, industrial corporation, and science and technology corporation.

The mission Jiang led was described as a delegation "synthesized" out of several ministry program areas. From the Science and Technology Office of the ministry came Zhou Huasheng, deputy director of the office and a specialist in fiber-optics; Jiang Yugang, also a fiber-optics expert; and the delegation interpreter, Ms. Tan Xiuqing (who worked closely with US companies installing ground stations in China in the early 1970s).

The Industrial Office, which is directly responsible for service operations and management of 30 production facilities within the ministry, sent He Yaokun, deputy chief engineer of the department and a specialist in integrated circuits for microwave, and experts in shortwave high-frequency transmission and satellite electronic systems from two of the plants under its control. Heading up major ministry programs were Hou Deyuan, from the Telecommunications Directorate, Zhou Huasheng, and Xie Xiaolan, of the Xian Research Institute.

Jiang, Hou, Zhou, and He flew to Canada after the completion of their stint in the US for a three-week visit with potential Canadian suppliers including Bell Canada and Northern Telecommunications.

*“As far as the volume of trade between our countries is concerned, surely it would not be less than our trade with Japan.”*

Vice Premier Deng Xiaoping  
to Secretary of Commerce,  
Juanita Kreps, Beijing,  
May 10, 1979.

1978

Sino-US trade \$1.15 billion

Sino-Japanese trade \$5.08 billion

## CBR Forecast

# China's Trade Through 1985

- The National Council projects that China's total trade will reach \$63 billion by 1985, with the PRC's exports growing at an annual average rate of 17 percent, and imports by 18 percent during 1979-85.
- China's total import bill during 1979-85 is estimated at \$164 billion.
- China can remain financially prudent—borrowing only \$15 billion over the next seven years—and still import Western technology worth approximately \$40 billion while keeping its debt service ratio no higher than 15 percent.
- Invisible items in China's balance of payments will probably net an additional \$12 billion in hard currency revenues during 1979-85, although grain purchases costing over \$1 billion annually are likely to continue through 1985.
- US-China trade will be at least \$3.5 billion by 1985, assuming the US share of China's total two-way trade remains the same as it is now, but could rise to as much as \$8 billion.
- China's accumulated imports from the US during 1979-85 are estimated at \$23 billion, while estimated total US imports from China over the same period add up to \$11 billion.

### CHINA'S EXPORTS AND IMPORTS THROUGH 1985

The National Council estimates that China's total foreign trade will increase at an annual average rate of 17 percent during 1979 through 1985, and that the PRC will achieve \$63 billion in two-way trade by 1985. This figure, which is based on an analysis of past trends and Chinese policy pronouncements through March 1979, assumes that exports will grow rapidly in the next two years in order to earn foreign exchange to meet China's growing capital goods import bill.

During 1981-82, however, exports are expected to slow as China turns its attention inward to the problem of absorbing approximately \$28 billion of capital goods and technology imports that will by then have entered the PRC.

About \$10 billion of these high-technology items were contracted for in 1978, according to a recently published National Council study. An equivalent value of contracts can be expected in 1979, if China is to reach its capital construction objective of importing, and setting up, a total of about \$50 billion in Western plant and equipment by 1985, the final year of the country's current 8-year development plan.

Imports are projected to grow faster than exports, and reach \$31 billion by 1985. As a result of China's

ambitious import program, the trade balance is likely to be in the red during 1979-84. In the past China rarely tolerated trade deficits for long, but the government has altered its self-reliant policies on loans, foreign investment, and tourism, to mention just a few recent examples, and a change of stance with regard to protracted—but modest—trade deficits is possible.

Trade deficits are expected to be covered by loan drawings, amounting to about \$15 billion during 1979-85. At this level of borrowing debt service payments will rise to 15 percent of China's hard currency exports in 1979—unless the \$6 billion short-term facility currently under negotiation with Japanese banks is rolled over next year, or converted to long-term credits. Otherwise, China's debt service ratio will remain under 10 percent, the same modest level as in 1978.

In the near future China can look forward to substantial foreign exchange earnings from tourism, transport services, and other credit items in its balance of payments that in past years contributed little hard currency income.

The magnitude of these invisible items is such that henceforth current account surpluses may be realized despite persistent deficits on China's trade account. These new revenues are the result of recent policy choices, reflecting the government's new determination to enlarge its merchant marine, exploit the country's tourist potential, and encourage overseas Chinese to increase their remittances, invest in factories, and buy homes for their relatives in China.

## US-CHINA TRADE—\$3.5 TO \$8 BILLION BY 1985

Assuming that America's share of the China market remains unchanged, total US-China trade will increase by 17 percent per annum and reach \$3.5 billion by 1985. But the US share in China's exports and imports will undoubtedly increase in the years following the normalization of relations, and total Sino-American trade is more likely to approach \$8 billion by 1985.

This will occur if the US export share in China's trade doubles by 1985—a level that is still far short of parity with Japan's share in the China market which the PRC has indicated is the long-run level also desired with the US—then US exports to China would be around \$5 billion by 1985, comprising 16 percent of China's imports in that year.

US imports from China in 1985 should reach almost \$3.2 billion, assuming that China's exports increase at an annual average rate of 39 percent during 1979-85. (PRC exports to the US grew by 51 percent annually during 1973-78.) This figure is 10 percent of China's export market, also well below Japan's current share of 19 percent. Given these conservative growth parameters, total US-China trade of \$8 billion would represent an annual average rate of increase of 33 percent during 1979-85. Of the total, US food exports to the PRC will top \$2 billion by 1985, and US imports of Chinese manufactured goods will pass the \$1 billion mark, assuming these two categories have the same trade shares in 1985 that they do now, of 44 and 32 percent, respectively. 完

### PROJECTED AMERICAN EXPORTS TO THE PRC, 1985, BY CATEGORY <sup>1</sup>

Category	Total, 1985 (millions of US \$)	Percent
Food & Live Animals	\$2,190	44
Crude Materials, Inedible, Except Fuels	1,340	27
Machinery and Transport Equipment	550	11
Chemicals	350	7
Animal and Vegetable Oils and Fats	250	5
Manufactured Goods by Chief Materials	150	3
Miscellaneous Manufactured Articles, nec*	100	2
Mineral Fuels, Lubricants, and Related Products	10	.2
Items and Transactions Not Classified	40	.8
Totals	4,980	100 %

<sup>1</sup> The values and percentages for each category are based on 1978 export breakdowns published by the Department of Commerce and trade projections prepared by the National Council.  
\* not elsewhere classified

### PROJECTED AMERICAN IMPORTS FROM THE PRC, 1985, BY CATEGORY <sup>1</sup>

Category	Total, 1985 (millions of US \$)	Percent
Miscellaneous, Manufactured Articles, nec*	\$1,020	32
Manufactured Goods by Chief Materials	930	29
Crude Materials, Inedible, Except Fuel	570	18
Chemicals	350	11
Food and Live Animals	260	8
Animal and Vegetable Oil and Fats	30	1
Beverages, Tobacco, Machinery and Transport Equipment	10	.3
Items and Transactions Not Classified	20	.7
Totals	3,190	100 %

Total projected US-China Trade in 1985: \$8,170 million.

<sup>1</sup> The values and percentages for each category are based on 1978 import breakdowns published by the Department of Commerce and trade projections prepared by the National Council.  
\* not elsewhere classified

**CHINA'S PROJECTED EXPORTS AND IMPORTS THROUGH 1985**  
(in million current US dollars)

Year	A China's Exports (fob)	Growth Rate (percent)	B China's Imports (fob)	Growth Rate (percent)	C Total Trade (A+B)	Growth Rate (percent)
1978	10,200	26	10,100	55	20,300	39
1979	12,800	25	13,200	31	26,000	28
1980	15,900	24	18,300	39	34,200	32
1981	17,500	10	22,100	21	39,600	16
1982	19,200	10	25,100	14	44,300	12
1983	22,100	15	26,100	4	48,200	9
1984	26,500	20	27,800	7	54,300	13
1985	31,900	20	31,100	12	63,000	16
<b>TOTAL (1979-85)</b>	<b>145,800</b>	<b>17*</b>	<b>163,700</b>	<b>18*</b>	<b>309,600</b>	<b>17.6*</b>

\* Annual average growth rate, 1979-85.

**KEY FINANCIAL VARIABLES IN ESTIMATING CHINA'S  
FOREIGN TRADE, 1978-85**  
(in million current US dollars)

Year	Services and Transfers						J Current Account Balance (D+I)
	D Trade Balance (fob) (A-B)	E Net Tourist Revenue	F Net Transport Revenue	G Overseas Chinese Remittances	H Net Foreign Aid	I Net Services and Transfers (E+F+G+H)	
1978	100	300	240	400	- 220	720	820
1979	- 400	390	300	460	- 220	930	530
1980	- 2,400	500	360	520	- 220	1,160	-1,240
1981	- 4,600	570	400	590	- 220	1,340	-3,260
1982	- 5,900	660	440	680	- 220	1,560	-4,340
1983	- 4,000	800	500	770	- 220	1,850	-2,150
1984	- 1,300	1,010	600	880	- 220	2,270	970
1985	800	1,260	720	1,000	- 220	2,760	5,560
<b>Total (1979-85)</b>	<b>-17,800</b>	<b>5,190</b>	<b>3,320</b>	<b>4,900</b>	<b>-1,540</b>	<b>11,870</b>	<b>-5,930</b>

Year	K Loan Drawings	L Loan Repayments	M Down Payment Credits	N Cash Down Payments		O Change in Foreign Exchange Reserves (increase -) J+(K+L)+(M+N)	Year
	Progress Payments	Capital Good Imports on Credit					
1978	830	- 750	—	-1,470	-370	940	1978
1979	2,080	-1,660	500	-1,000	-250	- 200	1979
1980	2,820	-1,620	1,080	- 670	-170	- 200	1980
1981	3,080	- 790	1,500	- 270	- 60	- 200	1981
1982	3,040	- 170	1,670	—	—	- 200	1982
1983	2,230	- 790	1,210	—	—	- 500	1983
1984	1,070	-1,920	580	—	—	- 700	1984
1985	250	-2,780	170	—	—	-1,200	1985
<b>TOTAL (1979-85)</b>	<b>14,570</b>	<b>-9,730</b>	<b>6,710</b>	<b>-1,940</b>	<b>- 480</b>	<b>-3,200</b>	<b>TOTAL (1979-85)</b>

## Assumptions and Methodology

- A** Exports increase rapidly during 1979-80 in order to obtain hard-currency revenues needed to purchase capital good imports. During 1981-82, the rate of increase slackens owing to the greater domestic need for resources to complement high-technology imports that by then will be entering China's ports in larger volume. After 1983, exports again increase rapidly in order to overcome new shortages, and to meet 1985 targets.
- B** Imports constitute a residual category, dependent upon foreign exchange earnings from exports, invisibles, loans, and changes in monetary reserves. This approach coincides with the realities of centrally planned economies, in which imports are used to fill critical gaps in the state plan. The level of imports depends upon whether foreign exchange-generating sectors achieve their targets.
- C** Items A + B.
- D** The 1985 trade surplus is due mainly to a build up in foreign exchange reserves during 1984-85.
- E** The total number of tourists and overseas Chinese that visited China in 1978, according to two different official reports, was 400,000 and 700,000. Using the lower figure, total tourist expenditures were about \$300 million in 1978, assuming an average foreign exchange expenditure per person of \$50 per day over 15 days. During 1979-85, projected expenditures increase by 5 percent annually, while the number of tourists is assumed to increase at the same rate as exports.
- F** About 70 percent of China's foreign trade is currently carried in PRC-owned vessels, according to one authority. Based on this estimate, a figure for net revenues from transport services was obtained for 1978, and projected in line with export growth.
- G** Overseas Chinese remittances were estimated to be approximately \$400 million in 1978. The Chinese government wishes to increase this figure to \$1 billion, according to reports in Hong Kong. Assuming that this target is achieved by 1985, remittances will increase at an average annual rate of 17 percent.
- H** China's annual aid disbursements during 1975-77 averaged \$220 million. After declining from higher aid levels during 1970-74, aid outlays have remained fairly steady, and it is likely that these modest commitments will continue through 1985.
- I** Items E + F + G + H.
- J** Items D + I.
- K** Credits are assumed to be drawn at the time of delivery of capital good imports on a pro rata basis. During 1978-85, these imports will total at least \$40 billion, according to National Council estimates. Of this total, \$10 billion was contracted for in 1978, while the remainder will probably be contracted for during 1979-82. One-third of these imports were purchased on 5-year credits; it is further assumed that two-thirds involved progress payments.
- L** Repayments begin the fifth year after importation, followed by equal installments through year nine. Interest charges of 7.25 percent are compounded annually.
- M** In accordance with balance of payments procedures, down payments are entered in the capital account as debit items, and as an equivalent positive change in reserves. (Decreases in foreign currency reserves are customarily indicated by a positive sign.) In later years, items previously paid for must be credited in the capital account in the year the imports are debited in the merchandise trade account.
- N** Ten percent down payments are calculated for capital goods imported on credit, and 20 percent for items involving progress payments.
- O** China's foreign currency reserves in 1978 were over \$2 billion, according to Vice Premier Li Xiannian. This study assumes that during 1984-85, if not earlier, China will endeavor to build up its reserves in order to restore the 15 percent ratio of reserves to imports it currently maintains. In keeping with standard balance of payments notation, increases in foreign currency reserves are indicated by a minus sign.

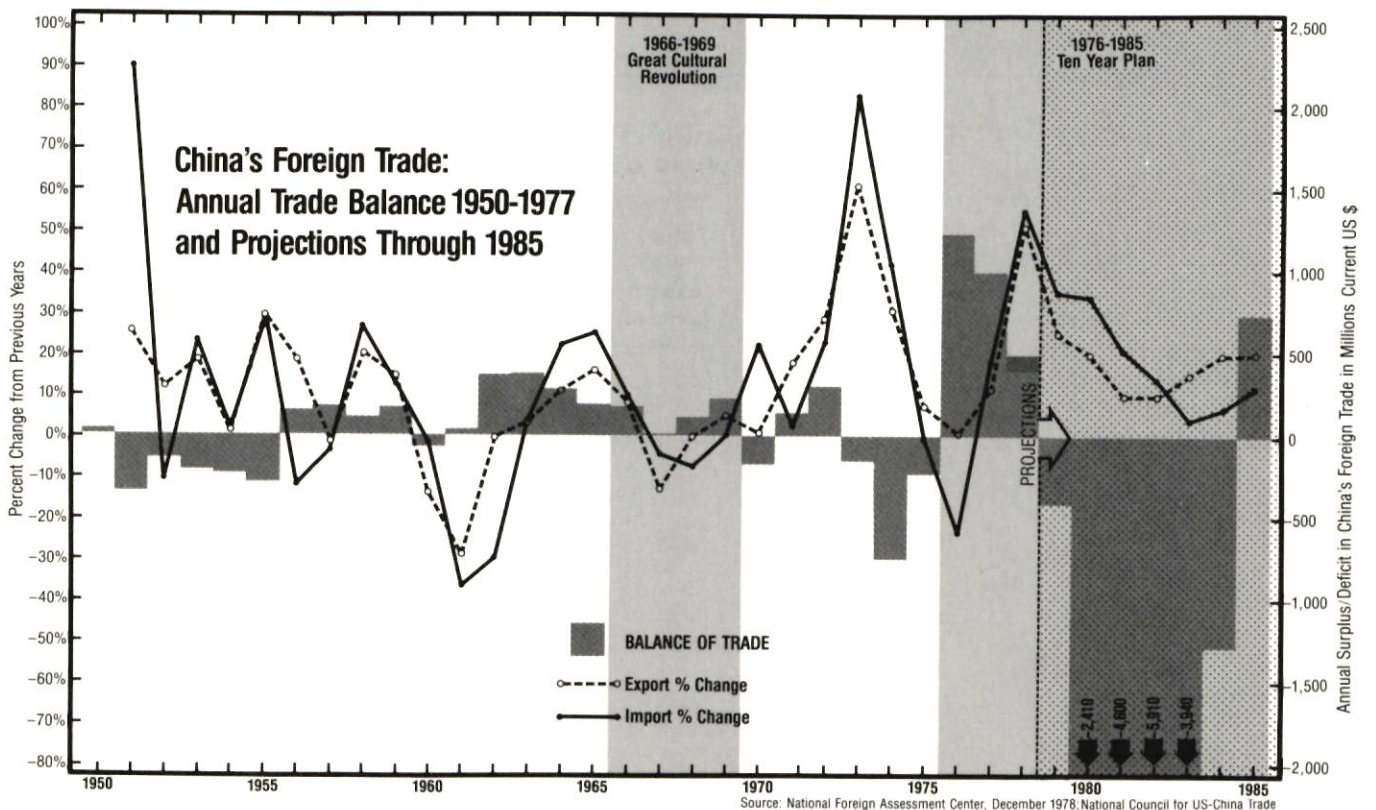
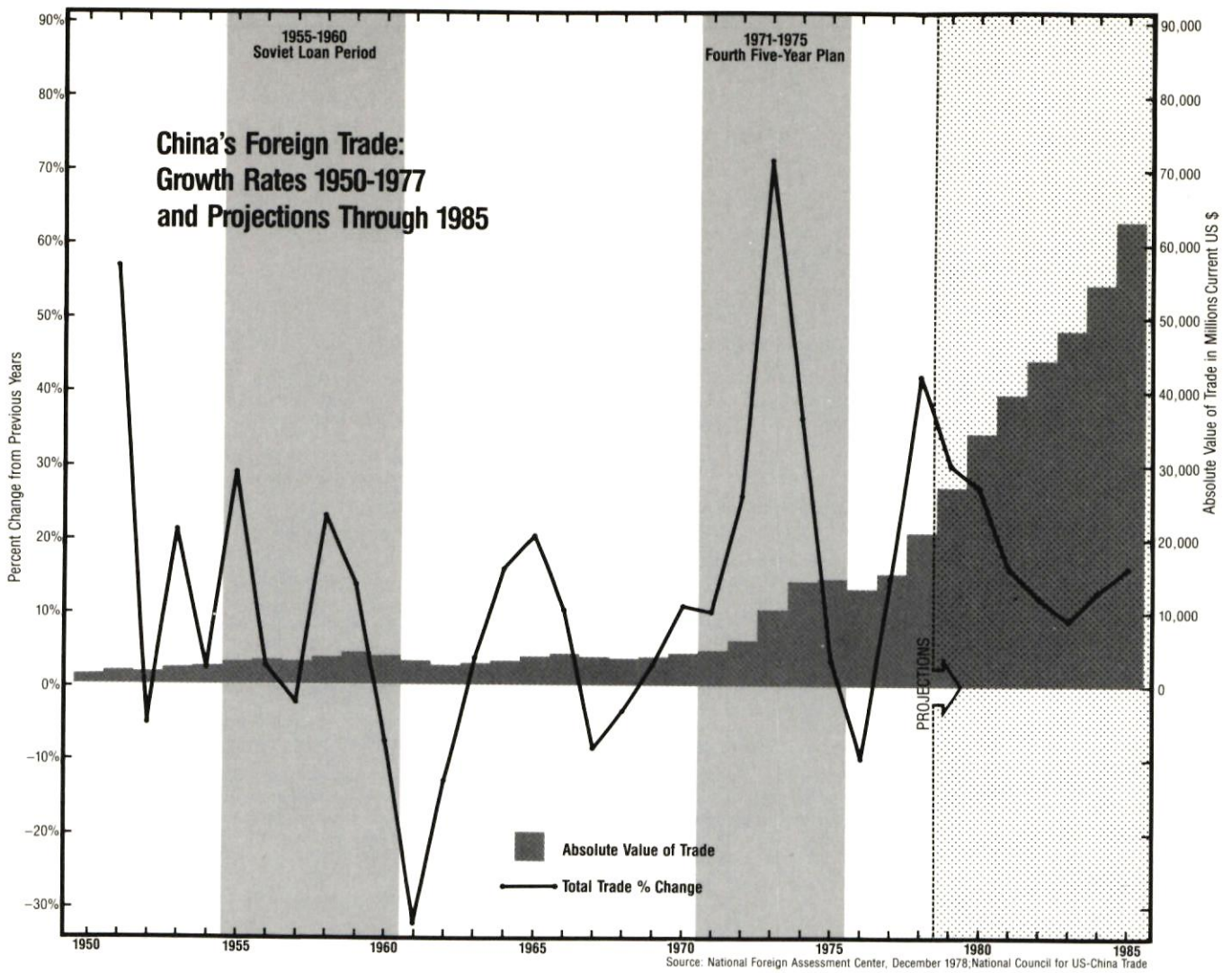
### PROJECTED US-CHINA TRADE, 1978-85 (in billion current US dollars)

Year	US Exports to China	Share PRC Imports (percent)	US Imports from China	Share PRC Exports (percent)	Total US-China Trade	Growth Rate (percent)	Share of China's Total Trade (percent)	
							US	Japan *
1978	0.82	8	0.32	3	1.14	205	5.5	24
1979	1.37	10	0.53	4	1.90	66	7.1	24
1980	2.01	11	0.80	5	2.81	48	8.2	24
1981	2.65	12	1.05	6	3.70	32	9.3	24
1982	3.27	13	1.35	7	4.62	25	10.4	23
1983	3.65	14	1.77	8	5.42	17	11.2	22
1984	4.17	15	2.39	9	6.56	21	12.1	21
1985	4.98	16	3.19	10	8.17	25	13.0	20
<b>TOTAL</b>	<b>22.92</b>	<b>—</b>	<b>11.40</b>	<b>—</b>	<b>34.32</b>	<b>33**</b>	<b>—</b>	<b>—</b>

\* Japan's 1979 share of two-way trade is projected in line with its average share during 1974-78. During 1980-85, its share is expected to decline 3-5 percent.

\*\* Annual average growth rate, 1979-85.

Sources: Trade projections, and an explanation of underlying assumptions and methodology, may be obtained from the National Council.





# Trade Agreement:

## The Congressional countdown begins

Now that a trade agreement with China has been initialed, although not yet signed, the chances that the US will grant most-favored-nation (MFN) tariff status to the PRC by October or November of this year seem better than ever. Under the most ideal of conditions, with no snags, the following scenario could lead to MFN for China as early as October. However, as explained below, several factors may complicate such a picture and delay the establishment of fully normal trade relations between the two countries.

**May 14:** Secretary of Commerce Juanita Kreps and Chinese Minister of Foreign Trade Li Qiang initialed trade agreement in China.

**May 21-31:** Textile talks in Beijing on an orderly market agreement are suspended as Special Trade Representative Robert Strauss is unable to overcome Chinese objections. As a result, the US takes unilateral action as of May 31 to impose quotas on Chinese exports to the US of five apparel products that have had greatest domestic impact. Textile talks will resume, but this action makes the passage of a trade agreement more politically feasible.

**July:** After conferring with higher officials and possibly making minor changes, representatives of the two countries formally sign the trade agreement granting China MFN status.

**Mid-July:** President Carter submits the trade agreement to both houses of Congress, which must immediately begin the enactment of it. He would submit a request to waive the Jackson-Vanik amendment at roughly the same time. (See more detailed explanation below.)

**Late July:** Committees hold hearings on the approval legislation. In the Senate, the bill is referred to the

Finance Committee. Its subcommittee on international trade holds hearings and then submits it to the full committee for consideration. In the House of Representatives, the bill is referred to the Committee on Ways and Means, whose subcommittee on trade holds hearings on it before passing it to the full committee. The maximum time the committees can spend considering the bill is 45 working days (9 weeks).

Given the fact that Congress is planning to recess in August, the trade agreement is unlikely to be out of committee before recess. If Congress gives the trade agreement with China a high priority, however, the bill could reach the floor as early as September.

The Finance and Ways and Means Committees are among the busiest committees on the Hill, with considerations of multilateral trade negotiations (MTN), the President's proposal for a tax on windfall profits of oil companies, and hospital cost containment proposals receiving highest priority now. Other trade issues, such as trade adjustment assistance and trade agreements on beef and sugar, must also be considered by these two committees. As a result, a trade agreement with China may not be a high priority.

**September:** By the 45th day, the bill must be submitted to the floor of both the House and the Senate for approval. No amendments are allowed and debate is limited to 20 hours. Within 15 working days (three weeks) of reaching the floor, both houses must take a vote on final passage of the resolution.

At least one Congressman has announced publicly that he plans to oppose the trade agreement with China. However, given its unamendable nature and given previous Congressional support for China, most observers believe Congress is likely to approve the agreement.

**November 1, or later:** The President signs the approval legislation. If the resolution is approved and the waiver is granted, the trade agreement, including MFN tariff status, would go into effect as soon as possible.

### "Evenhanded Policy"

How the Administration chooses to handle its "evenhanded" treatment of China and the Soviet Union is clearly critical to the chances for passage of the US-China trade agreement granting MFN tariff status to China. The policy has been to move generally at the same time and in the same fashion on granting MFN status to the two countries. Taken literally, this would mean that the Administration would submit trade agreements with both countries to Congress this summer, although each case would be handled separately.

To do this, the President would have to ask for a waiver of Section 402 of the Trade Act of 1974 for both countries at the same time. Section 402, dubbed the Jackson-Vanik amendment after its authors, prohibits the extension of MFN and Exim Bank credit

and the conclusion of "any commercial agreement" with a country that restricts the rights of its citizens to emigrate.

A trade agreement with the Soviet Union was initiated in 1972, and the Administration could reopen negotiations for a formal signing and submission to Congress at any time. Some sources say the Administration has already begun to do so. The introduction of such a controversial issue regarding the USSR, however, may lessen the chances that the Senate will ratify the SALT II pact.

The President's advisers have apparently recommended that he request a waiver for China under the existing legislation. The Jackson-Vanik amendment provides for a 12-month renewable waiver of its restrictions if the President "has received assurances that the emigration practices of that country will henceforth lead substantially to the achievement of the objectives of this section" (Section 402). The nature of these "assurances" is not clear. But in light of the recent relaxation of emigration restrictions in both China and the Soviet Union, Congress may decide to approve waivers without formal documentation provided by the countries concerned.

In February, Senator Adlai Stevenson and Representative Les AuCoin submitted bills to amend Section 402. Substantially the same in content, these bills are designed to make it possible for the President to extend a waiver without receipt of "assurances" if he determines that the country's emigration practices are becoming more open. However, apparently the President will test his luck with the legislation as it stands rather than push the Stevenson-AuCoin bill.

### China Turnabout

The initialing of the trade agreement during Secretary Kreps' visit in May came as somewhat of a surprise after early reports that Kreps herself and others on her team did not expect the initialing to come so soon. On the day before the US party was due to leave Beijing for South China, Vice Premier Deng Xiaoping apparently put pressure on the Chinese side to come to an agreement. At a meeting with Secretary Kreps on May 10, Deng gave the word that a trade agreement could be initialed and a claims/assets agreement signed during Kreps' visit. Kreps acknowledged Deng's "unfailing support" in a statement after the initialing on May 14 in Guangzhou.

The Chinese side apparently objected to the complexity of the document. At 15 double-spaced typed pages, the initialed text is longer and more detailed than any trade agreement the Chinese have signed so far. According to US officials, both sides gave in on minor points before the initialing. Because the initialing came so much more quickly than expected, disagreements over language remained to be ironed out before the final signing.

### Other Agreements

During the first week of Secretary Kreps' talks in Beijing, she signed six other agreements with the Chinese:

**1. Claims/Assets.** After hesitating for two months following the initialing of the accord with Secretary of the Treasury W. Michael Blumenthal, the Chinese finally put their official signature to the claims/assets agreement during Kreps' visit. The changes made were more legalistic than substantive. According to reports, the Chinese had apparently understood that the US government would actively help them recover Chinese assets in the US and return them to China. However, the US government cannot legally disclose names of depositors, which banks have given to it in confidence, so US officials refused to give this promise. They did, however, informally promise to help however they could. Now that the claims/assets agreement with China is concluded, it can be implemented immediately, without need for Congressional approval.

**2. Exhibitions.** This agreement provides for trade exhibitions of Chinese goods in New York, Chicago, and San Francisco during mid-1980 and exhibitions of US goods in Beijing in 1980 and in Beijing and other Chinese cities in subsequent years.

**3. Marine and fishery science and technology,** calling for cooperation between the two countries in the study of oceanography and fishery science.

**4. Atmospheric science and technology,** calling for establishment of a joint upper air sounding facility.

**5. Management of science and technology and information science,** calling for an exchange of reports and personnel, and establishment of joint conferences relating to scientific and technological management.

**6. Metrology and standards,** calling for cooperation in such fields as precision measurements and standards, as well as building technology, analytical chemistry, materials research, and applied mathematics.

### Yet to Be Negotiated

During Secretary Kreps' visit, she discussed shipping and aviation accords with the Chinese, but no formal agreements were reached on either. The signing of a bilateral trade agreement, however, will open the way for negotiations in these two areas.

**Aviation:** During Kreps' visit, the two sides agreed that they want to begin formal negotiations on a civil aviation agreement as early as possible and that formal aviation relations are a "high priority." They agreed that direct air links would be of "great value" and that once a bilateral air accord has been signed, charter operations could be considered.

**Shipping:** The two sides had an exchange of views and expect to have additional discussion in the future.

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# The Sino-US Claims Settlement Agreement

Signed May 11, 1979

## CLAIMS/ASSETS

### AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA CONCERNING THE SETTLEMENT OF CLAIMS

In order to develop bilateral economic and trade relations and to complete the process of normalization of relations on the basis of equality and mutual benefit and in accordance with the spirit of the Joint Communiqué on Establishment of Diplomatic Relations between the United States of America and the People's Republic of China, the Government of the United States of America (hereinafter referred to as the "USA") and the Government of the People's Republic of China (hereinafter referred to as the "PRC") have reached this Agreement.

#### Article I

The claims settled pursuant to this Agreement are:

(a) the claims of the USA and its nationals (including natural and juridical persons) against the PRC arising from any nationalization, expropriation, intervention, and other taking of, or special measures directed against, property of nationals of the USA on or after October 1, 1949, and prior to the date of this Agreement; and

(b) the claims of the PRC, its nationals, and natural and juridical persons subject to its jurisdiction or control against the USA arising from its actions related to the blocking of assets by the Government of the USA on or after December 17, 1950, and prior to the date of this Agreement.

#### Article II

(a) The Government of the USA and the Government of the PRC agree to a settlement of all claims specified in Article I. The Government of the PRC agrees to pay to the Government of the USA the sum of \$80.5 million as the full and final settlement of the claims specified in Article I. The Government of the USA agrees to accept this sum in full and final settlement of those claims.

(b) The Government of the USA agrees to unblock by

October 1, 1979, all assets which were blocked because of an interest, direct or indirect, in those assets of the PRC, its nationals, or natural and juridical persons subject to its jurisdiction or control, and which remained blocked on the date of the initialing of this Agreement, March 2, 1979. The Government of the USA further agrees, in a spirit of mutual cooperation, that prior to unblocking under this paragraph, it will notify the holders of blocked assets which the records of the Government of the USA indicate are held in the name of residents of the PRC that the Government of the PRC requests that assets of nationals of the PRC to be unblocked not be transferred or withdrawn without its consent.

#### Article III

The Government of the PRC shall pay to the Government of the USA, \$80.5 million of which \$30 million shall be paid on October 1, 1979, and the remaining \$50.5 million shall be paid in five annual installments of \$10.1 million each on the first day of October with the first installment due on October 1, 1980.

#### Article IV

The Government of the USA shall be exclusively responsible for the distribution of all proceeds received by it under this Agreement.

#### Article V

After the date of signature of this Agreement, neither government will present to the other, on its behalf or on behalf of another, any claims encompassed by this Agreement. If any such claim is presented directly by a national of one country to the government of the other, that government will refer it to the government of the national who presented the claim.

#### Article VI

This Agreement shall enter into force on the date of signature.

The Agreement was signed on May 11, 1979, at Beijing, in duplicate, in the English and Chinese languages, both versions being equally authentic. 完



Vice Minister of Communications Peng Deqing meets Council President Phillips; Exporter Services Director Norman Getsinger and interpreter Cao Shengjun look on

## Council Activities

**The Council greets China's first flagship to the US—the *Liu Lin Hai*—in a historic ceremony. Sixth annual membership meeting was highlight of Council activities in recent weeks. Treasury Secretary Michael Blumenthal delivered the luncheon address at the May 17 meeting. Meanwhile, trade delegations continue to shuttle back and forth between the US and China.**

### TRANSPORTATION COMMITTEE GREETS *LIU LIN HAI*

Although it was only formed last December, the National Council's Transportation Committee has already distinguished itself as one of the Council's more active exporter committees. The group, under the leadership of Chairman James Ross, vice president for International Business Operations in the automotive division of Rockwell International, will have met four times this year by mid-May.

The committee was on hand in Seattle April 18 to greet the *Liu Lin Hai*, the first vessel from the PRC ever to visit a US port. Also present for the occasion

were Ambassador Chai Zemin, Transportation Secretary Brock Adams, Senators Henry Jackson and Warren Magnuson of Washington, National Council President Christopher H. Phillips, and Director of Exporter Services Norman Getsinger. The committee meeting was timed to coincide with the arrival of the *Liu Lin Hai* and the visit to Seattle of a delegation from the Chinese Ocean Shipping Company (COSCO).

The delegation, led by Peng Deqing, vice minister of the Ministry of Communications, was hosted by the committee at a private breakfast meeting on April 18. After a welcoming ceremony for the vessel, the delegation and the committee attended a luncheon hosted by the Port of Seattle. In the afternoon the delegation toured the Seattle harbor. The day was capped by a dinner for the delegation and the ship's officers at the Washington Plaza Hotel.

After leaving Seattle, the COSCO delegation visited the Ports of Oakland, San Francisco, Houston, Galveston, New Orleans, New York, Newark, and Elizabeth, N.J. The delegation attended a reception at the home of San Francisco Mayor Diane Feinstein on April 20, followed by dinner with the mayor and San Francisco port officials at the World Trade Club. In New Orleans the group was hosted at a private dinner by James Amoss, president of Lykes Bros. Steamship Company, which co-hosted the delegation with the Council. On April 26 the mission arrived in Washington, where they held discussions with US officials on ways to improve shipping relations between the two countries.

## **BLUMENTHAL TOPS LIST OF SPEAKERS FOR ANNUAL MEETING**

Treasury Secretary Michael Blumenthal was the featured speaker at the Council's sixth annual meeting. Blumenthal, who climaxed his recent visit to China by initialing an agreement with the Chinese on the claims/assets issue in early March, discussed the outlook for future developments in Sino-American trade and economic relations.

Other speakers for the May 17 meeting at the Mayflower Hotel in Washington included Dr. Richard Solomon, a China expert with the Rand Corporation; Frederick Dudderar, president of US Steel Engineers & Consultants; Mark Buchman, senior vice president of Manufacturers Hanover Trust; and Christian N. Kristoff of the General Motors Corporation. Solomon, a former aide to Henry Kissinger on the National Security Council, discussed the evolution of Sino-American relations, while Dudderar examined the role of foreign participation in the development of China's mining industry. Buchman's topic was the financing of China's foreign technology and equipment purchases. Kristoff, director of strategic studies in General Motors' office of worldwide planning, discussed equity joint ventures and counter-trade arrangements.

The meeting was convened by Council Chairman John C. Brizendine. Council President Christopher H. Phillips delivered a report on the activities of the Council during the past year.

The session included voting for nine members of the Board of Directors. Candidates proposed by the Nominating Committee were: Robert Anderson, chairman and chief executive officer, Rockwell International Corp.; Robert Boulogne, director of international buying, J. C. Penney Company, Inc.; John C. Brizendine, president, Douglas Aircraft Company; Michel Fribourg, president, Continental Grain Company; J. Ray Pace, president, Baker World Trade, Inc.; Milton F. Rosenthal, chairman and chief executive officer, Engelhard Minerals and Chemicals Corp.; Charles I. Rostov, president, Trans Ocean Import Co., Inc.; C. William Verity, chairman, Armco Steel Corp.; and James C. Voss, chairman of the board, Caltex Petroleum Corp. Messrs. Brizendine, Pace, Rosenthal, and Verity were incumbents. The Nominating Committee members were G. A. Costanzo, chairman, J. Paul Austin, and Louis Cabot.

### **DIRECTORS PREPARE FOR CHINA TRIP**

Six members of the National Council's Board of Directors, along with President Christopher H. Phillips, will visit China from June 2 to June 13. The delegation, hosted by the China Council for the Promotion of International Trade, will be led by Council Chairman John Brizendine.

The delegation plans to discuss with CCPIT officials the establishment of a Council office in Beijing

and other important issues relating to National Council relations with the Chinese. The team will also discuss more general issues pertaining to Sino-American relations with representatives of the CCPIT and other Chinese trade organizations. The group's itinerary will include Dalian (Talien) and Guilin (Kweilin), as well as Beijing.

In addition to Brizendine, Phillips, and their wives, delegation members are Walter S. Surrey, legal counsel to the Council; George M. Krieger, president, International Trade Development, ACLI International, Inc., and Mrs. Krieger; J. Ray Pace, president, Baker World Trade, Inc.; Milton F. Rosenthal, chairman and chief executive officer, Engelhard Minerals and Chemicals Corp., and Mrs. Rosenthal; David S. Tappan, Jr., vice chairman, Fluor Corporation, and Mrs. Tappan. The delegation will be accompanied by John Kamm, the Council's Hong Kong representative, and Council interpreter I-chuan Chen.

### **IMPORTER'S STEERING COMMITTEE ADVISES CHINESE**

A delegation from the Ministry of Foreign Trade visited the US for three weeks in April seeking information on ways that China can improve its exports to the US. The mission, led by Yang Wei, a bureau director at MOFT, received some helpful tips from the Council's Importer's Steering Committee at a briefing in New York on April 17.

### **CONFERENCE ON SELLING TECHNOLOGY TO CHINA**

The National Council, in cooperation with the Licensing Executive Society of America (LES), is sponsoring a December conference on selling technology to the PRC December 5 and 6, 1979. The meeting will focus on the practical aspects of four related topics: licensing, joint ventures, cooperation arrangements, and contracting. Workshops dealing with each topic will examine the managerial and technical problems involved, case examples, features of various agreements, and discussion of what happens after the signing of an agreement.

A session on legal developments will examine China's new commercial code, prospects for a tax treaty with the PRC, export controls, and patents, copyrights, trademarks, and other legal issues. Other sessions will be devoted to the financial aspects of doing business with China and the organization of China's ministries, commissions, corporations, and other trade organizations.

The two-day workshop aimed at operational executives, will focus on the specifics of the various subjects mentioned. Nicholas Ludlow, of the National Council, is in charge of planning the conference, in cooperation with Surrey, Karasik and Morse.

Date: Wednesday and Thursday, December 5 and 6, 1979.

Place: L'Enfant Plaza Hotel, Washington, DC.

The briefers, including Steering Committee Chairman George Krieger of ACLI International, Charles Rostov, president of Trans Ocean Import Co., and Robert Boulogne of J. C. Penney, told the Chinese that they must be more sensitive to the needs of American importers and the rapid changes in US fashions if they are to increase their exports to this country.

In particular, the importers urged the Chinese to cut the lead time between the placement of orders and the arrival of their goods in the US. Also taking part in the briefing was Ted Roland of the American Importers Association, who reminded the Chinese that most American importers are small firms with limited resources. Consequently, the Chinese must make it easy for importers to do business and improve the quality of their products.

The delegation, which later that same day met with the Council's Banking Committee, also received some valuable tips in a day-long briefing at the Department of Commerce on April 9. The group was briefed on such topics as customs requirements for imports into the US, antidumping and countervailing duty regulations, product safety and product liability, USDA and FDA regulations on imports of foodstuffs, and foreign trade zones in the US.

Dr. Courtenay Slater, chief economist for the Department of Commerce, discussed the economic outlook for the US in the 1980s and predicted greater investment by industry in improving production capacity. David Bowie, an international trade specialist with DOC, discussed techniques used by the US government to promote exports and also gave the Chinese some pointers on how to increase their exports to the US. Bowie suggested that the Chinese consider using market research and advertising firms.

After leaving the US, the delegation was scheduled to visit Canada for 10 days and Japan for 15 days.

#### TEXTILE SURVEY DELEGATION

A high-level textile delegation recently completed a one-month visit to the US. The delegation, led by

**Chinese Chemical Construction Corporation delegation on steps of US Capitol, April 20, 1979**



Vice Minister Hu Ming of the Ministry of Textile Industry, was eager to learn how to improve Chinese textile production. The group's main interest was the most up-to-date technology and machinery for production of polyester and other synthetic fibers, including machinery for finishing and dyeing, spinning, weaving, and printing.

The delegation also discussed possible cooperation arrangements with many firms and visited a number of department and chain stores. Companies visited by the mission included Dupont, Celanese, Burlington Industries, Monsanto, M. Lowenstein & Sons Inc., Cranston Print Works, D.H.J. Industries Inc., London Fog, K mart Apparel Corp., Sears Roebuck, Oxford Industries, J. C. Penney, Bloomingdale's, Alexander's, Inc., May Department Stores, Van Heusen Corporation, Levi Strauss, and Sanforized Co.

Other members of the 11-person delegation were Qiu Chunpu, vice minister in charge of the State Economic Commission, Wang Mingjun, managing director of CHINATEX, and Fei Zhirong, director of the Planning Bureau in the Ministry of Textile Industry.

#### FORTHCOMING DELEGATIONS

The Bank of China delegation to the US later this year will be headed by BOC Chairman Qiao Peixin. The 20-member State Capital Construction Commission delegation, scheduled to arrive September 15, will be led by Vice Minister Han Guang. The National Council's pharmaceuticals and medical devices delegation is scheduled to visit China in late July, while an animal husbandry and crop protection mission will be going in early September. A petrochemical mission will be going in mid-October, an underground mining group in November, and a petroleum team in November also.

#### NEW EXPORTER SERVICES AIDE

Harold Champeau joined the Council staff April 9 as Assistant Director of Exporter Services. Champeau, a former employe of the Department of State and the Department of Agriculture, will work closely with Director Norman Getsinger in all areas of exporter services, particularly the committees. He will serve as Council representative on the agriculture, agricultural machinery, and pharmaceuticals and medical devices committees.

In addition to his years of government service, Champeau brings an impressive China background to the Council. Fluent in the Chinese language, he has served in Hong Kong both as a commercial officer with the Department of State and as the American Consulate General's agricultural officer. In 1978 he traveled to China with the State of Illinois agriculture mission headed by Rep. Paul Findley. 完



Out West: China Railway Technical and Equipment Corporation (CRATECO)

# Ten New PRC Industrial Corporations Identified

In an attempt to keep pace with the rapid growth of industrial end-user corporations in China, *CBR* presents the second installment of "A Guide to China's New Industrial Corporations" published in *CBR's* September-October 1978 issue. In the following summary list those corporations designated by an \* were described in *CBR* 5:5 (pp. 21-26).

## Summary List

- China Agricultural Machinery Corporation\*
- China Cereals and Oils Corporation\*
- China Chemical Construction Corporation\*
- China Chemical Fiber Corporation\*
- China Coal Industrial Technique and Equipment Corporation\*
- China Cotton, Spinning, and Weaving Corporation\*
- China East Special Equipment Corporation
- China Electronic Systems Engineering Company
- China Feedstuffs Corporation\*
- China Forestry, Machinery, and Equipment Corporation
- China Geological Exploration Corporation\*
- China Nuclear Equipment Corporation
- China Oils and Gas Exploration and Development Corporation\*
- China Petroleum Corporation\*
- China Posts and Telecommunications Appliance Corporation



Sung Dado of the East Special Equipment Corporation with Stewart Roberts of Clark Equipment Co.

China Posts and Telecommunications Industrial Corporation  
 China Posts and Telecommunications Science and Technology Corporation  
 China Shipbuilding Corporation\*  
 China Waste Materials Reclamation Corporation\*  
 China Underwater Cable and Construction Corporation\*  
 China Radio Equipment Corporation\*  
 China Railway Technical and Equipment Corporation\*  
 China Seed Company/Corporation\*  
 Great Wall Industrial Corporation  
 Yan Shan Corporation  
 Yan Shan Petrochemical Corporation

#### **CHINA EAST SPECIAL EQUIPMENT CORPORATION:**

**Aegis: First Ministry of Machine Building**

*Minister*

Zhou Zijian

*Vice Minister*

Zhang Xiaozeng

#### **Corporation Details**

First established in March 1978, the East Special Equipment Corporation (ESEC) is a civil engineering company charged with the construction of civil and military projects. Associated with though not directly responsible to the First Ministry of Machine Building and working in conjunction with the Defense Ministry on a contractual basis, the corporation has a staff of 500 engineers.

The corporation's construction projects include bridges, high speed railways, satellite ground stations, tunnels and meteorological stations. It also maintains operational responsibility for extensive waterway

projects. As a domestic organization the corporation is not responsible for importing construction machinery, which is carried out via MACHIMPEX, but has an important advisory role in selection of foreign technology. The company is charged with the national buying and selling of such items as bulldozers, excavators and underground construction machinery.

#### **Known Personnel**

*Deputy Director, Foreign Affairs Dept.*  
 Sung Dado

**Address:** Room 204, Minzu Hotel, Beijing

#### **CHINA ELECTRONIC SYSTEM ENGINEERING COMPANY**

**Aegis: Ministry of Posts and Telecommunications**

*Minister*

Wang Zigang

#### **Known Personnel**

*Engineer*

Jiang Tongze

**Address:** c/o Ministry of Posts and Telecommunications

#### **CHINA NATIONAL FORESTRY MACHINERY AND EQUIPMENT CORPORATION (CNFMEC)**

**Aegis: Ministry of Forestry** (established 2/23/79)

*Minister*

Lo Yuchuan

#### **Corporation Details**

The China National Forestry Machinery and Equipment Corporation (CNFMEC), originally part of the larger National Agriculture and Forestry Machinery and Equipment Corporation, is now directly subordinate to the new Ministry of Forestry, which reports directly to the PRC State Council and works closely with the new State Agricultural Commission, responsible for planning and monitoring the implementation of agricultural policy.

Established just two months ago, the CNFMEC coincides with a major shift in government policy favoring agricultural development and its rural sidelines of cash crops, forestry, and animal husbandry.

Although the current government plan calls for setting up corporation branches in all of China's provinces, as of late 1978 the corporation only maintained components in Guangdong, Fujian, Heilongjiang and Sichuan provinces, and has not yet consolidated its position in Beijing. Its key members all have posts within the Forestry Ministry.

Functions: the corporation is responsible for overseeing the development, manufacturing and distribution of timber within China for the Ministry of



Forestry. With close ties to PRC end-users it intends to communicate directly with foreign interests regarding purchases of foreign technology. Its provincial branches are not allowed to contract for foreign purchases without Beijing's approval.

During January-February, representatives from the CNFMEC toured the US as members of the Chinese wood processing technical survey delegation. At that time, Yang Yansen, the delegation leader, instructed interested American companies to direct their correspondence to the corporation until contract time when TECHIMPORT or MACHIMPEX takes responsibility for the operation.

#### **Known Personnel**

##### *President General Manager*

Lo Yuchuan

##### *General Manager*

Yang Yansen

##### *Engineers*

Hu Deheng

Mu Shulan

Xue Peian

##### *Import Dept. Engineer*

Wang Yonggan

##### *Interpreter*

Qu Guilin

**Address:** c/o Ministry of Forestry, Beijing

#### **RELATED OR BRANCH CORPORATIONS:**

##### **Guangdong Provincial Forestry Machinery Corporation**

##### *Deputy Manager*

Ye Yonglu

##### **Fujian Provincial Forestry Machinery Equipment Corporation**

##### *Deputy Manager*

Hu Jiyan

##### **Peking Municipal Timber Industry Corporation**

##### *Engineers*

Chou Renjia

Wang Tianyou

##### **Shanghai Municipal Timber Industry Corporation**

##### *Engineers*

Wang Ming

Wu Shudong

#### **CHINA NATIONAL POSTS AND TELECOMMUNICATIONS APPLIANCE CORPORATION**

**Aegis:** Ministry of Posts and Telecommunications

##### *Minister*

Wang Zigang

#### *Vice Ministers*

Zhu Chunhe

Li You Kui

Liu Chengqing

Luo Shuzhen

Peng Hongzhi

Shen Guang

Yang Jie

#### **Corporation Details**

Although established nearly thirty years ago as the Ministry's Department of Materials Supply, the China National Posts and Telecommunications Appliance Corporation (CNPTAC) is currently assuming a more important role as a purchasing advisor for foreign technology and equipment. The corporation maintains thirty branches throughout the country, including ones in China's major cities, and is directly subordinate to the Financial Office of the Ministry of Posts and Telecommunications.

Functions: In addition to buying and selling telecommunications equipment domestically, CNPTAC has authority to solicit proposals from foreign companies, negotiate contracts and prices and discuss such issues as the possibility of joint ventures. While MACHIMPEX or INSTRIMPEX retains the final authority for signing a contract, the boundary line between the two trading organizations and CNPTAC is growing thinner as the latter's influence over direct buying decisions increases.

During March, a ten-man delegation from the Ministry visited American telecommunications firms under the sponsorship of the National Council. The group's buying interests included a plant for manufacturing electronic switching systems, microwave networks, teleprinters, voice channel security systems and mobile communications units. According to Jiang Xikui, the delegation's leader and General Manager of CNPTAC, all companies interested in selling telecommunications equipment to China should direct their queries to him. Mr. Jiang will then pass the corporation's decision through the proper channel in MACHIMPEX.

#### **Known Personnel**

*General Director Dept. of Materials Supply, General Manager of CNPTAC*

Jiang Xikui

**Address:** c/o Ministry of Posts and Telecommunications, Beijing

#### **CHINA NUCLEAR EQUIPMENT CORPORATION**

**Aegis:** Unknown

#### **Corporation Details**

Based in Beijing, the Nuclear Equipment Corporation first came into view at the Canton trade fair which opened this April 15. Apparently, the corporation buys and sells special instruments and equipment for

the study and use of nuclear energy. Its products, of which fourteen were displayed for export at the Canton fair, includes equipment for using isotopes in the assessment of geological data, meters and instruments for measuring radiation, periscopes, mechanical hands, piping, and valves for hot chambers.

**Known Personnel**

None

**Address:** China Nuclear Equipment Corp., Beijing, PRC

**CHINA POSTS AND TELECOMMUNICATIONS INDUSTRIAL CORPORATION**

**Aegis:** Ministry of Posts and Telecommunications

*Minister*

Wang Zigang

**Address:** c/o Ministry of Posts and Telecommunications

**CHINA POSTS AND TELECOMMUNICATIONS SCIENCE AND TECHNOLOGY CORPORATION**

**Aegis:** Ministry of Posts and Telecommunications

*Minister*

Wang Zigang

**Address:** c/o Ministry of Posts and Telecommunications

**GREAT WALL INDUSTRIAL CORPORATION**

**Aegis:** Unknown

**Corporation Details**

Probably in charge of planning and selecting computer technology. First heard of April 1979.

**YAN SHAN (SWALLOW MOUNTAIN) CORPORATION**

**Aegis:** Chinese Academy of Social Sciences

*President*

Hu Qiaomu

*Vice Presidents*

Deng Liquan

Yu Gungyuan

Zhou Yang

Xu Bixin

Huan Xiang

**Corporation Details**

Formed in August of 1978, the Yan Shan Corporation is responsible for planning, implementing and coordinating a nationwide computer system to compile, retrieve and store statistical and scientific data. Its immediate task is to select an approach for the word-processing of Chinese characters and texts.

The corporation, which recently sent a seven-man

delegation of mid-career technicians to the US (2/22-3/25), sponsored by the National Council, reports directly to the Chinese Academy of Social Sciences.

The mission toured major computer companies in the US for a month with the aim of studying and making purchase recommendations for the computer technology necessary for establishing a national bibliographic retrieval network in support of the Academy, which is charged with developing a computerized infrastructure for collecting, processing and analyzing economic, social and demographic data.

**Known Personnel**

*Deputy Director of Technical Division, Beijing's Computer Application Research Center, delegation head*

Li Qianming

*General System Engineer*

Xue Guowei

*Hardware and communications interface, microprocessor technician*

Zhang Xiang

*Software engineer*

Shi Yuncheng

*General hardware architect engineer*

Liao Youming

*Small Systems Engineer*

Zheng Bingquan

*Technical interpreter*

Zhang Jiangqiang

**Address:** c/o The Chinese Academy of Social Sciences, Beijing

**YAN SHAN PETROCHEMICAL CORPORATION**

**Aegis:** Ministry of Petroleum

*Minister*

Sung Zhenming

*Vice Ministers*

Zhen Liemin (also General Manager of the Petroleum Corporation of the PRC)

Jiao Liren

Hou Xianglin

Huang Kai

Min Yu

Yan Dunshi

**Corporation Details**

The corporation has been identified by US company officials hosting a four-man mission from it during April. A spin-off of the Peking Petrochemical General Corp., the Yanshan Petrochemical Corp. has been authorized to sign contracts and arrange its own financing. Its buying priorities include fertilizer plants and plastic resins.

**Known Personnel**

None

**Address:** c/o Ministry of Petroleum, Beijing



China's Chungghwa brand cigarettes

*With China's commitment to raise the standard of living of its people, foreign and domestic consumer goods are starting to play a more significant role in the PRC's economy than previously. Foreign exporters may wonder about the impact of consumer goods, foreign and domestic, on the Chinese economy. How will it affect China if, for example, well-known Western soft drinks enter the PRC's economy? How will they be priced? What revenues may they produce? The following article provides some insight into the prices and pricing of cigarettes in China. If a minimum of 25 billion packets of cigarettes are sold in the PRC every year at an average cost of .26 RMB, equivalent to 14¢ a pack, the revenue to the state (at 69 percent tax) is equivalent to about \$2.4 billion a year, an amount not to be sneezed at by Beijing's budget planners. Similar taxes on soft drinks and on other goods for the people and tourists could net the PRC much needed additional revenues while at the same time satisfying needs of consumers.*

In a country known for its lack of product variety, Chinese cigarettes provide the Chinese consumer with a sea of choices. One of the few luxury items available to the average Chinese citizen, cigarettes are consumed in the People's Republic at a rate unequaled elsewhere—approximately 500 billion cigarettes a year, or half a pack a week for every man, woman, and child in China. Some analysts suggest the figure is over 700 billion.

Cigarettes in the PRC, although heavily taxed, are much less expensive than cigarettes in the United

## Domestic Pricing

# Cigarette Prices in China

Howell Jackson

States. A Chinese smoker in 1976 could have expected to pay between 7¢ and 19¢ per pack of twenty cigarettes; his American counterpart would pay at least 50¢ and more likely 60¢ or 70¢ for the same product.

There is also a significant difference between Chinese and American cigarette distribution systems. While American cigarettes are generally produced and distributed nationally by large corporations, Chinese cigarettes, save for a few famous brands, are produced and distributed on a regional or provincial basis. Consequently, the majority of the cigarette brands available to a Beijing smoker are not found in Shanghai or Guangzhou.

The following table of cigarette prices in China is based on a survey conducted in November and December, 1976. Sixty-two separate cigarette prices for 20-cigarette packs were included from four major Chinese cities: Beijing, Nanjing, Shanghai, and Guangzhou. Twenty-five of the entries are from typical Chinese retail outlets in Beijing, Shanghai, and Nanjing; the remaining thirty-seven are from stores serving primarily or exclusively foreign customers, such as Friendship Stores or modern, Western-style hotels. All prices are given in *Renminbi* (RMB), the Chinese currency, which was equivalent to roughly 53 cents during the time of the survey.

The most striking characteristic of the Chinese cigarette price data is the difference between the price paid by Chinese consumers and the price paid by foreigners. All twenty-five of the Chinese cigarette brands surveyed at local retail stores sold for 0.35 RMB (19¢) or less, the least expensive brand selling for 0.13 RMB (7¢). On the other hand, the price of cigarettes avail-

able to foreign purchasers began at 0.35 RMB (19¢) and went as high as 1.10 RMB (58¢).

There was also a considerable difference between the cigarette brands available to foreign buyers and the Chinese clientele. Only two brands were available to both sets of buyers: "Seagull" and Shanghai's "Flying Horse." In both cases, the product offered to Chinese customers was considerably cheaper than the one offered foreigners. At the Shanghai Number 1 Department Store, patronized almost exclusively by local Chinese, "Flying Horse" sold for 0.28 RMB (15¢) per pack; at the Nanjing Friendship Store, off limits to Chinese customers, the same brand sold for 0.39 RMB (21¢), or 39% more. Similarly, the "Seagull" brand was sold to Shanghai residents for between 0.32 RMB and 0.35 RMB (17¢ and 19¢), but the Nanjing Hotel sold the same cigarettes for 0.49 RMB (26¢), at least 40% above the domestic price.

The cigarettes available to Chinese smokers seemed

to be restricted to a large number of regional brands. None of the cigarettes available to local customers in one Chinese city were available to residents of other cities, according to the survey.

Although the brands of cigarettes vary from city to city, the retail price of the cigarettes is relatively constant. Of the twenty-five local retail prices surveyed, fourteen were between 0.20 RMB and 0.29 RMB (11¢ and 15¢). Only two brands cost less than 0.20 RMB (11¢), and nine cost more than 0.29 RMB (15¢). Since there was no apparent interprovincial transportation of cigarettes for domestic consumption, no conclusions as to interprovincial pricing policies are possible.

Stores intended for foreign customers are supplied with more expensive and better known brands of cigarettes, many of which are transported to major Chinese cities such as Beijing or Shanghai from distant provincial factories in Shenyang or Changchun. The Chinese cigarettes available to foreigners are consid-

**CIGARETTE PRICES IN CHINA †**  
**November–December, 1976**

Price/ Pack of 20 cigarettes (RMB)	Brand	Place of Sale	Place of Manufacture
0.13	Leap Forward	Local Nanking Store	
0.13	Yongshi	Local Shanghai Store	
0.20	Chanto (Combat)	Peking Commune Store	
0.20	(Unidentified Brand)	Local Peking Store	
0.22	Harvest	Local Nanking Store	
0.22	(Unidentified Brand)	Local Shanghai Store	
0.24	Lingshien	Peking Commune Store	
0.25	Bailou	Peking Commune Store	
0.26	Daodao	Local Peking Store	
0.26	Suchang	Peking Commune Store	
0.27	Great Wall	Peking Commune Store	
0.28	Flying Horse	Shanghai Number 1 Department Store	Shanghai
0.28	Friendship	Peking Commune Store	
0.28	Red Horse	Local Shanghai Store	
0.28	Yanmachu (Green Chrysanthemum)	Peking Commune Store	
0.29	Moju	Peking Commune Store	
0.30	Hungmen	Peking Commune Store	
0.31	Nanking	Local Nanking Store	
0.32	Red Leaf	Peking Commune Store	
0.32	Seagull	Local Shanghai Store	
0.32	Seagull	Shanghai Number 1 Department Store	
0.33	(Unidentified Brand)	Local Peking Store	
0.34	Lucheng	Peking Commune Store	
0.34	Xiangshan (Fragrant Mountain)	Peking Commune Store	
0.35	Seagull	Local Shanghai Store	
0.36	Big Front Gate	Nanking Friendship Store	Shanghai
0.39	Flying Horse	Nanking Friendship Store	Nanking
0.39	Flying Horse	Kwangchow Friendship Store	Shanghai
0.46	Great Bridge	Nanking Friendship Store	Nanking
0.49	Seagull	Nanking Hotel	

ered to be the best domestically produced brands, and the premium prices charged for these cigarettes in part reflect production costs higher than those of lower quality domestic brands. Primarily, however, the high price of these cigarettes reflects the affluence and inelastic demand of China's foreign guests.

For the stores designed for foreign buyers in China, there appear to be at least skeletal interprovincial guidelines. "Golden Deer" cigarettes (0.69 RMB or 37¢) and "Torch" cigarettes (0.74 RMB or 39¢) cost the same at both the Nanjing and Guangzhou Friendship Stores. This consistency is, however, by no means universal. "Peony" brand sells for 0.66 RMB (35¢) at the Nanjing Friendship Store, but costs 0.88 RMB (47¢) at the Guangzhou branch. The cigarette with the most volatile price is "Chunghua" ("China"), which ranges in cost from 0.71 RMB (38¢) at the Nanjing Hotel to 1.07 RMB (57¢) at the Beijing Hotel.

The price of cigarettes in China has remained rela-

tively constant over the last twenty-five years. In 1954, the average price of a pack of cigarettes in Shanghai was 0.19 RMB. From the 1976 survey of cigarette prices, the average cost of those cigarettes intended for Chinese buyers was 0.27 RMB, only 41% higher than twenty-four years earlier. This increase, which would be equivalent to an annual inflation rate of less than 1.5%, might be totally the result of increased taxation on cigarette consumption. (In 1957, between 60% and 80% of the retail price of cigarettes represented taxes plus profit.)

While the highest cigarette price in the survey group was more than eight times the price of the cheapest brand, the cost of cigarettes for Chinese consumers centered closely around 26 RMB (14¢) per pack. The range of prices for cigarettes available to China's second cigarette market, the foreign guests, is much broader, spread fairly evenly between 36 RMB (19¢) and 1.10 RMB (58¢). 完

**CIGARETTE PRICES IN CHINA—Continued**  
**November–December, 1976**

Price/ Pack of 20 cigarettes (RMB)	Brand	Price of Sale	Place of Manufacture
0.51	Shanghai*	Nanking Friendship Store	Shanghai
0.59	Chunghua (China)*	Nanking Hotel	Shanghai
0.59	Double Happiness	Nanking Friendship Store	Shanghai
0.59	(Unidentified Brand)	Nanking Friendship Store	Shanghai
0.63	Phoenix*	Nanking Friendship Store	Shanghai
0.65	Great Bridge in Nanking*	Nanking Friendship Store	Nanking
0.65	Mutau (Red Chrysanthemum)	Peking Hotel	
0.66	Peony*	Nanking Friendship Store	Shanghai
0.69	Golden Deer*	Nanking Friendship Store	Kwangchow
0.69	Golden Deer*	Kwangchow Friendship Store	Shanghai
0.69	Red Lantern	Peking Hotel	Shanghai
0.70	Golden Deer	Peking Hotel	Shanghai
0.70	Peking	Peking Hotel	Peking
0.70	Peking Xueque	Peking Hotel	
0.71	Chunghua (China)*	Nanking Hotel	Shanghai
0.71	Chunghua (China)*	Kwangchow Friendship Store	Shanghai
0.74	Torch*	Kwangchow Friendship Store	Shanghai
0.74	Torch*	Nanking Friendship Store	Shanghai
0.75	Red Lantern	Peking Hotel	Shanghai
0.86	Lake Star Menthol	Kwangchow Friendship Store	Kwangchow
0.87	Yulan Beijing	Peking Hotel	
0.88	Peony*	Kwangchow Friendship Store	Shanghai
0.90	Ancient Porcelain	Kwangchow Friendship Store	Shenyang
0.90	Golden Leaf*	Kwangchow Friendship Store	Shenyang
0.90	Shield*	Kwangchow Friendship Store	Shenyang
0.92	Jinan (Flower) Orchid*	Kwangchow Friendship Store	Kwangchow
0.92	Yangcheng*	Kwangchow Friendship Store	Kwangchow
0.95	Gold Flowers*	Kwangchow Friendship Store	Yingkow
0.96	Lingchih (medicinal)*	Kwangchow Friendship Store	Harbin
1.05	Tienchi (medicinal)	Kwangchow Friendship Store	Kunming
1.06	Chunghua (China)*	Nanking Friendship Store	Shanghai
1.07	Chunghua (China)*	Peking Hotel	Shanghai
1.10	Ginseng*	Kwangchow Friendship Store	Changchun

\*Filter cigarettes.

† The Wade-Giles romanization system is used throughout this table.

# China's Participation in International Organizations

Natalie G. Lichtenstein

*In recent years, the People's Republic of China (PRC) has considerably expanded its participation in international organizations. The nature of that expansion is of intrinsic interest for those who deal with China on a practical, commercial basis because almost every organization in which Beijing has involvement concerns trade and technology in one way or another including telecommunications, coal, construction, mining, offshore oil rights, aviation, shipping, legal matters relating to trade, and commodities regulation.*

*The range of Chinese participation internationally has been a clear indication of Chinese domestic economic priorities in which internal activity is already taking place or can be expected in the near future. The nature of that participation also reflects the state and direction of China's technology.*

*This article traces China's relationship with international organizations, highlights the current dimensions of China's participation in both governmental and nongovernmental organizations and focuses on three areas in the nongovernmental area: science and technology, mining and engineering, and trade.*

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International organizations, like international friendships, "have a history" in China. That history is a tale of advances into and retreats from world arenas, exemplified by the controversy over Chinese membership in the United Nations, and reflective of trends in China's foreign relations.

The 1950s saw a number of overtures by the new Chinese state to the various world organizations, including the United Nations. After the establishment of the People's Republic of China (PRC) on October 1, 1949, the new government asserted its exclusive right to represent China in all international organizations, including those in which Taiwan had theretofore been China's legal representative. While that drive was unsuccessful in gaining a seat for the PRC in the United Nations at the time, it is often forgotten that the PRC maintained intermittent contact with other bodies of equivalent stature.

On various levels, the PRC was in contact with the Universal Postal Union (UPU), the International Red Cross (IRC), the World Meteorological Organization (WMO), and the International Geophysical Year (IGY), to name some of the major governmental ones. Even the United Nations maintained an Information Office in Shanghai until 1957, though there is no indication of the functions it may have served.

## **Nuclear, Fisheries, Railways, Telecommunications**

China was formally a founding member of at least four Communist international groups as well—the Joint Nuclear Research Institute (JNRI), the Fisheries Research Commission for the Western Pacific (FRCWP), the Organization for the Collaboration of

Railways (OCR), and the Organization for Cooperation in Telecommunication (OCTP). The Chinese also sent observers to meetings of the Warsaw Treaty Organization (WTO) and the Council for Mutual Economic Assistance (COMECON).

Indeed, Beijing's own inventory shows that, in 1957, Beijing was a participant in 64 international organizations,"<sup>1</sup> including nongovernmental and intergovernmental ones. This is not to imply that China or its unofficial representatives were fully accepted by anything resembling a majority of world bodies, or that, given the negative experiences with organizations which eventually admitted Taiwan, such as the UPU and IGY, such acceptance was actively sought. Put simply, if China's diplomats were not overworked on multilateral matters, neither were they idle.

As the 1960s progressed, China's interest in international organizations appears to have waned rather than waxed. While membership in several nongovernmental bodies was retained, the repeated calls for admission to governmental organizations seemed to subside. Ties with Communist bloc bodies were severed, as were those with several other bodies, mostly in the field of sports. The Sino-Soviet split accounts for the former phenomenon; internal turmoil may have had its influence on the latter occurrences.

The late 1960s and early 1970s saw a concerted diplomatic drive for improved foreign relations, a drive which resulted in China's return to the United Nations in 1971. That historic event proved to be a watershed.

With recognition by the General Assembly, the various bodies within the United Nations Organization—such as the United Nations Conference for Trade and Development (UNCTAD), the United Nations Children's Emergency Fund (UNICEF), the United Nations Development Programme (UNDP)—automatically followed suit by allowing China to participate. Separate action was required in most of the United Nations specialized agencies.

Within six months, the PRC had been recognized as the sole Chinese representative in the Food and Agriculture Organization (FAO), the International Civil Aviation Organization (ICAO), the International Labor Organization (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the General Agreement on Tariffs and Trade (GATT), the World Health Organization (WHO), the UPU, the International Telecommunications Union (ITU), and the International Atomic Energy Agency (IAEA).

With the exception of GATT and the IAEA, the Chinese subsequently joined all of these organizations. The Chinese also began to participate in sessions of the Intergovernmental Maritime Consultative Organization (IMCO). In 1973, China began to be recognized by a variety of technical nongovernmental organizations, and reported attendance at international meet-

ings and conferences simply skyrocketed between 1973 and 1978.

The Chinese are now represented in a multiplicity of multilateral institutions. Generally, these institutions are classified as governmental and nongovernmental. In a country like China, of course, where most technical associations are under the auspices of the state, that distinction is somewhat less meaningful. Nevertheless, the Chinese have demonstrated different kinds of concerns in governmental and nongovernmental organizations.

### **Governmental Organizations—Emphasis on Economic Development, Communications**

Of those agencies requiring official governmental ties, China has joined most of the major ones, including a number of organizations not affiliated with the United Nations.

Two themes appear in China's relationship to these official organizations. First, an emphasis on worldwide economic development is clear, and not surprisingly so, in view of China's support for developing nations and China's own position as a developing nation. Second, China has emphasized fields relating to its ability to communicate with the world beyond its borders. That, too, is not unusual, for a strong impetus for any country to participate in international organizations is the need to facilitate the practicalities of dealing with the rest of the world.

#### **CHINA TO PARTICIPATE IN 1980 OLYMPICS**

The International Olympic Committee (IOC) recognized the Olympic committee of the PRC on April 7 after delegations from Beijing and Taipei reached substantial compromises at an IOC meeting in Montevideo, Uruguay. The adopted IOC proposal allows representatives from both the PRC and Taiwan to participate in the 1980 Olympics in Moscow but leaves open problems regarding names, anthems, and flags under which the two would compete. PRC athletes have not been part of the worldwide competition since the fifteenth Olympic games in 1952.

Although Song Zhong, secretary general of the Chinese Committee and head of the PRC's delegation at Montevideo claimed that the IOC resolution was "not acceptable to us in its present content," observers note that the fact that China did not reject it outright is indicative of Beijing's more conciliatory policy toward Taiwan. Previously, Beijing insisted that Taiwan be excluded from all international sports bodies recognizing the PRC government.

The IOC will meet again during the Pan American Games in San Juan, Puerto Rico, in June when it hopes to settle the remaining differences between the PRC and Taiwan.

In the development area, UNCTAD has seen the most activity, largely in support of the Third World Group of 77. China has attended numerous UNCTAD meetings since its first appearance at the Third UNCTAD in Santiago, Chile, in 1972. Chinese representatives have been reported at a range of UNCTAD activities: the working group preparing a draft Charter of the economic rights and duties of states, the committee on commodities, the intergovernmental group on the least-developed countries, the committee on shipping, the rubber preparatory meeting, and all sessions of the Trade and Development Board since the 12th session in October 1972.

The United Nations Industrial Development Organization (UNIDO) has also been a focus of Chinese attention. To begin with, the Chinese have pledged contributions to UNIDO. They have also served on the permanent committee of the UNIDO Board since at least the seventh session in May 1973, and on the intergovernmental committee to draw up a constitution for UNIDO as a specialized agency.

Other development-related concerns have surfaced in China's role in the United Nations Development Programme (UNDP), which granted China \$15 million in development aid in late February, of this year. The Chinese took especial note of UNDP early on by successfully requesting in 1972 that UNDP technological aid to Taiwan be terminated. Since then, they have taken part in UNDP pledging conferences, and sessions of the UNDP governing council since the 19th session in January 1975.

Concern for all phases of economic development has been evidenced by Chinese attendance at the Stockholm Conference on the Human Environment in 1972, and at the various sessions of the Governing Council of the United Nations Environment Programme (UNEP). The Chinese appointed their first permanent representative to UNEP, Chu Ko-ping, in March 1976. Similar developmental concerns may be behind extensive Chinese participation in the IMCO, WMO, and WHO as well.

The communication theme can be noted at the

meetings of the ITU and several ITU-sponsored administrative conferences, which have the most reported appearances by China's diplomats. China has sent representatives to numerous ITU organs, including the International Telegraph and Telephone Consultative Conference in November 1972; the Administrative Council, the world administrative radio conference for maritime mobile communications, April 1974; the regional administrative conference for long frequency and medium frequency broadcasting, November 1974; and the world radio administrative conference on satellite broadcasting, in January 1977, and more recent conferences. Besides the ITU, United Nations specialized agencies whose meetings China has attended with some frequency include the UPU and ICAO.

Beyond the United Nations group, the Chinese have joined other official governmental organizations connected to communications. China became the 98th member of the International Telecommunications Satellite Organization (Intelsat) in August 1977, and the PRC Administration of Long Distance Telecommunications signed the Intelsat operating agreement. China's first appearance at the Asian-Oceanic Postal Union (AOPU) was at the Third AOPU Congress in November 1975.

### Regional Agencies—ECAFE, ESCAP

Two other dimensions of China's participation are apparent in the governmental organizations. First, the Chinese have been active in regional meetings of a number of organizations. The PRC attended sessions of the Western Pacific Regional Committee of the WHO as far back as August 1973. China has, of course, participated in the United Nations Economic Commission for Asia and the Far East (ECAFE), and its renamed successor organization, the Economic and Social Commission for Asia and the Pacific (ESCAP), since April 1973. In February 1979, China became the 10th country to join the ESCAP-sponsored Asian Reinsurance Corporation. The first Chinese participation in the FAO Conference for Asia and the Far East was in August 1976.

Second, the PRC has acceded to several international conventions as part of its institutional contact. China's membership in the UPU in 1972 gave effect to the 1950 Chinese acceptance of the Universal Postal Convention of 1947. At the eighth IMCO Assembly in 1973, China announced its intention to participate, as of January 1974, in the international convention for the safety of life at sea, signed in London, July 17, 1960, and in the international convention on load lines, signed in London, April 5, 1966, and to withdraw from the international convention respecting load lines, signed in London, July 5, 1930. China recognized the Convention on International Civil Aviation upon joining the ICAO in 1974. In 1976, the PRC was the eighth nation to sign the Constitution of the Asia-Pacific Telecommunity at ESCAP.

With these Mao caps we'll blend right in.





## CHINA SHOWS INTEREST IN JOINING MORE INTERNATIONAL ORGANIZATIONS

China's outward glance toward the West for vast quantities of foreign technology and know-how has been accompanied by its renewed interest in those international organizations that would strengthen the PRC's ties to the Western trading community. Signals emanating from various unofficial sources suggest that China's leaders may be considering future membership in the following international organizations:

- **The International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB).** The first public hint of Beijing's desire to make contact with the IMF (IMF membership is a prerequisite to joining the World Bank but not the ADB) was revealed by Senator John Glenn on his return from a trip to China in late January. Glenn said he had conferred with Feng Tienshun, manager of the Bank of China, who indicated China's interest in seeking membership in the international monetary group.

In late February a 21-member World Bank delegation returning from a two-week tour of China acknowledged meeting with top Chinese finance authorities to answer questions regarding the possibility of China joining the international body. At the same time, Vice Premier Deng Xiaoping told the president of Kyodo news service (2/26/79) "that there would be no hitch on China's part in joining the IMF if the Taiwan issue is settled." Deng's statement preceded Secretary Blumenthal's confirmation that Chinese leaders had expressed an interest in the international banks during his visit, but were not likely to proceed rapidly in applying for membership.

Nevertheless, the World Bank delegation reported that, during its meeting in Beijing, Chinese finance officials committed themselves to trying to resolve the Taiwan issue within 60 days. One compromise under consideration involves allowing Taiwan to retain the IMF seat while acceding the World Bank seat to Beijing. This would entitle China to the large low-interest loans it is seeking for economic development projects. In addition to resolving the Taiwan question, the PRC must make available detailed information about its economy in order to be eligible for membership in all three financial institutions.

- **The World Intellectual Property Organization**

(**WIPO**). The presence of a Chinese observer group at the most recent WIPO session (March 1979) is seen as a harbinger of China's adherence to international conventions on trademarks, copyrights, and patents. While China has a fairly standard trademark law it has no copyright law and is only now in the process of instituting a formal system for indexing and registering patents. China's acceptance of WIPO's conventions could help to eliminate a vexing problem for China traders.

- **International Chamber of Commerce (ICC).** While it is unlikely that China would become a signatory to the ICC (no Communist country is a member), Beijing has expressed an interest in the ICC's court of arbitration. In order to obtain the court's services, China and its contracting partner would have to establish and agree to a clause stating that if a dispute should arise it would be subject to the decision of the ICC's court of arbitration. Both parties would be allowed to appoint arbitrators. Use of the ICC's court is considered the most feasible alternative for China at this time, although an organization sponsored by the World Bank, the International Center for Settlement of Investment Disputes (ICSID), also offers conciliation, arbitration, and fact-finding services. China does not have to be a member of the World Bank or the Center in order to make use of ICSID facilities, but without joining the ICSID convention, the decisions are not binding on the contracting states. The program extending services to non-ICSID participants is called the Additional Facility.

- **International Atomic Energy Agency (IAEA).** The IAEA and GATT are the two specialized UN agencies that China has so far boycotted. In April, Chinese diplomats at the UN began to request information on the possible benefits it might derive from joining the IAEA. Beijing's show of interest in the IAEA is thought to be prompted by the hope of learning about Taiwan's nuclear capacity. Taiwan, which is under direct scrutiny by the agency, is considered by the experts as at the "threshold state," close to nuclear military capability. As a member of the IAEA China could rely on international cooperation to insure that Taiwan does not divert fissionable material from peaceful purposes to atomic bombs.

### Legal Issues Relating to Trade

The Chinese have not neglected international meetings dealing with legal issues, particularly those relating to trade. The presence of an observer group from the China Council for the Promotion of International Trade (CCPIT) for the first time at the Second Plenary Session of the World Intellectual Property Organization (WIPO) in November 1978 has been called "a step holding the promise of eventual Chinese adherence to international conventions on trademarks, copy-

rights and patents."<sup>2</sup> More recently, PRC observer groups attended WIPO meetings in the fall of 1978, and in March 1979.

China has also attended the United Nations Conferences on the common fund for an integrated commodity program, supporting some multilateral regulation of international trade in certain commodities. In addition, China has been very active in the continuing United Nations Conferences on the Law of the Sea.

In November 1978 the PRC gave presentations on its foreign trade organization and management to an UNCTAD meeting and will host an ESCAP trade seminar in Shanghai this fall.

Of equal interest in any selective survey, of course, are those international bodies which the Chinese have avoided. Most notable, and unique within the United Nations system, are the four international financial institutions, the International Monetary Fund (IMF), and the World Bank Group—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC).

Nor is the PRC a member of the Asian Development Bank (ADB). Taiwan has not withdrawn from these institutions, and China makes periodic requests for the expulsion of Taiwan's representatives from them. It is by no means certain China itself is prepared to assume the benefits and burdens of membership, although interest in joining the IMF has recently been expressed by Vice Premier Deng Xiaoping.

The Chinese have not as yet demonstrated official interest in GATT or the IAEA, both of which paved the way for PRC entry in 1971–72 by expelling Taiwan. The Chinese have been even less desirous of contact with the International Labor Organization (ILO). As of 1976, it was reported that the Chinese had lost their right to vote in the ILO because they had not attended any meetings or paid the PRC contribution. In the fall of 1977, China temporarily withdrew from the ILO, just a few days after the departure of the United States.

### **Learning the International Ropes**

Because China's participation in government organizations has been so closely tied to politics, the legal aspects of that participation have been particularly instructive to Beijing. The very solution of the problem of becoming a member of the United Nations lay in China's overcoming the procedural obstacles which had been raised under the important question provision of the United Nations Charter to bar the seating of the PRC.

Since China's acceptance by the UN and the other institutions, Chinese representatives have emphasized China's legal position regarding representation from Taiwan by demanding that nongovernmental organization with consultative status expel Taiwan also. In the Economic and Social Council of the United Nations (ECOSOC), for example, delegate Wang Junsheng registered opposition to the consultative status of the World Alliance of Reformed Churches, and the Baptist World Alliance, all of which included representation by Taiwan.

At ECAFE, delegate Chi Lung called for the expulsion of Taiwan from the ADB. The passage of a like resolution at the tenth Assembly of the IMCO in

1977 led to the affirmance by the International Association of Lighthouse Authorities of the sole legitimacy of PRC lighthouse representatives.

### **International Conferences—Law of the Sea, Liners, but Not International Trade Law**

In addition to acceding to the conventions noted above, the Chinese have attended several conferences which have considered the reform or formulation of international conventions: the conferences on the Law of the Sea, the Diplomatic Conferences on International Humanitarian Law, the Conference on a code of conduct for liner conferences, and the ICAO-sponsored Diplomatic Conference for amendment of the Warsaw Convention.

However, the Chinese did not take part in several other major conferences on international legal matters: the United Nations Conference on Prescription (Limitation) in the International Sale of Goods (1977), the United Nations Conference on the Representation of States in Their Relations with International Organizations (1975), the United Nations Conference of Plenipotentiaries on Territorial Asylum (1977), and the United Nations Conference on Succession of States in Respect of Treaties (1977).

Nor have they yet indicated interest in serving on the twenty-five-member International Law Commission or the thirty-six-member United Nations Commission on International Trade Law.

The Chinese have appeared at the legal organs of various institutions. They have been represented at the Sixth (Legal) Committee of the United Nations General Assembly, the legal committee of the IMCO, and at the series of sessions organized to draft a constitution for UNIDO as a specialized agency. Still, the Chinese have apparently been less vociferous on the legal components of the topics, despite their willingness to expound on political ramifications throughout.

#### **WHO CHINA SENDS TO PARTICIPATE**

The range of Chinese interaction in the official governmental organizations is interesting. The Chinese have sent delegations to UN general sessions and executive committees, and Chinese representatives have been chosen for high administrative positions. Tang Ming-chao became United Nations Under Secretary-General for Political Affairs and Decolonization in 1972.

China's representative to UNESCO, Chang Wei, then vice chairman of the Tsing-hua University Revolutionary Committee, was elected to the UNESCO Executive Board in 1973. PRC Professor of Pediatrics Chang Wei-tsun was appointed assistant director-general of the WHO in June 1973. Chinese representative Huang Ming-ta was elected vice chairman of the 30th session of ECAFE in 1974.

## CHINESE—A WORKING LANGUAGE

While Chinese has always been one of the five official languages of the United Nations, China has also become a working language for a number of organizations joined by the PRC in the last few years. The United Nations General Assembly voted to designate Chinese a working language in 1972. The Security Council followed suit in 1974. At the Seventh World Meteorological Congress in 1975, Chinese was also made a working language. The ICAO decided at its 22nd Assembly in September 1977 to use Chinese as a working language. In addition, the United Nations Conference on the Standardization of Geographical Names approved a PRC resolution making the Chinese phonetic alphabet (Pinyin) the international standard for Chinese geographical names.

The Chinese have also established at least one permanent mission abroad to handle international organization matters. In August 1972, NCNA announced that the PRC would open a permanent mission to the United Nations Office in Geneva and to other international organizations in Switzerland. An Chih-yuan is now permanent representative at the PRC's United Nations Mission in Geneva. In 1978, it was reported that a permanent representative for ESCAP affairs in Bangkok would be appointed by the PRC.

Indeed, despite reputed personnel limitations at the outset, China seems to have gradually amassed a sufficient cadre of technically and diplomatically able representatives for the many international organizations and conferences it now frequents.

## Nongovernmental Organizations—Focus on Science and Technology, Mining and Engineering, and Trade

In contrast to the international organizations of an official governmental nature, China's choice of nongovernmental organizations and conferences seems to be dictated to a far greater degree by domestic needs and concerns than by the potential for international political influence. The Chinese have concentrated on scientifically and technologically oriented fields, in areas where they have enough experience and interest to have something to offer as well as to gain.

Three general areas have been of particular interest to the PRC—science and technology, mining and engineering, and trade. In the area of science and technology, China has utilized international organizations to supplement its efforts in fields of established national importance. In the area of mining and engineering, China's appearance at international meetings has often presaged a surge of domestic development. In the trade area, the Chinese have made use of international organizations to expedite achievement of national goals in an international setting.

## Science and Technology—Medicine and Physics

In the realm of science and technology, China's two main areas of concern appear to be medicine and physics. Within medicine, topics of major interest include cancer, cardiac pacing, and rural health, all priority items in China's own health program.

Concerning cancer research, China belongs to the International Union Against Cancer, and the Society of Oncology of the Chinese Medical Association was represented at the 11th International Cancer Congress in Florence, Italy, in October 1974. A sixteen-member Chinese medical delegation attended the second international symposium on early cancer detection and prevention in Rome in May 1973.

Delegations from the Chinese Medical Association took part in the Fifth International Symposium on Cardiac Pacing in Tokyo, in March 1976, and three Chinese doctors were in attendance at the Fourth International Seminar on Cardiac Pacemaking in Groningen, the Netherlands, in April 1973. And, China was represented at the Third World Forum on Traditional Medicines in Mexico City, in April 1977. Delegates from the Chinese Medical Association presented papers entitled "Rural Health Work in China," "Brief Review of the Mass Movement of Exploiting Chinese Medical Herbs," and "My Personal Experiences as a Barefoot Doctor," at the Second Asian Congress on Agricultural Medicine and Rural Health, in Tehran, April 1975.

Physics, too, has been an object of domestic concern. High-energy physics, for example, was one of the items singled out for development in Fang Yi's report to the National Science Conference in March 1978, and was one of five items discussed with US Energy Secretary James Schlesinger on his fall 1978 PRC trip. Even before then, though, Chinese scientists were present at the Seventh International Molecular Crystal Conference, in Tokyo in September 1975, the Fifth International Conference on High Energy Collisions, at the State University of New York at Stonybrook in August 1973, and at the International Conference on Elementary Particles, in Aix-en-Provence, France, in September 1972.

A PRC high-energy accelerator study group visited the Geneva-based European Organization for Nuclear Research (CERN) in May 1976. In September 1977, officers of CERN met with Vice Premier Deng Xiaoping to discuss China's relations with CERN. The Chinese also sent a delegation to the European Conference of Heavy Ion Nuclear Physics in Caen, France, in September 1976.

## Mining, Engineering, Coal, Construction, Oceanography, Earthquake Prevention

In the area of mining and engineering, a number of particular emphases are evident. Coal, construction, oceanography, and earthquake prevention are



**Chinese delegates at the International Electrotechnical Commission's Technical Committee meeting, Warsaw, March 1979**

the subjects of a number of meetings attended and organizations joined by the Chinese.

As coal represents a significant portion of China's energy resources, it is not surprising that the Chinese have demonstrated substantial interest in geologically related events. Recent announcements of Chinese plans for a giant step ahead in the coal-mining industry, with the aid of foreign technology, were preceded by frequent Chinese appearances at mining-related conferences.

China's contacts in this field have included membership in the World Mining Congress, the International Union of Geological Sciences, the International Union of Geodesy and Geophysics, and the International Association of Engineering Geology. Conferences attended include the Seventh International Conference on Coal-dressing, in Australia in May 1976, the International Mineral Processing Conference in Brazil, in August 1977, and the Sixth International Strata Control Conference at Banff, Canada, in September 1977.

Construction-related conferences have been well-attended as well. Current plans to engage in massive railway construction and improvement were unveiled at the National Railway Conference in April 1978, and the construction of six new trunk lines is part of China's ten-year plan.

Yet two years before the conference, in 1976, the six-person delegation from the Chinese Society of Civil Engineering (CSCE) to the tenth session of the International Association for Bridge and Structural Engineering in Tokyo, September 1976, included: the

president of the Academy of Railway Research of the Ministry of Railways, the vice chief engineer of the Bureau of Railways; the head of the Foreign Liaison Department of the CSCE; a "responsible member" of the Research Department of Railway Construction of the Ministry of Railways; an engineer from Research Institute of Architecture of the State Capital Construction Commission; and a CSCE interpreter.

Other areas of construction may be favored in the future, such as large dams and buildings. China participated in the 11th Congress of the International Commission on Large Dams in Madrid, in June 1973, and at the 12th Congress in Mexico, in March 1976. At the 42nd executive meeting of the Commission, the PRC was accepted unanimously as a formal member. In a related field, a delegation from the Architectural Society of China attended the fourth symposium on the industrialization of building held by the International Union of Architects, in Budapest, September 1973, and another delegation attended the Seventh Congress of CIB (International Council for Building Research, Studies, and Documentation) in Edinburgh, in October 1977.

Oceanography, currently an area of intense Chinese interest, has been favored in China's multilateral contacts for several years. Chinese delegations have attended the International Colloquium and Exhibition on the Exploration of the Ocean in Bordeaux, France, in March 1971, the Second International Ocean Development Conference in Japan, in October 1972, the Third International Ocean Development Conference in Japan, in August 1975, and the Third International Conference on Oceanographic Technology in Britain, in April 1975.

Not surprisingly, the Chinese have been in attendance at a number of earthquake-related conferences over the last few years as well. For example, the Chinese were at the First International Earthquake Detection Conference in Canada, in October 1975, the Intergovernmental Conference of the Assessment and Mitigation of Earthquake Risk, in February 1976, and the Joint Conference of the International Association of Seismology and Physics of the Earth's Interior/International Association of Volcanology and Chemistry of the Earth's Interior, in Britain, in August 1977. Indeed, at the first work session of the UNESCO intergovernmental conference on seismological dangers, Liu Ying-yung, Chinese delegate and director of China's National Seismological Bureau, declared that the PRC would cooperate with any international organization on prediction of earthquakes. That comment was made in February 1976, some months before the devastating quake in Tangshan.

### **Trade Emphasis on Technology**

China has perhaps been the least well represented in the trade area in international organizations and

conferences. China's presence has been felt at only a handful of organizations—WIPO, the International Association of Assessors of Maritime Losses, the International Average Adjuster Association, several insurance groups, and the Intergovernmental Maritime Consultative Organizations (IMCO).

These contacts seem directed at the mechanics of trade rather than the more political aspects of actual negotiations that take place within bilateral contacts. Indeed, the most salient trade implications of China's participation in international organizations lie in the observation that the particular fields which have experienced multilateral activity are to a great extent fields in which China now seeks the aid of foreign technology.

The last year alone has seen contacts with China's trading partners over oceanographic vessels, extensive coal-mining development, satellite launching, and railway construction, to name but a few examples. In most of these cases, bilateral trade developments were preceded by China's attendance at related multilateral conferences and meetings.

It may well be that China's subsequent trade arrangements in these areas are merely further evidence

of the extent to which China's latest drive for modernization has influenced trade practices and needs. But one cannot escape the conclusion that, at least partially, China's attendance at international technical conferences gives a good indication of fields of current domestic importance to the PRC and its future domestic development. Indeed, fields in which China now seeks to exchange technical information with the rest of the world on a multilateral basis are more than likely to be fields in which China will seek to exchange technology on a bilateral basis in the future. 完

## NOTES

1. B. Weng, *Some Conditions of Peking's Participation in International Organizations, in China's Practice of International Law: Some Case Studies* 321, 324 (J. Cohen ed. 1972), citing Shih-chieh chih-shih nien-chien (World Knowledge Yearbook) 1058-61 (1957).
2. *China Business Review*, Jan-Feb 1974, at 44, for other sources of information, see Appendix.

## CHINA AT INTERNATIONAL ORGANIZATIONS AND CONFERENCES, 1971-1979

(By alphabetical order and date of recognition (r)  
and first participation (p) where available)

### UNITED NATIONS ORGANIZATIONS

1. Conference for Trade and Development (p: 10/4/72)
2. Development Programme (p: 11/6/72)
3. Economic Commission for Asia and the Far East (until 1974)
4. Economic and Social Commission for Asia and the Pacific (after 1975)
5. Economic and Social Council
6. Environmental Programme (p: 6/73)
7. General Assembly and its Committees (r: 10/25/71, p: 11/15/71)
8. Industrial Development Organization (p: 5/73)
9. Security Council

### Specialized Agencies of the UN

1. Food and Agriculture Organization (r: 11/25/71, p: 11/73)
2. General Agreement on Tariffs and Trade (r: 11/16/71, p: none)
3. Intergovernmental Maritime Consultative Organization (r: 7/73, p: 11/73)
4. International Atomic Energy Agency (IAEA) (r: 12/9/71, p: being considered)
5. International Civil Aviation Organization (r: 11/19/71, p: 9/74)
6. International Labor Organization (r: 11/16/71, p: withdrew in 1977)

7. International Telecommunications Union (r: 5/72, p: 11/72)
8. United Nations Educational, Scientific, and Cultural Organization (r: 10/29/71, p: 10/72)
9. Universal Postal Union (r: 4/12/72, p: 11/72)
10. World Health Organization (r: 1/26/72, p: 5/73)
11. World Meteorological Organization (r: 2/25/72, p: 7/73)

### United Nations-Sponsored Conferences

1. Apartheid (p: 8/77)
2. Code of Conduct for Liner Conferences (p: 11/73)
3. Code of Conduct on the Transfer of Technology (p: 11/78)
4. Common Fund for an Integrated Commodity Programme (p: 3/77)
5. Growth of Desert Land (p: 9/77)
6. Human Environment (p: 5/72)
7. International Women's Year (p: 7/75)
8. Law of the Sea (p: 7/74)
9. Standardization of Geographical Names (p: 8/77)
10. Technical Cooperation among Developing Countries (p: 10/78)
11. World Food Conference (p: 11/74)
12. World Forestry Conference (p: 10/72)
13. World Population Conference (p: 8/74)

### **Other Governmental Institutions**

1. Asian-Oceanic Postal Union (p: 11/75)
2. Diplomatic Conference on International Humanitarian Law (p: 3/74)
3. European Forum on Management (p: 2/79)
4. International Telecommunication Satellite Organization (r: 9/76, p: 8/77)
5. World Intellectual Property Organization (p: 11/73, 3/79, observer status)

### **NON-GOVERNMENTAL ORGANIZATIONS**

#### **Communications/Commercial**

1. Afro-Asian Insurance and Reinsurance Association (p: 6/74)
2. Asian Broadcasting Union (r: 10/72, p: 12/73)
3. International Association of Assessors of Maritime Losses (p: 10/73)
4. International Average Adjuster Association (p: 5/74, observer status)
5. International Foundry Technique Association (p: 10/78)
6. International Maritime Committee (p: 3/74, observer status)
7. International Standardization Organization (p: 10/78)

#### **Sports (a selection from many)**

1. Asian Football Confederation (r: 9/74)
2. Asian Games Federation (r: 11/73)
3. International Olympic Committee (r: 4/7/79, p: 1980?)
4. International Table Tennis Federation

#### **Scientific**

1. International Association for Bridge and Structural Engineering (p: 9/76)
2. International Association of Engineering Geology (p: 9/71)
3. International Commission on Large Dams (r: 5/74, p: 6/73)
4. International Geological Congress (r/p: 8/76)
5. International Hydrographic Organization (r: 5/77, observer status)
6. International Red Cross (p: 11/73)
7. International Society of Surgery (p: 9/73)
8. International Union Against Cancer (p: 10/74)
9. International Union of Crystallography (r: 9/78)
10. International Union of Geodesy and Geophysics (r: 8/77)
11. International Union of Geological Sciences (r/p: 8/76)
12. International Union of Theoretical and Applied Mathematics (r: 9/78)
13. World Meteorological Congress (p: 4/75)
14. World Mining Congress (p: 5/73)

### **INTERNATIONAL CONFERENCES**

#### **Commercial**

1. First Third World Insurance Congress (10/77)
2. Seventh World Handicrafts Congress (6/76)

3. Third African Insurance Congress (6/74)

#### **Scientific-Related**

1. Eighth World Forestry Conference (10/78)
2. Eleventh International Cancer Congress (10/74)
3. European Conference of Heavy Ion Nuclear Physics (9/76)
4. European Organization for Nuclear Research—visit by high energy accelerator study group (5/76)
5. Fifteenth International Pediatrics Congress (10/77)
6. Fifth International Conference on High Energy Collisions (8/73)
7. Fifth International Symposium on Cardiac Pacing (3/76)
8. First International Conference of Small Mining (12/78)
9. First International Earthquake Detection Conference (10/75)
10. First International Symposium of Induced Seismicity (9/75)
11. Fourteenth International Pediatrics Congress (10/74)
12. Fourth International Congress for the Study of Bauxites, Alumina, and Aluminum (10/78)
13. Fourth International Seminar on Cardiac Pacemaking (4/73)
14. Fourth Symposium on the Industrialization of Building, held by the International Union of Architects (9/73)
15. Intergovernmental Conference of the Assessment and Mitigation of Earthquake Risk (2/76)
16. International Colloquium and Exhibition on the Exploration of the Ocean (3/71)
17. International Conference on Elementary Particles (9/73)
18. International Conference on Heat Treatment (5/78)
19. International Conference on Population Planning (9/73)
20. International Mineral Processing Conference (8/77)
21. Joint Conference of the International Association of Seismology and Physics of the Earth's Interior/International Association of Volcanology and Chemistry of the Earth's Interior (8/77)
22. Second Asian Conference on Agricultural Medicine (4/75)
23. Second International Ocean Development Conference (10/72)
24. Second International Symposium on Early Cancer (5/73)
25. Seventh Congress of the International Council for Building Research, Studies and Documentation (10/77)
26. Seventh International Conference on Coal-dressing (5/76)
27. Seventh International Molecular Crystal Conference (9/75)
28. Sixth International Strata Control Conference (9/77)
29. Third International Air-Engine Conference (3/76)
30. Third International Conference on Oceanographic Technology (4/75)
31. Third International Ocean Development Conference (8/75)
32. Third World Forum on Traditional Medicines (4/77)
33. Thirty-first Annual Meeting of Plastics Engineering Society (5/73)

# 祝贺一九七九年春季中国出口商品交易会开幕

Diamond Aklali与Shamrock Oil and Gas两家公司联合组成大群股份有限公司(Diamond Shamrock Corporation)已经十年了。在这个稳固的基础上,我公司逐步成长为一项多元化、国际性的新型企业,规模扩大了三倍以上,生产和业务的性质也大为改变。

今天,大群股份有限公司在化工、石油、天然气以及多种工艺技术和服 务方面,在国际上已处于领先的地位。

我们的石油和天然气部门从事原油、天然气以及石油产品的勘探、生产和销售业务。

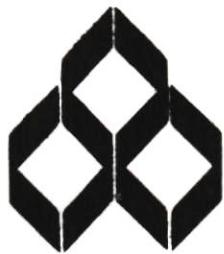
我们的化工和塑料部门生产和销售电化工产品、碱类产品、塑料、聚氯乙烯和聚乙烯薄膜及片材。

我们的生物科学和金属产品部门生产和销售农业化学产品、用于金属处理的化学产品、锰、营养品、兽用医疗产品,以及钙制品业和面包、饼干工业用的化工产品。此外,这个部门还经营流动医学检验中心。

我们的国际性多种工艺技术部门从事于生产和销售用于出口的化工产品,包括:化学加工助剂、金属保护涂料、尺寸稳定的阳极、隔膜电池以及薄膜电解装置。同时还出售专利技术并发展新的事业。

这四个部门紧密合作,为实现我公司的下述目标而努力:

1. 研究未来市场的需求,预先建立起必要的化工生产能力。
2. 寻找和开发新的石油和天然气资源。
3. 依靠和改进本身现有的生产能力来满足国内外用户的需要。
4. 加强研究和发 展工作,以提高基本化工产品的质量,不断创新新的专利产品和特殊产品。
5. 利用并改进现有技术服务能力,以满足国内外市场的需要。



**Diamond  
Shamrock**

大群股份有限公司

大群股份有限公司的产品包括有:基本化学原料、化工产品、聚合物、农业化学产品、食品、营养品。通过这些产品,我们在全世界为提高人类的生活水平做出贡献。

我公司正在进行的一系列扩建计划,反映了用户日益增长的需求,以及我们为满 足这种需求所作的努力。

在德克萨斯州休斯敦市一里尔的氯化石蜡油设备已于1977年顺利投入生产。到1978年,在这座工厂的附近将再建成年产十亿磅的氯乙烯单体厂。目前,聚氯乙烯分散树脂的生产能力已达到年产3,200万磅。

在巴西,我们的合股公司Carbocloro S. A. Industrias Quimicas生产氯/烧碱的能力正在成倍地增长着。在休斯敦市,氯/烧碱每年的生产能力增加了73,000吨。

新的锰化学工厂已经开始投入生产。1977年,杀菌剂的生产能力增加了一倍。我们的石油与天然气部门还正在建设新的生产设施,为我公司的石油化工产品提供原料,以保证市场上充足的供应。

大群公司除了有品种繁多的化工产品外,还向全世界销售电化学及聚合物的加工工艺技术。目前,北美洲全年产量为一千三百万吨,将近一半是用电极股份有限公司(Electrode Corporation,一家全部是大群公司资本的分公司)销售的尺寸稳定的阳极生产出来的。

去年,在俄亥俄州的康科德市,我们的聚合物研究中心又增设了新的聚合物加工工艺研究机构。在原来已经稳固的基础上,这些新的研究机构进一步加强了我们的聚合物加工生产能力。一家新设立的生物科学研究设施加强和扩充了农业、营养品与兽药的研究能力。以后,这个生物科学研究设施还可以协助研究其他生物科学课题。

最近在康科德市建成的设施将会加强并扩充我们对聚氯乙烯和聚脂树

First US ad to appear in China: Diamond Shamrock in the Guangzhou Ribao, April 14, 1979

## How Companies Can Respond to China's Slowdown

*China has put the brakes on import plans: hotel deals and negotiations on iron-mining contracts by major US companies have been left dangling; a major steel-plant project has almost definitely slipped away from West German interests but not into anyone else's pocket, and the proposal will likely be shelved permanently; other negotiations are in limbo.*

*With limited manpower available to handle tasks crucial to successful contact with foreign firms, some of China's recent liaisons have been perhaps premature. For example, in the heat of the import program three months ago, a few FTCs signed contracts without full authorization from the Bank of China. Domestic corporations, on the other hand, now claim the right to sign, as well as negotiate, contracts with foreign suppliers (see CBR 6:2, p. 66), and at least one foreign bank loan has been negotiated directly with the Ministry of Foreign Trade (CBR 6:2, p. 34).*

*But any company considering a pullback should bear in mind that, despite the slowdown, China's overall policy toward trade and economic development has remained steady. CBR presents the following guide for perplexed executives.*

• **Insist on full documentation:** The establishment of the PRC General Administration of Exchange Control (see Financial Notes) should prevent the documentation problems with contracts that arose in mid-March when China suddenly refused "import approval" to 29 signed contracts with Japanese trading houses and companies. A 60-day approval clause was written into each of these agreements, so that technically the contracts were still under negotiation at the time of the pullback. Underlying such serious misunderstandings is China's continued dedication to a conservative financial policy. The new Administration of Exchange Control will monitor all foreign exchange transactions by the Bank of China, hopefully serving a warning to overeager PRC buyers as well as improving policy coordination at BOC. Even this new watchdog body may not save letters of intent signed during the heyday of import negotiations, December 1978 to February 1979. A good number of these so-called agreements with US companies have been temporarily postponed—among them US Steel's \$1 billion iron ore mining protocol, Hyatt International's \$1 billion hotel "agreement", and Bethlehem Steel's \$100

**SHANGHAI ADVERTISING CORPORATION**  
**97 Yuan Ming Yuan Road, Shanghai**  
**Cable: ADVERCORP SHANGHAI**

**RATES AND VENUES**

Reactivated in early 1979 after 15 years of dormancy, the SAC is currently the only advertising company in China to offer a full range of rates and venues to foreign companies. In April, the company signed the first cooperative arrangement in advertising between a Chinese and foreign company, with a Japanese firm.

As of early March 1979, three locations were available for billboard advertising in Shanghai. These were two sites in the main business center on Nanjing Road, offering four sizes: 5.5 x 11.4 meters; 5.5 x 5.5 meters, 4.27 x 8.1 meters; and 4.27 x 6.3 meters. On Huaihai Road, near the Shanghai Bund, one size was offered, 4.27 x 8.1 meters.

**Rates:**

- **Newspapers:** US \$270 per space unit 3 $\frac{3}{8}$  in. x 2 in.
- **TV Stations:** ("A" class or prime time)  
*Weekdays:* RMB 1,000 (US \$637.50) for 15 sec.  
RMB 2,800 (US \$1,784.60) for 60 sec.  
*Sundays:* RMB 1,200 (US \$765.80) for 15 sec.  
RMB 3,360 (US \$2,141.50) for 60 sec.
- **Radio Stations:** RMB 200 (US \$127.50) for 60 sec.
- **Billboards:** RMB 120 (US \$76.50) per square meter for three months.

million iron mine proposal. Companies would do well to look at these documents for what they are, a favorable response to a company bid, but not a commitment. Chinese officials insist now, as ever, that they will abide completely by the terms of contracts—the point is to make sure all the terms are there.

• **Beware of semantic confusion:** China has been experimenting as much with a new trade vocabulary as new trade practices. Terms such as 'joint venture,' 'cooperation agreement,' and 'product payback' are used almost interchangeably. In an April interview with National Council members in Beijing, State Capital Construction Commission Vice Minister Xie Beiyi stated the Chinese view on joint ventures. A joint venture, he said, is a "joint effort" designed to help China pay back investors. Clearly, an invitation to help China cover its debts is less than laying out the welcome mat to equity participation by multinationals. The commercial code being drawn up now is likely to have cutoff points for foreign equity shares written into it (see *CBR* 6:2, p. 15-16). Foreign companies have added to the semantic jumble by reading into agreements with the PRC assumptions based on ways of business familiar to them; for instance, the many contretemps with 'letters of intent'.

• **Fiscal review of import decisions now underway:**

Import decisions have not been rescinded, but are being put through strict cost accounting before moving ahead. Some ministries may be working on a tighter budget than before with the scaling down of a few of the national projects for the 10-year plan. For instance, the Ministry of Railways has finalized import plans for locomotive development, but has referred the proposal to the Ministry of Foreign Trade. According to an interview with Ministry of Railways representatives in Beijing in April, the project is now entirely in the hands of MOFT.

• **Get in now:** While the foreign trade leadership is reviewing import proposals from all over China, even though action is invisible on the surface, important decisions are being made. A company to make its sale should get in now, according to the most recent visitors to Beijing. The people who are going to make the decisions are in the process.

Companies that do choose to develop the market face a demand more varied than ever before. Establishing firm links with end-users in the PRC is perhaps the first rule of marketing strategy as new clients and new prospects emerge on the scene.

**DOING BUSINESS WITH CHINA—  
REVIEW OF PLANS**

Responding to the slowdown in China's import plans has been made doubly difficult—but perhaps doubly promising as well—by the proliferation of PRC organizations ready to do business with foreign companies. The appearance of such entities as research institutions, departments of ministries, and municipalities on the foreign trade scene has opened a number of new business communication channels that are proving effective in drawing discussion on company products.

• **Technical seminars:** A familiar standby of marketing to the PRC, the technical seminar has long served a matchmaking role between Chinese end-users and foreign companies. In recent months, the social atmosphere of foreign technical presentations has changed dramatically. The focus now seems to be on introducing the foreign company to the end-user as much as on introducing his products. End-users are coming to the meetings armed with typed lists of names and addresses. Such lists have already served as the basis for direct correspondence between US firms and factory management in China. CCPIT officials have hinted that they are now planning to provide biographical data on all seminar attendees to foreign companies in advance, if possible, carrying the process one step further.

• **More offices in the Beijing Hotel:** Another familiar experience for the businessman working on a contract with the PRC is the struggle to work effectively out of a hotel suite; for most Americans, in the



Beijing Hotel. This is changing too. Since Beijing started giving foreigners "office privileges," the local phones never stop ringing. One US businesswoman based in the Beijing Hotel reports receiving phone calls directly from end-users that led to meetings with end-users in her industry who had formerly been totally elusive. One firm of her acquaintance received a call at the hotel from a factory looking for a joint venture partner. Others have difficulty handling the volume of correspondence end-users send directly to the Beijing addresses of companies.

• **More direct contact with end-users ahead:** Many

US firms are touring Chinese factories earmarked for technical assistance, hosted by PRC ministries. But new guidelines giving factories more initiative may mean much more direct end-user contacts for foreign firms.

• **Getting feedback from end-users—Chinese-language Industry Publications:** A small but growing number of US publishing houses now offer reader response services. Magazines like the *American Industrial Report (AIR)*, 49 percent-owned by McGraw-Hill, print articles from US technical journals on new products and technologies, using the standard Chinese accepted

## END-USER OUTREACH: MODERN ENGINEERING TECHNOLOGY

"Time and again we were urged to report on individual companies—who they are; what they do; and their specialties."

The new mood in Beijing is unmistakable, and this comment by Intercontinental Publisher Paul R. Green illustrates the pressure to close the information gap between Chinese end-users and foreign companies felt by Chinese authorities. Green spent the last week of February in Beijing with joint venture partner Li May Phipps working out editorial guidelines for *Modern Engineering Technology*, a new Chinese-language technical journal.

Aimed at a PRC readership, *Modern Engineering Technology* will present articles on advanced industrial technology from around the world, translated into Chinese by Mrs. Phipps' firm, the National Council for US-China Trade Translation Services, Inc. A bimonthly, the first issue is slated to appear in August 1979.

The real brainchild of the joint venture project is a scheme that will allow the US firm to respond quickly and flexibly to the changing needs of Chinese end-users. Basic parameters of the arrangement worked out with the China Council for the Promotion of International Trade (CCPIT) include:

• **Periodic editorial sessions with Chinese end-user organizations** The first such meeting, in February, was held with engineers from the State Capital Construction Commission (SCCC). The engineers presented Green and Phipps with a laundry list of China's capital construction priorities—from planning an industrial park to organizational decision-making and development of transport network models.

• **Multiple Reader Service Cards in each issue** At Chinese request, each issue of *Modern Engineering Technology* will have six reader-response cards bound into the volume. These will enable end-users to contact the publishers directly to obtain more information about individual companies or products.

• **Printing in China** The magazine will be entirely produced in China, on quality imported paper.

• **Distribution by the CCPIT** The magazine's planned circulation of 32,000 will be handled entirely

by the CCPIT, which will also build up the circulation list. To date, planned subscriptions include 5,000 for technical and engineering departments of ministries, 5,000 for professional societies, 3,000 for research institutes, 8,000 for government organizations in the science and technology area; 5,000 for major plant complexes; 2,000 for colleges and universities; and 1,000 each for the foreign trading corporations, the CCPIT's Center for Introducing Literature and Samples of New Foreign Products, CCPIT branch offices, and major national libraries.

The editorial format worked out by Green and Phipps pays close attention to the hard-data needs of Chinese readers. In a section on Worldwide Procurement, for example, they plan to include the names and addresses of manufacturers and the key executive to contact. Another section will present a digest of current technical literature, and another will focus on case studies of applications of new technology. Technical publications in the field will be reviewed regularly.

For more information, contact Paul R. Green, Publisher, 15 Franklin Street, PO Box 5017, Westport, Conn. 06880, phone (203) 226-7463.

### Other Chinese-language Technical Reviews:

• *American Industrial Report*, monthly. Contact McGraw-Hill Publications Co., 41st Floor, 1221 Avenue of the Americas, New York, NY 10020, phone (212) 997-2806.

• *American Engineering and Industry*, series of volumes on US industries. Contact Chilton International, Radnor, Pa. 19089, phone (215) 687-8200.

• *China Trade Link* (new), quarterly. Contact Jack Viera, IPC Business Press, Inc., 205 East 42 Street, New York, NY 10017, phone (212) 867-2080.

• *Petroleum Production and Processing*, bimonthly. Contact Jim Adams, Gulf Publishing Co., PO Box 2608, Houston, Texas 77001, phone (713) 529-4301.

• *Modern Asia* and *Industrial World*, special split-run Chinese-language issues, June, July, October, and November 1979. Contact Johnston International Publishing Corporation, 386 Park Avenue South, New York, NY 10016, phone (212) 689-0120.

in the PRC. In mid-1978, *AIR* began to get hints from the China Council for the Promotion of International Trade (CCPIT) that it would be possible to institute a direct reader response system. In 1979, at the same time it went monthly, *AIR* began enclosing self-addressed reader-response cards that soon attracted hundreds of replies. (One such, from a roadbuilding department of the Puzhong District administration in Shanxi Province, asked *AIR* for guidance on how to get in touch with the National Council's Construction Committee.)

Although *AIR*'s breakthrough took five years of hard work, the CCPIT has since granted direct reader-response privileges to similar publications. Chilton International's *American Engineering and Industry* series (see *CBR* 6:2, p. 44) will have reader-request cards that correspond to page numbers in the encyclopedia-like single-industry technical reviews that make up the series. *Modern Engineering Technology*, to begin publishing in a bimonthly magazine format in August 1979, will offer the same kind of service (see Box). *China Trade Link*, also to begin this fall, guarantees advertisers "translated inquiries to response cards." Some publishing firms are trying to get end-user distributorship for English-language publications, a route that may provide companies placing articles or ads in them fewer headaches but fewer returns as well. In this category is Keller Publishing, which is seeking direct distribution to Chinese end-users for its *International Instrumentation* and *World Industrial Reporter*. *Modern Asia* and *Industrial World*, published by Johnston International Publishing Corporation, promise two split-run Chinese editions each this year—June and October in *Modern Asia*, and July and November in *Industrial World*.

On the negative side, the general scarcity of information about industries in China below the provincial level spells difficulties for the company trying to develop profiles of would-be clients. The exposure provided by such publications is also limited to distribution channels maintained by the CCPIT. Reportedly, CCPIT furnishes subscription services outside Beijing only on request by an end-user.

• **Advertising in the PRC:** China's rediscovered ad industry is an undiluted windfall for foreign companies. Baptized by Japanese companies, which in late March posted the first full-page ads in the *Workers Daily*, *Liberation Daily*, and Shanghai's *Wen Hui Bao*, the venues and possibilities of advertising in China are multiplying day by day. In April, Diamond Shamrock ran the first known full-page US ad in the *Guangzhou Ribao*. Following the Japanese coup, the Japanese Kyodo News Service boasted "the day is not far away when Chinese streets will carry the names of Japanese products in neon lights," and, if true, American companies can grasp the same opportunity.

The sight of billboards advertising the PRC's famed Qingdao Beer at the Spring 1979 Guangzhou Fair sur-

prised the uninitiated foreign trader.

But billboard-making has become the hottest thing since smash-the-gang-of-four posters in the major PRC metropolises, especially Shanghai. (For rates and venues offered by the Shanghai Advertising Corporation, see Box.) Expediting the in-advertising procedures for Chinese domestic newspapers, a number of them have appointed foreign agents. Shanghai's *Wen Hui Bao* has appointed the Hong Kong newspaper, *Wen Wei Po*, as its sole Hong Kong agent for all forms of advertising in China (contact the *Wen Wei Po* at 197 Wanchai Road, Hong Kong, phone 5-725722). The *Tianjin Ribao* and *Guangzhou Ribao* utilize the services of the left-leaning Hong Kong daily, *Ta Kung Pao* (requests for information should go to Advertisement Department, *Ta Kung Pao*, 343 Hennessey Road, 7th Floor, Hong Kong). The Shanghai Advertising Corporation has an agent in Hong Kong, too; the China Advertising Company, located at Star House, in Kowloon, Hong Kong.

• **Guangzhou Foreign Trade Center:** Guangzhou, because of its proximity to Hong Kong, has long been a favorite stomping ground of China traders during the biannual export trade fair. During the last two fairs, the 44th and 45th such events, non-FTC personnel have jostled their way forward, inviting companies to submit proposals on import bids as well as the export contracts traditionally negotiated at the fair. At the Spring 1979 Fair, discussion rooms were set aside for import negotiations. According to an April 5 report in Hong Kong's *Wen Wei Po*, this is only the beginning of an effort to transform the fair into a year-round business center. By the time Guangzhou 46 rolls around this October, the Guangzhou Export Commodities Building and grounds may become China's first Foreign Trade Center.

Unlike the trade complexes planned for Beijing and Shanghai (see *CBR* 6:2, p. 34), the Guangzhou Foreign Trade Center is mostly in place. Over the next few years, the addition of a hotel, restaurants, and places of entertainment will make the center a place where "foreign businessmen can do business comfortably without even having to leave the trade center." Additionally, the trade center will have special features including office and exhibition space for rent and foreign currency transactions. The center is to retain its old name, but trading groups, Chinese as well as foreign, will have to pay rent and service charges, according to the article.

By using the existing facilities for end-user communications as well as those appearing now on the horizon, US companies may build up name lists and, gradually, rapport with Chinese buyers. If bogged by the frustrations of finding who those buyers may be, marketing executives may do well to bear in mind that the complete directory of Chinese end-users has yet to be written—and with a market of 1 billion, it could be just as well.—ET

完

# Exporter's Notes

## **Briefly:**

• **Amoco, Citco, Union Oil sign further oil search agreements; PRC vice premier visits US to wrap up negotiations with Mobil, Exxon, Phillips and others.**

• **Every cloud has a silver lining: slowdown in sales to PRC balanced by promising developments in shipping, improved office facilities for foreign businessmen in China.**

• **Diamond Shamrock gets first full-page color ad in Guangzhou Ribao, footing local Canton paper's printing bill for years to come and paving the way for company's end-user outreach program in PRC.**

• **USDA cooperators bring home detailed agenda of PRC agricultural plans from March mission.**

• **How to respond to China's Re-assessment? Get in now, say experienced traders on major imports underway.**

## **US-CHINA TRADE NEARLY \$500 MILLION IN JANUARY-MARCH**

First-quarter preliminary trade returns compiled by the US Commerce Department place US exports to China at \$395.3 million during January-March 1979, and US imports at \$100.7 million. Total two-way trade was \$496.0 million.

In March and April three wheat shipments were canceled involving a total of 525,000 tons, while a fourth contract was scaled down by 31,000 tons, according to the USDA. A 100,000-ton corn contract was also reportedly shelved. The shipments were originally scheduled for delivery prior to May 30, 1980.

But additional sales of wheat and corn are expected during 1979; thus US grain exports may still achieve the 5-6 million ton range mentioned to

US Secretary of Agriculture Bergland by Vice Premier Li Xiannian in November 1978 as being the probable level of China's annual grain imports from America over the next few years. China's grain purchases from the US for delivery in 1979 already exceed 4 million tons, according to US government estimates.

## **MORE OIL SEARCH AGREEMENTS SIGNED**

In mid-April, three more US firms joined the growing roster of multinationals helping China uncover its promising offshore oil resources. The three, Amoco International Oil Co., Citco International Petroleum Co., and Union Oil Co. of California, released a joint press notice on their agreement. According to this statement, they signed a letter of intent, not a full-fledged contract, with the China National Oil and Gas Exploration Corporation. Their oil reconnaissance program, in an unspecified location, was slated to begin after July.

The agreement with these and other US companies may be finalized in late May and June during the visit of a high-level PRC oil team to the US. Mobil, Exxon, and Phillips are close to reaching terms for offshore oil hunts but have not settled them yet.

That the Chinese are ready to sign was indicated by the Chinese decision in early April to send a high-level energy delegation to the US headed by Vice Premier Kang Shien, chairman of the State Economic Commission, at the invitation of the US Department of Energy, and including petroleum minister Song Zhenming. Kang, himself a petroleum geologist, will head a group of oil, hydropower, and coal experts. The oil group, made up of six people, will follow the same itinerary as Kang for the bulk of the trip, during which it will visit all of the major oil companies with whom the Chinese have been negotiating geophysical survey contracts.

## **DIAMOND SHAMROCK: FIRST US FIRM TO ADVERTISE IN PRC**

"Wei manzu renlei weilai de xuyao er nuli," reads the first full-page US ad to appear in the Chinese press, 'to satisfy mankind's future needs and endeavors'.

That is what Diamond Shamrock hopes to do for China if its first venture into the latest PRC experiment in foreign trade works out. Accepting advertising since late March, Chinese newspapers and, reportedly, TV stations (but so far, no billboards), have carried Japanese advertisements. But Diamond Shamrock's ad, placed in the April 14 edition of the *Guangzhou Ribao* (Canton Daily) is the first known US representation.

Diamond Shamrock's ad may well serve as a pathbreaker in other ways. No pretty girls or visuals: the layout features instead a breakdown of company structure and major project areas. In the space of one page the ad lists major company products, from Daconil 2787 to Zincrometal, and a host of other petrochemical and chemical products. Case examples of company success stories are also given.

## **POSITION WANTED**

### **Export Marketing—Capital Goods**

Construction—Mining & Agricultural machinery.

• 15 years heavy construction experience

• Recipient MBA: Thesis Topic: Marketing Capital Goods to the PRC

• BA Chinese Studies

• Willing to relocate to Far East to work with sales to the PRC.

Contact: Mr. Michael McMillen, 150 Capricorn Avenue, Oakland, CA 94611. Telephone: (415) 547-2244



S.S. *Letitia Lykes* docks at Shanghai, March 18, 1979

### MAIDEN VOYAGE—US—CHINA SHIPPING

Talks held by PRC Vice Minister of Communications Peng Deqing during his all-too-brief 10-day visit to the US in April started the ball rolling on US-PRC liner service. In a move that delighted the US Army Corps of Engineers, the vice minister also gave the go-ahead to the corps to submit a proposal that has been in the discussion stage since November 1978 (see *CBR* 5:6, p. 48).

The Army Corps proposal, in its current form, calls for dredging of the Changjiang (Yangtze) River from Yichang through the gorges, opening the way for barge traffic, and incidentally submerging one of the most scenic river passages in the world, now a tourist favorite.

Deputy Assistant Secretary of State for Maritime Affairs Samuel B. Nemirow (the acting administrator following the retirement of Robert J. Blackwell) told the visiting PRC delegation in Washington that the absence of a maritime agreement between the two countries was no obstacle to establishing a Sino-US liner trade.

One of the paramount objectives of the vice minister and his party in visiting the US was to secure liner trade agreements with major US companies, and in fact discussions were held on the subject with both Lykes Lines and American President Lines. But at the conclusion of their tour, the vice minister stated firmly that full liner trade would have to wait for the

signing of a governmental agreement.

It was thought that the reason for hesitancy on the Chinese side was a desire to push through a cargo-sharing scheme under a Sino-US maritime agreement. Without cargo sharing, Chinese ships might stand to lose some portion of the traffic to other carriers, which are entrenched in the main trans-Pacific routes.

A liner agreement on the governmental level would also ensure Chinese vessels of getting higher rates for the freight they carry, in line with world prices. The vice minister said only he was afraid there would be "insufficient cargo" to justify regular liner service in the interim before a maritime agreement is signed.

In terms of cargo preference, the Chinese are seeking a 40-40-20 breakdown as opposed to the 30-30-30 division recommended by the US (see *CBR* 6:2, p. 46).

Moving into the world container trade is a chief priority of the Ministry of Communications and ways of going about it with US assistance were discussed in a preliminary way. China has accrued experience in maintaining container services on routes to Australia and Japan, although the latter service has been discontinued. But container infrastructure is almost non-existent in the PRC and, without it, handling incoming container cargo will continue to be a strain on the PRC freight-handling system.

In this period of budget-crunch in the PRC, financing is a big if with

any import proposal. The vice minister expressed keen interest in a facility viewed at Port of Oakland, where four Japanese shipping companies leased a single container terminal. The vice minister suggested that combinations of US shipping companies could also cover the costs of a container terminal in the PRC on a reimbursable-cost basis, allowing the Ministry of Communications to pay off building costs through services supplied to the foreign companies.

Details of the tender were not discussed, but it was understood that the prospective site of the terminal or terminals was in Shanghai. The Ministry is emphasizing Shanghai and Tianjin (Xingang) as future container shipping centers; Xingang's PRC-built container docks are now nearing completion. Shanghai, however, may require foreign input in order to gear up as rapidly as the Chinese would wish.

The delegation, which arrived with the first PRC freighter to visit the US since direct shipping was suspended 30 years ago, included three representatives of the China Ocean Shipping Company (COSCO): Deputy General Manager Zheng Zhongyuan; Manager Qian Yongchang; and Deputy Manager of the Shipping Department Li Zhiran. Han Wenqing, secretary of the Harbor Section, Water Transportation Bureau, of the Ministry of Communications, backed up the vice minister. Interpreting was Cao Shengjun.

### BEIJING TRADE CENTER: 50 STORIES? 600 APARTMENTS? PROJECT IS OFF AND RUNNING

The first phase of a project to erect a modern office complex on the edge of Beijing, signed into agreement in late March and early April, began almost as soon as the US negotiating team left for home.

Jesse Taylor, senior vice president of Kaiser Engineers and leader of that team, briefed the *CBR* staff on latest developments during a Washington visit in late April 1979. (It was Taylor, not Chase Manhattan's Richard Boyle, that led the team from the US side, as was incorrectly reported in *CBR* 6:2, p. 34 and ff.)

The US consortium which will design the complex and may build it was organized in early January. Chase Manhattan Bank, which has been closely associated with the consortium

**MERCHANT FLEET OF THE PEOPLE'S REPUBLIC OF CHINA**  
**numbers and deadweight**  
**JANUARY 1, 1979**

SHIP TYPE NAME	UNDER PRC FLAG				PRC-FLAG		PANAMANIAN AND UK CONVENIENCE FLAG		TOTAL IN FOREIGN TRADE		PRC-CONTROL GRAND TOTAL	
	IN FOREIGN TRADE		IN DOMESTIC TRADE		TOTAL		Number Deadweight		Number Deadweight		Number Deadweight	
	Number	Deadweight	Number	Deadweight	Number	Deadweight	Number	Deadweight	Number	Deadweight	Number	Deadweight
CARGO	284	3,378,606	172	1,204,056	456	4,582,662	67	693,072	351	4,071,678	523	5,275,734
CARGO/PASSENGER	3	30,351	10	28,832	13	59,183	1	9,140	4	39,491	14	66,873
CARGO/TRAINING	1	5,400	3	28,231	4	33,631	—	—	1	5,400	4	33,631
REEFER CARGO	—	—	5	20,124	5	20,124	1	11,639	1	11,639	6	31,763
RO-RO CARGO	3	36,667	—	—	3	36,667	4	12,535	7	49,202	7	49,202
SINGLE DECK CARGO	—	—	14	61,546	14	61,546	—	—	—	—	14	61,546
PETROLEUM, OIL, & LUBRICANTS (POL) TANKER	22	1,031,735	97	1,413,650	119	2,445,385	11	148,219	33	1,179,954	130	2,593,604
CHEMICALS/PRODUCTS TANKER	1	19,441	—	—	1	19,441	1	4,450	2	23,891	2	23,891
PASSENGER	2	10,000	25	98,410	27	108,410	—	—	2	10,000	27	108,410
SHORT SEA PASS.	—	—	10	15,000	10	15,000	—	—	—	—	10	15,000
BULK CARRIER	74	2,511,929	24	348,421	98	2,860,350	23	735,087	97	3,247,016	121	3,595,437
TOTALS	390	7,024,129	360	3,218,270	750	10,242,399	108	1,614,142	498	8,638,271	858	11,855,091

NOTE: All ships are commercial vessels over 1,000 Gross Register Tons. Tugs, fishing, research, oil, and other such ships are excluded. Ships exclusively in river service are also excluded. Some dry cargo ships are optimized for container carriage, but none are believed to have container cell guides fitted. The Panamanian flag ro-ro ships are non-self-sustaining pallet carriers. Single-deck cargo ships are made up of ships formerly designated as timber carriers as well as bulk carriers without ballast tanks.

Source: US Government

**PUBLICATIONS OF THE COMMITTEE ON SCHOLARLY  
COMMUNICATION WITH THE PEOPLE'S REPUBLIC OF CHINA**

*Acupuncture Anesthesia in the People's Republic of China: A Trip Report of the American Acupuncture Anesthesia Study Group.* Washington, DC: National Academy of Sciences, 1976 (ISBN 0-309-02517-6, \$5.75).

"Earthquake Research in China." *EOS* (Transactions, American Geophysical Union), Vol. 56, No. 11, November 1975, pp. 838-881.

FitzGerald, Anne, and Slichter, Charles P., editors, *Solid State Physics in China: A Trip Report of the American Solid State Physics Delegation. CSCPRC Report Series #1.* Washington, DC: National Academy of Sciences, 1976 (ISBN 0-309-02523-0, \$10.25).

Goldberg, Leo, and Edwards, Lois, editors, *Astronomy in China.* Washington, DC, National Academy of Sciences, 1979 (ISBN 0-309-02867-1).

*Herbal Pharmacology in the People's Republic of China: A Trip Report of the American Herbal Pharmacology Delegation.* Washington, DC: National Academy of Sciences, 1975 (ISBN 0-309-02438-2, \$8.00).

*Insect Control in the People's Republic of China: A Trip Report of the American Insect Control Delegation. CSCPRC Report Series #2.* Washington, DC: National Academy of Sciences, 1977 (ISBN 0-309-02525-7, \$11.25).

Kaplan, Henry S., and Tsuchitani, Patricia Jones, *Cancer in China.* New York, Alan R. Liss, Inc., 1978 (ISBN 0-8451-0202-8).

Kessen, William, editor. *Childhood in China.* New Haven and London: Yale University Press, 1975 (ISBN 0-300-01917-3, \$3.95).

Lehmann, Winfred P., editor. *Language and Linguistics in the People's Republic of China.* Austin and London: University of Texas Press, 1975 (ISBN 0-292-74616-4, \$3.95).

*Oral Contraceptives and Steroid Chemistry in the People's Republic of China. CSCPRC Report Series #5.* Washington, DC: National Academy of Sciences, 1977 (ISBN 0-309-02638-5, \$8.00).

*Paleoanthropology in the People's Republic of China. CSCPRC Report Series #4.* Washington, DC: National Academy of Sciences, 1977 (ISBN 0-309-02620-2, \$10.00).

*Plant Studies in the People's Republic of China: A Trip Report of the American Plant Studies Delegation.* Washington, DC: National Academy of Sciences, 1975 (ISBN 0-309-02348-3, \$9.75).

"Prediction of the Haicheng Earthquake," *EOS* (Transactions, American Geophysical Union), 58(5), 1977.

*Pure and Applied Mathematics in the People's Republic of China. CSCPRC Report Series #3.* Washington, DC: National Academy of Sciences, 1977 (ISBN 0-309-02609-1, \$8.25).

"Report of the American Schistosomiasis Delegation to the People's Republic of China," *American Journal of Tropical Medicine and Hygiene*, May, 1977.

*Rural Small-Scale Industry in the People's Republic of China.* Berkeley; University of California Press, 1977, \$16.00.

*Wheat Studies in the People's Republic of China. CSCPRC Report Series #6.* Washington, DC: National Academy of Sciences, 1977 (ISBN 0-309-02637-7, \$10.00).

For more details, contact the Committee on Scholarly Communication with the People's Republic of China, National Academy of Sciences, 2101 Constitution Avenue, NW, Washington, DC 20418; telephone: (202) 389-6136.

since its founding but is not actually a member of it, signed a letter of commitment on financing of the complex in late March. This \$30 million credit was still under negotiation, however, in late April—and may yet find itself in another bank's in-basket (see Financial Notes).

Now members of the consortium—Kaiser Engineers, Gerald D. Hines, and Turner International Industries—are in the process of setting up a corporation to keep the project on keel. Called the China Foreign Trade Development Corporation, Ltd., the company will build its own headquarters and residential quarters for a staff of approximately 60 architects and engineers. Involved with site survey, preliminary engineering, and conceptual work, the 60 will represent one of the largest US contract teams ever assigned to China on a long-term basis, exceeded only by Pullman Kellogg's 140+ engineers assigned to eight different sites in the PRC between 1974 and 1979.

The advance man for the operation, Charles Hsu, was in Beijing in April setting up an initial headquarters for the company in the Beijing Hotel. (He is not regarded as an official representative of the consortium or the company, however.)

Hard on his heels were architects and other design personnel. Already decided is the basic configuration of the complex (see *CBR* 6:2, p. 35). Designed as a totally integrated working and living center for foreign businessmen, the center will include a number (as yet undetermined) of office towers, some perhaps as high as 50 stories, 600 apartments, and an 800-1,000 room hotel. Living quarters for Chinese service personnel are also part of the plan, as are shopping areas, exhibition space, tennis courts, and possibly an ice skating rink. The consortium has subcontracted to Skidmore, Owens, and Merrill, one of the leading architectural firms in the US, for a part of the design work.

The consortium is rushing to meet an April 1980 deadline for Phase I. The work included in the first phase ranges from development of a design proposal and master plan for the complex, to be finished by June 1979, to clearing of the site and construction blueprints. If the June deadline is met for the basic proposal—and Kaiser's Jesse Taylor thinks it will be—work will begin on massing models for

traffic flow and building layout by July.

Taylor stressed that the Ministry of Foreign Trade's Preparatory Committee for the China Foreign Trade Center is paying out-of-pocket cash for Phase I. The credit sought by their client is not tied to the office building project alone but may also be applied to other MOFT works. Eventually, MOFT will seek financing for the total cost of the complex, estimated to be in excess of \$200 million. The US Group has agreed to a cost-reimbursable formula for the first part of the project; this means that MOFT will be billed only for services employed in the project at an agreed-upon rate.

At this stage, the design work is being coordinated between Kaiser Engineer offices in San Francisco and Gerald D. Hines in Houston. According to Taylor, the Chinese side has been fully cooperative in supplying needed data for the preliminary blueprints. On-site work will begin following review and approval of the consortium's initial proposal.

Negotiations will be proceeding on the second and third phases of the project while the first phase is underway, Taylor said. Chase Pacific Trade Advisors, the energetic consulting firm that helped develop the design-and-finance package, will continue to assist Kaiser Engineers and possibly other companies of the consortium. A spokeswoman of the consultants said in early May that Chase Pacific still felt "very much involved," although earlier reports that Chase Manhattan and its subsidiary had formed the consortium single-handedly were erroneous.

#### **MARKET OPPORTUNITIES IN PRC FOR US AGRICULTURAL EXPORTERS: BOOSTER FROM USDA**

China's revised economic plans have refocused efforts to increase and upgrade agricultural production. The first team to visit China from the Department of Agriculture's Cooperator Program arrived just in time for the unwrapping of the new policy. What they learned may have significance not only for the future of US agricultural exports to the PRC but for exporters of machinery and plant as well:

• **Agricultural mechanization to be deemphasized, except on state farms: Eastern seaboard to be the focus of modernization efforts:**

China has now embarked on a three-pronged agricultural program. The rural sector, dominating all others in size and population, is to receive assistance to vamp up capabilities in the areas of genetics, agricultural research, and feeds. Commune-based light industry will be encouraged. Aside from these, however, the PRC leadership envisions no changes in the social structure or degree of mechanization.

The key regional development will be the PRC's eastern coastal industrial belt, twice the size of Japan and desperately in need of better protein consumption. Machinery to produce convenience foods may be imported, including flour mills and bakery equipment. Mechanized livestock operations for poultry, dairy cows, and hogs will circle the cities; the experiment has already begun with a US-assisted poultry farm in Guangzhou (see *CBR* 6:2, p. 44).

The nub of the plan, however, is the development of a commercial feed industry in this region. Some foreign assistance may be solicited in the building and management of modern feed mills. Large quantities of foreign grain will continue to bolster domestic supplies until China builds an indigenous feed industry. China's state farms, finally, will develop large-scale livestock herds based on forage and grass. Mechanization will continue to be an important feature of the state farms, for production of cash crops.

• **The slowdown:** The Chinese will be taking a "closer analysis" of all new programs, the cooperators were told. In order to do so, an umbrella body—the State Agricultural Commission (SAC)—has been set up to coordinate now widely scattered agricultural production functions. Its official mandate, according to an April 14 Xinhua dispatch, is to make "natural agricultural resource surveys" and to outline agricultural zones, which will serve as the basis for long-term plans. The team met with the new commissioner of this body, Wang Renzhong, and Vice Commissioner of Agriculture Ho Kang. Though the SAC is committed to a go-slow approach, members of the team felt the Chinese were perhaps still going too fast. Darwin Stolte, president of the US Feed Grains Council, advises businessmen to use the next 12–18 months to develop feasibility studies. In most areas examined by the cooperators, information

was lacking on practical matters such as desired mix of inputs, size of plant required, import dependence, positioning, and production capabilities desired.

• **Storage, transport, and bureaucratic bottlenecks will continue to hamper agricultural development:**

Finance, however, is not seen as a major problem for agricultural imports. Team members brought back the impression that revenues from China's sales to third-world agricultural markets plus direct investment in agriculture by overseas Chinese were sufficient to offset expenses for China's grain import and now-reduced plans for imports of agricultural machinery from abroad. Despite the establishment of the SAC, the team saw continued

#### **CHINA TRADE REPRESENTATIVES IN THE US**

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Market?**

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The National Council for US-China Trade has published a comprehensive directory of all major US companies acting as China trade representatives. *China Trade Representatives in the US*, published in May, contains the following information on over forty companies.

- Addresses, cable, telex and phone numbers, the principals, and banking references for each US company.
- Beijing addresses and representatives.
- Explanations of the various functions of China trade representatives.
- An index to each firm's services and product lines.

The cost of the directory is \$10. Postage and handling is \$1.00 for the US and Canada; foreign postage is additional. To order *China Trade Representatives in the US* write the National Council for US-China Trade, 1050 17th St., NW, Washington, DC 20036. Prepayment is required.



**Kaiser's Jesse Taylor and Vice Minister of Foreign Trade Liang Zhanxiang shake hands on trade center contract, April 1, 1979**

lack of coordination between various ministries involved in agricultural planning and production, and storage and transport facilities at a primitive level will continue to bar the development of large-scale grain milling industries.

• **Trial, not error:** The emphasis on plant and equipment imports has shifted from the turnkey concept to one of careful experiment. For instance, six months ago, during the visit of US Secretary of Agriculture Bob Bergland to the PRC, the Chinese were

talking about setting up 50-100 modern bakeries around China. Now what they are looking at is one pilot demonstration plant. Also desired are pilot feed-mill and flour-mill plants, one each. This is a far cry from the complete, automated and computerized operations discussed with Bergland (see *CBR* 5:6, p. 43).

A kind of chill has swept through the US grain growing and trading sector with the cancelation of 625,000 metric tons of corn and wheat that had been on order by the PRC for shipment in marketing years 1978-1980. According to the cooperators, who discussed US-China grain trade with PRC officials prior to announcement of the cancelations, there has been no change in China's import plans vis-a-vis the US.

But others are not so optimistic; one USDA economist says, "There are more and more indications that the US has become a residual supplier (of grain to the PRC) again." He adds, though, that this does not mean going back to the days of no sales. The supplies that China's grain-pact partners (Canada, Australia, Argentina) have

available will not be enough to cover all of China's needs.

Among other hopeful signs for US-China grain trade is a PRC delegation visiting the US in June which will meet with wheat growers and inspection agents. The delegation will be hosted by the USDA Foreign Agricultural Service. TCK will be on its agenda.

The Cooperator Program brings together representatives of private US agricultural organizations under the auspices of the Foreign Agricultural Service. Its charter is to open up new markets for US agricultural products. The first China mission of cooperators, from March 15 to 25, 1979, was led by Undersecretary of Agriculture Dale Hathaway. Cooperator representatives included Eugene Vickers, of the Western Wheat Association; Darwin Stolte, US Feed Grains Council; Wayne Underwood, American Seed Trade Association; Julian Heron, attorney, representing California fruit cooperators; Robert Rumler, from the Friesian Association of America; Dean Specht, National Renderers Association; and Ken Bader, American Soybean Association. 完

## THE UNITED STATES AND CHINA

*The United States and China* Fourth Edition, by John King Fairbank (Harvard University Press, Cambridge, Massachusetts, 1979), 606 pp., \$16.50 (cloth).

This incisive survey of the on-again, off-again love affair between China and the US, now in its fourth edition, is as useful and timely as when it first appeared in 1948.

Written by America's foremost China scholar, John Fairbank, the book addresses a popular, not the academic, audience. It offers a sweeping view of the Chinese polity from ancient times up to the recent, convoluted period of Western contact, spiced by the wit and insight into detail of a geographer who drew the maps himself. And in a sense, Fairbank is just that: in thirty years of American policy-making and history-writing about China, Fairbank—or his

students—has often been the first to provide the overviews, the logic behind the shifting fabric of events, that in turn have shaped the China policy of successive administrations.

Yet the book offers much to the specialist as well as the layman. To the historian, a state-of-the-art review of the latest historical analysis of modern China, much of it the work of Fairbank-trained scholars. To the student, a cogent guide to the field and a 100-page bibliography, updated through 1979. For the diplomat and businessman, the work explores that most intangible but also most influential area of human feeling between the two countries that has launched ventures and derailed them.

Today as we approach a new era of rapprochement it is more important than ever to under-

stand where we are and have been in our relations with China. Fairbank takes the story from the first contacts between American adventurers and missionaries through normalization in 1979. Special care is devoted to describing the rise of Mao Zedong, and changing US perceptions of him and the Chinese Communist party which he individualized and led to power.

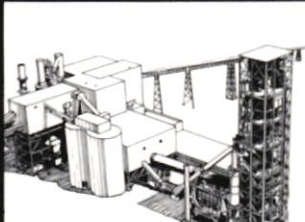
"Anyone who tries to defend the record of American activities in China gets into a two-front war," says Fairbank; one against the "overstrident denunciations of Chinese revolutionaries" and one against his own conscience. Fairbank's effort is to explain and not exonerate. But as he explains events that have been accompanied by strong emotion on both sides, he opens long-jammed doors to other forms of communication.



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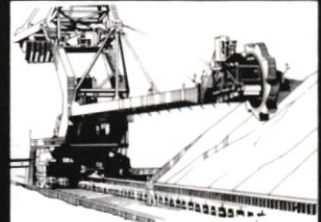
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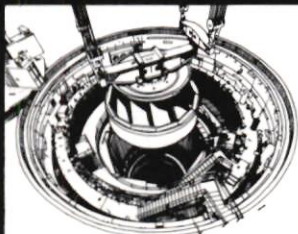
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# China Economic Notes

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## **Briefly:**

- **Capital Construction Work Conference in March decides to postpone, cancel many key investment projects. \$14 billion Jidong steel complex probably among these.**
- **Beijing decides to shorten the average length of construction projects to 6 years, hence the new emphasis on light industrial investments which can be completed faster than projects in heavy industry.**
- **Foreign technology imports must meet strict criteria; the foremost tests are technological suitability to China's needs and the adequacy of financing.**
- **Report explains how a market economy would work in China; factories set prices, make profits, while rigid central planning would give way to indirect controls through price, tax, and credit policies.**
- **China's 1979 grain imports probably 12-13 million tons, US government estimates; 10 million tons have already been purchased.**
- **China to open two tourist resorts and export-processing zones in Guangdong Province. Construction has begun on factory sites and up-to-date tourist facilities.**

## **CHINA SCRAPS UNECONOMIC INVESTMENTS, SPEEDS UP HYDRO, COAL PROJECTS**

*"We will suffer fewer losses if we stop these projects now than if we allow construction to continue"*—Xinhua, March 22

The decision to postpone or cancel a number of key investment projects was announced at a National Capital Construction Work Conference in Beijing in mid-March. The \$14 billion Jidong steel complex, with planned capacity of 8-10 million tons per year, is probably among these. Projects slated for cancellation, according to a

March 22 Xinhua bulletin, have one or more of these shortcomings:

- The necessary geological, engineering, and resource data was never gathered.
- The technology is already obsolete.
- Unresolved design and technical difficulties exist.
- Equipment, labor, or funds are inadequate to finish the project.
- Raw materials and power are lacking to maintain the facility once completed.
- Pollution problems are still unresolved.

More cancellations are apparently under consideration, according to a March 24 *People's Daily* editorial: "Too many projects, too thinly spread resources, chaotic management, and waste are still the major problems of the capital construction front at present."

The decision was prompted by the need to transfer resources which were tied up in uneconomic pursuits to power, coal, oil, building material, and transport development. These "weak links" are the main restraints upon further economic growth. Projects that have been singled out for more rapid development include the following:

- Longyangxia Hydropower Station on the Yellow River, with planned generating capacity of 1.6 million kilowatts.
- Baishan Hydropower Station on the Songhua River in northeast China (900,000 kw).
- Xierhe Power Station in Yunnan Province (255,000 kw).
- Wujiangdu Hydropower Station in Guizhou Province (630,000 kw).
- Dahua Hydropower Station, the largest in Guangxi Zhuang Autonomous Region (400,000 kw).
- Dagang thermal generating plant in north China (320,000 kw).
- Yuanbaoshan Power Plant in Liaoning Province (300,000 kw).
- The first phase of the Zhanhua

Power Plant in Shandong Province (125,000 kw).

New injections of capital will also go to textiles and other light industries, housing estates, public utilities that have a direct bearing on social welfare, and tourist facilities. Peasants are urged to undertake more sideline activities that increase their cash income, and more investments have been earmarked for agriculture-support industries.

## **Goals Outlined**

*"Both the system and methods used to manage capital construction should be altered drastically"*—*People's Daily* editorial, March 24

The recent Beijing Capital Construction Work Conference also set forth China's new capital construction goals for the next 2-3 years. The main points:

- Consolidating, upgrading, and expanding *existing* facilities takes precedence over new ventures. The tendency to throw money at problems, a wasteful policy for any poor country, had resulted in a situation in which the effort to boost output actually forced a number of factories to cut output, as huge engineering schemes began to devour a disproportionate share of the country's resources.
- The average duration of major projects must be shortened to six years, the average for the first 5-year-plan period. Over half of the projects completed during 1974-78 went into operation behind schedule, and many investments now require ten years or more to complete. By shifting resources from heavy industry back to light industry, the government hopes to reduce the gestation period of the average capital construction project.
- Management science is in vogue. The authorities now recognize that output may be increased more by improving the management of existing facilities

than by costly new schemes.

- All new plants under construction will be scaled down, if possible. These include the steel mills which are being expanded, and the Baoshan steel complex near Shanghai.

- New projects will be approved only after thorough feasibility studies are made. Plans of projects already underway will be reviewed.

- Bank loans will gradually replace direct government appropriations for future capital construction projects. Previously, new facilities were built with interest-free capital grants, while revenues from the completed projects went back to the central government. End-users neither received loans nor paid for the services. Under the new system, end-users will obviously have to be permitted to tap the revenues of these projects in order to repay their loans. The change will involve a major overhaul of China's fiscal system and enlargement of the local tax base.

- By making localities pay for new projects, the government hopes to discourage localities from "stationing people in Beijing to obtain funds and secure construction projects," according to Xinhua. These people are called "expeditors" in the Soviet Union (*cai gou yuan* or "purchasing agents" in China). They scour the nation's wholesale depots, industries, and halls of government in the pay of hometown industries in order to locate scarce construction materials and other supplies. In 1977, Beijing and Shanghai "had to receive approximately 50,000 to 60,000 people a day who were seeking supplies," according to a Xinhua report of June 1978.

- Construction units must begin to sign contracts, and may be held responsible for fulfilling the tasks, quality standards, and deadlines stated in their contracts. Previously, construction enterprises were not distinct accounting units under their parent bodies, usually county or municipal construction bureaus. Within these diffuse collectivities, which reflected Maoist organizational philosophy, individual units could more easily avoid blame.

**Trade Policy Revamped, Suitability of Imports Stressed**

Adjustments in China's domestic capital construction plans have caused significant changes in foreign trade policy. The key revisions:

- **Tighter control** Plant and equip-

ment imports will be more tightly controlled, and must pass a checklist in four main areas: the technology must be *advanced*, but it is more important that it be *suitable* to China's needs; it must also be *unavailable* domestically, and there must be adequate *financing*.

- **Self-reliance** The slogan of self-reliance has been reinstated, but with a different twist. It no longer means spurning all things foreign as it did

during the Cultural Revolution. Now it means the opposite—foreign technology is so highly esteemed that the government wants every plant and equipment import to be studied and duplicated, thereby maximizing the technological gains from foreign trade.

- **Technology transfer** US companies should take notice of China's policy of selecting technology that can be copied. This is called importing

**CHINA'S NEW LAWS AND DRAFT LAWS UNDER DISCUSSION**

**April 1979**

Law	Legislative Status
Arrest and Detention Law	Adopted at the sixth session of the fifth National People's Congress (NPC) Standing Committee, February 23, 1979. ( <i>Xinhua</i> , 2/24/79)
Civil Law	Adopted at a national conference convened by the Supreme People's Court in Qingdao, probably in January 1979. The law has been promulgated on a trial basis, and only governs court procedures. A complete civil code is being drafted. ( <i>Xinhua</i> , 1/23/79)
Regulations Protecting Aquatic Products	Issued February 10 by the State Council ( <i>Xinhua</i> , 3/29/79)
Forestry Act	Adopted provisionally by the fifth NPC Standing Committee, February 23, 1979. ( <i>Xinhua</i> , 2/23/79)
Land Requisition Law	Drafts of these laws are being prepared in the first half of 1979 for deliberation and approval by the NPC Standing Committee or the NPC. ( <i>Xinhua</i> , 2/7/79)
Penal Code	
Trade Union Law	
Marriage Law	
Organizational Law of the NPC	
Organizational Law of the State Council	
Organizational Law of the People's Court	
Organizational Law of the People's Procuratorates	
Organizational Law of the People's Congresses and Revolutionary Committees in various localities	
Environmental Protection Law	
Civil Code	
Penal Prosecution Law	
Administrative Laws (unspecified)	Drafts have been prepared for submission to the NPC, which meets later in 1979. ( <i>Journal of Commerce</i> , 4/16/79)
Maritime Laws	
Aviation Codes	
Foreign Investment Laws (covering joint ventures and patents)	

## RECENT MINERAL DISCOVERIES IN CHINA

### Overall Mineral Supply Situation

Mineral	Location of Deposits (Date of Xinhua Announcement)	Estimated Reserves (Million metric tons)	Overall Mineral Supply Situation			Comments	
			Export/Imports	Share World Output (Percent)	Adequacy in Production		Reserve Potential
Copper	Texing County, Guangxi Province (12/30/78) second major discovery in Qamdo Prefecture, Xizang (Tibet) (12/30/78);	8.8  7.0	Imports around 200,000 tons per year during 1975-76	2	Deficient	Considerable	Texing deposits also contain recoverable quantities of gold, silver, molybdenum, and sulfur. In December 1978, Fluor Corp. signed a \$10 million contract to begin development; future contracts for the project may total \$800 million. Qamdo ore near surface, low grade, and widely dispersed. Suitable for strip mining.
Tungsten	Guangxi Zhuang Autonomous Region (2/9/79)	.118	Exports are normally 10,000-12,000 tons per year; but fell to 8,000-9,000 tons in 1976	20-25	Ample supplies	World's largest	Average tenor grade of wolframite (tungsten) ore 1.36 percent.
Sodium Bentonite	Hangzhou, Zhejiang Province; second major find in Xinjiang Uygur Autonomous Region (2/7/79)	10.0	NA	NA	NA	NA	Deposits "first ever discovered in China." Sodium bentonite is used in iron smelting and petroleum drilling.
Cyanite	Shanxi Province (2/7/79)	NA	NA	NA	NA	NA	Deposit in 3 layers 5-8 km. long layers 20-60 meters thick. Ore enrichment will yield cyanite content of over 90 percent. Cyanite is used as refractory material in steel mills.
Aluminum	Pingguo County, Guangxi Zhuang Autonomous Region (12/14/78)	Bauxite deposit "sufficient for a large aluminum center"	Annual imports currently around 150,000 tons	1-2	Deficient	Considerable	Ore contains 59.9 percent aluminum oxide (alumina). Deposit under half-meter of earth; also contains recoverable rare elements. Amenable to strip mining.
Lead and Zinc	Yunnan Province (1/25/79)	14.0	Lead and zinc imports over 100,000 tons per year during 1975-76	3-4	Deficient	So far not plentiful	80 percent deposits suitable for strip mining; ore also contains cadmium and silver. "The Ministry of Metallurgical Industry has decided to import advanced technology from abroad to speed up the development of these mines."

## RECENT MINERAL DISCOVERIES IN CHINA—(Continued)

Mineral	Location of Deposits (Date of Xinhua Announcement)	Estimated Reserves (Million metric tons)	Overall Mineral Supply Situation			Reserve Potential	Comments
			Export/Imports	Share World Output (Percent)	Adequacy in Production		
Iron Ore	Hengtuan Mountains, Yunnan, and Huiming, Yunnan (2/9/79) Other finds in Qinghai and Sichuan Province (1/18/79)	1.0	Moderate amounts of high-grade iron ore are currently imported	6	High grade ore deficient	Considerable, but low grade	The Yunnan discoveries are described as "high grade."
	Anhui Province (2/28/79)	500	NA	NA	NA		The Anhui deposits are located between the Wuhan Iron and Steel Company and the Maanshan Iron and Steel Company. The iron content of one-fifth of the total ore reserves is over 50 percent. Copper, sulfur and alunite have also been found in the area.
Chromite	Yunnan (1/18/79); second major find in Xizang (Tibet) 2/21/79	NA	NA	Negl.	Deficient	Nothing of consequence	Chrome, the ore's refined end product, is currently among China's ferro-alloys in shortest supply. Tibet's chromite deposits are the "richest so far discovered in China."

SOURCES: New China News Agency (Xinhua), and K. P. Wang, "China's Mineral Economy," in Joint Economic Committee of Congress (ed.), *Chinese Economy Post Mao*, US Government Printing Office, November 9, 1978, Table 2, p. 378.

"hens," rather than "eggs," in the words of a recent *People's Daily* editorial. By buying "hens," the government hopes to equip Chinese industry with the capacity to manufacture many technological items previously imported. Plans are already underway to establish a contingent of specialized personnel "to absorb and transfer the introduced technology," the editorial said.

• **Better management** US firms selling management skills will have a better shot at the China market, owing to China's new-found interest in Western management and planning techniques. The PRC has traditionally bought foreign hardware, and was loath to spend foreign exchange on technical assistance. Many joint-venture protocols signed to date call for elaborate training programs for Chinese personnel. Companies seeking joint ventures may also benefit from China's concern for managerial efficiency, since it may narrow the intellectual and institutional chasm which exists between China's managerial practices and those of the West.

### CHINA TO ADOPT THE YUGOSLAV MODEL?

Ever since Premier Hua Guofeng visited Yugoslavia in 1978, China has toyed with the idea of introducing a limited market economy (see *CBR* 6.2 p. 56). The *Guang Ming Daily* recently offered the first glimpse of how the system would work if Yugoslavia's more liberal pricing policies were implemented in China. The discussion was of course hypothetical, since no changes have been carried out as yet, but the drastic reforms under consideration would clearly revolutionize China's economy.

The main innovation would be that factories which are today outside China's state plan would no longer be subject to direct planning, but would be guided instead by the market. The government would then intervene in the market, and pursue other appropriate price, tax, and credit policies in order to exercise indirect control over these enterprises.

Such a reform envisages virtually no change in status for China's large-scale enterprises that produce the key industrial products listed in the state plan, such as coal, oil, steel, and tractors (see Table 1). These industries are strictly supervised by ministries which

**Table 1**  
**CATEGORIES OF INDUSTRIAL COMMODITIES IN CHINA'S STATE PLAN, 1971-78**  
**(partial listing)**

**Compiled by**  
**James B. Stepanek**

<b>1971</b>	Timber	Iron ore	Machine-made paper
Bicycles	Tires	Large & medium bearings	Machine tools
Big machine tools	Transformers	Light bulbs	Metallurgical equipment
Caustic soda	Wristwatches	Machine-made paper	Methanol
Cement	<b>1973</b>	Machine tools	Motor vehicles
Chemical fertilizer	Aluminum products	Metal-cutting machines	Nonferrous metals
Chemical fiber	Chemical fertilizer	Mining equipment	Petroleum
Coke	Coal	Motor vehicles	Petroleum equipment
Crude coal	Cotton cloth	Petroleum	Pig iron
Crude oil	Cotton yarn	Petroleum equipment	Rolled steel
Diesel engines	Iron ore	Pig iron	Salt
Electric motors	Machine-made paper	Rolled steel	Sewing machines
Electric power	Mining equipment	Sewing machines	Silk products
Fine coal	Petroleum	Steel	Soda ash
Fungicides	Pig iron	Sugar	Steel
Hand-guided tractors	Rolled steel	Synthetic ammonia	Steel products
Industrial ball bearings	Steel	Synthetic detergent	Sugar
Insecticides	<b>1974</b>	Synthetic rubber	Sulfuric acid
Iron ore	Caustic soda	Tractors	Synthetic ammonia
Machine-made paper	Cement	Water pumps	Television sets
Metallurgical equipment	Chemical fertilizer	Wool yarn	Thin plastic sheets for agricultural use
Mining equipment	Cigarettes	Woolen fabrics	Timber
Motor vehicles	Cloth	<b>1976</b>	Tires
Nonferrous metals	Coal	Automobiles	Tourmaline
Salt	Cotton yarn	Chemical fertilizer	Tractors
Soda ash	Electric power	Coke	Wristwatches
Steel	Forging equipment	Cotton cloth	
Steel products	Insecticides	Cotton yarn	<b>1978</b>
Sulfuric acid	Iron	Excavating machinery	Bicycles
Tobacco	Machine tools	Iron	Canned foods
Tractors	Mining equipment	Large-scale mechanical equipment	Cardboard
Transformers	Motor vehicles	Radio receivers	Caustic soda
Transportation equipment	Paper	Steel	Cement
Wristwatches	Petroleum products	Television sets	Chemical fertilizer
<b>1972</b>	Pressing equipment	Tractors	Chemical fiber
Automobiles	Rolled steel	Transformers	Chemical fiber knitwear
Bearings	Steel	Water pumps	Coal
Bicycles	Synthetic detergent	<b>1977</b>	Cotton cloth
Cameras	Synthetic rubber	Aluminum articles	Cotton yarn
Caustic soda	Wristwatches	Automobiles	Crude oil
Cement	<b>1975</b>	Bicycles	Electric power
Chemical fertilizer	Aluminum articles	Calcium carbide	Farm drugs
Coal	Automobiles	Cameras	Hand-guided tractors
Coke	Bicycles	Canned food	Iron ore
Copper	Canned goods	Caustic soda	Motor vehicles
Cotton fabric	Caustic soda	Cement	Nonferrous metals
Cotton yarn	Cement	Chemical fertilizer	Petroleum
Electric power	Chemical fertilizer	Cigarettes	Pig iron
Fishing vessels	Cigarettes	Coal	Rolled steel
Forging equipment	Coal	Coke	Salt
Insecticide	Coke	Cotton cloth	Sewing machines
Light bulbs	Cotton cloth	Cotton yarn	Steel
Metallurgical equipment	Cotton yarn	Crude oil	Steel products
Mining equipment	Crude oil	Electrical machinery	Sugar
Nonferrous metals	Diesel engines	Electric power	Sulfuric acid
Photo-sensitive film	Electric generating equipment	Hand-held tractors	Synthetic ammonia
Pig iron	Electric motors	Insecticide	Synthetic detergent
Pressing equipment	Electric power	Iron ore	Thermos bottles
Printed cloth	Electronic instruments	Large forging equipment	Timber
Road rollers	Hand-guided tractors		Tractors
Rolled steel	Insecticide		Wristwatches
Steel			

**Table 2**  
**CATEGORIES OF LIGHT INDUSTRIAL COMMODITIES IN THE STATE PLAN,**  
**AND IN THE MINISTRY OF LIGHT INDUSTRY PLAN, 1971-78**  
**(partial listing)**

Compiled by James B. Stepanek

<p><b>1971</b></p> <p>Bicycles            Cardboard            Cigarettes            Clocks            Cotton cloth            Cotton yarn            Enamelware            Films            Foam plastic slippers            Fountain pens            Glassware            Gunnybags            Light bulbs            Machine-made paper            Matches            Mattresses            Optic glass            Paper            Porcelain ware            Printed and dyed cloth            Rayon            Refined aluminum ware            Refined glycerin            Salt            Sewing machines            Synthetic fatty acids            Thermos flasks            Woolen yarn            Wristwatches</p> <p><b>1972</b></p> <p>None</p>	<p><b>1973</b></p> <p>Bicycles            Canned fruit            Cotton yarn            Flashlights            Sewing machines            Sugar            Synthetic fiber            Wristwatches</p> <p><b>1974</b></p> <p>Bicycles            Cameras            Chemical fibers            Cigarettes            Cotton textiles            Crude salt            Machine-made paper            Paper            Plastic utensils            Plastic ware for daily use            Sewing machines            Silk fabrics            Sugar            Synthetic detergent            Transistor radios            Woolen fabrics            Wristwatches</p> <p><b>1975</b></p> <p>Beverages            Bicycles            Cameras</p>	<p>Canned foods            Cardboard            Ceramics            Cigarettes            Cotton cloth            Cotton yarn            Detergent            Dry batteries            Enamelware            Gunnybags            Large &amp; special weighing machines            Leather goods            Light bulbs            Light industrial machinery            Machine-made paper            Matches            Plastic products            Pots and pans            Pottery            Salt            Sewing machines            Soap            Television sets            Textiles            Tobacco            Toothpaste            Wines            Woolen fabrics            Wristwatches</p> <p><b>1976</b></p> <p>Fiber manufactures            Glassware for daily use</p>	<p>Lemon acid            Nylon knit goods            Synthetic detergent</p> <p><b>1977</b></p> <p>Bicycles            Cameras            Chemical fibers            Chinaware            Cigarettes            Cotton fabric            Cotton yarn            Detergent            Dry batteries            Gunnybags            Light bulbs            Salt            Sewing machines            Wines and beverages            Woolen blankets            Wristwatches</p> <p><b>1978</b></p> <p>Biscuits            Canned food            Chinaware            Cotton yarn            Daily-use earthenware            Flour essence            Glassware            Matches            Paper            Soy sauce            Sugar            Sweets</p>
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*Note on Table 1:* China's state plan contained a total of 86 industrial commodities in 1971, and a total of 80 commodities every year since 1975. If we assume that the types of items listed among these 80 commodities have not changed during the four years, 1975-78, then items which appear under the years 1975 through 1978 can be cross-listed in order to derive a composite list of 77 items. The significance of these 80 items (in our case, possibly only 77 are known), is that these few select industrial categories are the building blocks around which China constructs its annual plans.

However, just because a factory makes a product listed in the state plan, such as "water pumps," or "farm drugs," does not mean that the item is necessarily included in the state plan. Research indicates that an extensive trial period is involved before the good's quality, and the factory's scale of operations, are sufficiently high to warrant a product's inclusion in the state plan.

Only state plan commodities, including foreign exports and imports, appear to be allocated through China's nationwide transport system, notably the railroads, inter-provincial shipping lines, and long-distance trucking corporations. Items not listed are automatically of lower priority, with the result that non-state-plan industries are the first sectors to experience cutbacks during shortages.

*Note on Table 2:* Ministries add supplementary categories to the 80 already in the state plan. For example, 15 of the 80 categories in the state plan in 1975 were in the light industrial sector (which included industrial consumer goods that are most tightly rationed—cotton cloth, wristwatches, TVs, and so forth), and in that year the Ministry of Light Industry added another 24 categories. At lower planning echelons, even more categories are added by municipal light industry bureaus. For example, in 1975, Shanghai's Municipal Bureau of Light Industry added another 51 categories bringing the

total array of light industrial goods under its jurisdiction to 90 (15 + 24 + 51). (The evidence of the light industrial sector suggests that new categories are added on to the original 80 at lower planning levels, and these are not merely subdivisions of the original 80, a point further illustrated by China's Ministry of Metallurgical Industry, which has many minerals in its planning tables not mentioned in the state plan.)

Ultimately, industrial bureaus and corporations at the municipal and county levels disaggregate these categories. In place of broad groupings such as bicycles, machine-made paper, and television sets, smaller subcategories of items are used. For example, local planners in Fujian, Guangdong, and Sichuan list over two dozen specifications of machine-made paper, and in Shanghai there are officially four bicycle types, and 20 subcategories. Full sources and report on both tables are available from the National Council.

assign output quotas to every factory—the most important of eight financial and production targets—which are based on annual and quarterly plans drawn up by the State Economic Commission. These factories would remain under central control, and would bear a stronger resemblance to enterprises under Soviet-style planning than to decentralized Yugoslav industries.

But smaller enterprises now under the authority of provincial and local planning bodies would be made responsible for their own profit and loss. Currently only “collectively owned” enterprises, such as neighborhood workshops, must earn their own way financially. By manipulating financial variables such as the prices these factories pay for goods—some of which will be sold at fixed prices by centrally planned enterprises—the government could theoretically “bring the market economy within the orbit of planning.”

The authors of the *Guang Ming Daily* piece acknowledge that these reforms present difficulties, mainly because the union of a centrally planned and market economy is a marriage between antagonistic partners. “Some comrades are worried,” the article admits, “that a market economy is a capitalist economy. The planned economy just cannot be integrated with it. It can only be a case of one crowding out the other.” China’s collectively owned factories sometimes exhibit capitalistic tendencies which upset the rigid plans of other enterprises, hence the fear is justified. Another worry is that “the promotion of competition will naturally lead to the elimination of certain enterprises and unemployment will give rise to social problems.” Official thinking in China on these topics is clearly tentative, and reforms cannot be expected soon.

#### **CIA STUDY PROJECTS PRC 1979 GRAIN IMPORTS AT 12-13 MILLION TONS**

A new CIA report, *China: Agriculture in 1978* (ER 79-10206, April 1979), offers a concise survey of China’s 1978 agricultural performance. The highlights:

- Grain imports totaled 9.4 million tons in calendar 1978. 12-13 million tons will probably be imported in 1979, of which the PRC has already bought about 10 million tons.
- Grain output achieved 295 million metric tons, but four provinces—

Jiangsu, Heilongjiang, Zhejiang, and Sichuan—accounted for the whole 1978 increase, while grain output fell in 8 provinces.

- Per capita grain production in 1978 was below 300 kilograms.
  - China’s grain output target of 400 million tons by 1985 is clearly unattainable. An additional 15 million tons more grain would have to be harvested each year to reach the goal; since 1957, the historic growth rate has been only 5 million tons per year.
  - Output of industrial crops (including cotton, sugar, jute, hemp, tobacco, and tea) was up, but still below planned levels. The greater availability of industrial crops will increase light industrial production, which China is counting on to earn foreign exchange.
  - 1979 harvest prospects look good as of March 15, provided that the countryside enjoys “normal weather conditions” during the critical summer months.
  - PRC exports of agricultural commodities continue to surpass imports; the agricultural trade surplus in 1978 was \$565 million. This is attributed to the processed nature of China’s exports, which have a higher unit value than PRC imports of raw produce.
- The study also has appendixes on provincial grain production, cotton output during 1949-78, and a partial list of sources. The report may be obtained by writing to the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, or by calling the NTIS Order Desk (703) 577-4650.

#### **CHINA TAKES LEAP FORWARD IN ENVIRONMENTAL PROTECTION— NEW ACTS PROTECT FOREST AND AQUATIC RESOURCES FROM FURTHER DEPLETION**

In conjunction with Beijing’s recent shift in emphasis on agriculture and its sideline activities of cash crops, animal husbandry, and forestry, a nationwide afforestation campaign has been launched with the goal of planting 67 million acres of trees throughout China within the next seven years, almost equal to the 69 million acres planted since 1949.

According to the new Minister of Forestry, Lo Yuchuan, only 12.7 percent of China is covered with trees, less than half the average for most other countries. In some regions tree coverage is only 1-2 percent, resulting in erosion, increased silting of the

Yellow River and a general decline in agricultural yields. Beijing’s current aim is to have 30 percent of China’s land evenly forested by 1986.

The massive tree-planting campaign follows passage of the “Forestry Act of the PRC” (*CBR* 6:2, p. 62), indicative not only of the new importance Beijing has attached to the rule of law but also of its recognition of and reaction to environmental protection issues.

Similarly, “regulations governing the breeding and protection of aquatic life” were promulgated in February, which delineate responsibility of the State Aquatic Products Bureau and revolutionary committees for breeding and pollution control work, as well as production goals for promoting China’s marine resources. Through such measures, the regime hopes to reverse the post-1949 trend under which China’s natural resources have been depleted by poor planning, climatic conditions, and indiscriminate exploitation.

Both sets of rules are designed to provide for the expansion, protection, and rational use of China’s natural resources, and call for the use of material rewards and penalties to facilitate strict enforcement. The Forestry Act goes even further by authorizing the creation of two forest funds; a state forest fund to be managed by the provincial forestry departments and adjusted by the Ministry of Forestry, and a collective forest fund under the control of provincial revolutionary committees (which administer local environmental protection offices).

The Ministry of Finance and state banks have been granted supervision over the state forest fund, while details regarding the regulations for levying the funds are to be formulated by the ministries of finance and forestry, leaving some ambiguity surrounding the financial role of both ministries.

The comprehensive Forestry Act, containing 41 articles, also envisages greater centralization of overall forestry policy and law enforcement through the creation of forestry management organizations directly responsible to the municipal, local, and provincial branches of the central government. At the same time, decentralized mass organizations are charged with the functions of fire control and pest prevention and treatment, while local cadres will be responsible for drafting a system of rewards and punishments for enforcing the act. 完



# Financial Notes

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## **Briefly:**

- **China signs up for \$13 billion in Western buyer credits, out of \$27 billion offered as of March 1.**
- **Total of \$1.2 billion in dollar-denominated loans signed with seven Arab, UK, and Canadian banks in March and April.**
- **Japanese bankers resist China's low interest rate demands, as deadlocked negotiations hold back \$8 billion in medium-term credits.**
- **US banks want to make America's first syndication to China, but not at China's unattractive terms. Meanwhile, bank revenues from the China trade remain a negligible \$1 million.**
- **A new watchdog agency, the State General Administration of Exchange Control, established to rein in the BOC, creates order in China's balance of payments.**
- **The Manufacturers National Bank of Detroit, Michigan National Bank, and Commerce Union Bank (Memphis) have established full correspondent relations with the Bank of China, bringing the total number of American banks with direct financial ties to China to 17 as of May 1.**

## **CHINA SIGNS BUYER CREDITS, LOANS FOR \$13 BILLION**

Of the \$27 billion worth of Western buyer credits offered Beijing as of March 1 (see *CBR* 6:1, p. 45), China has signed for almost \$13 billion. Most of the amount is in the form of government-to-government buyer credits guaranteed by European Exim Banks. The credits are denominated in local currency and can only be used to finance exports to China from the lending country.

The loans include a \$6.8 billion 7-year facility arranged in December 1978 by Coface, and Banque Francaise du Commerce Extérieur; a \$5 billion UK facility backed by the government's Export Credit Guarantee Department, originally established at \$1.2 billion in December by seven British banking

groups, and a \$1 billion line of credit arranged by Mediocredito in April 1979 to help finance Italian agricultural equipment exports to China.

The credits observe the OECD consensus arrangement which allows government-backed credits of up to five years to developing countries to carry an interest rate of 7.25 percent. Other buyer credits guaranteed by Hermes (W. Germany), EDC (Canada), Austrian Exim Bank, and the Japanese Exim Bank are also under discussion.

These credits, although substantial, do not meet China's immediate need for dollar loans to finance China's imports from Japan, which account for almost 30 percent of China's total imports and normally call for payment in US dollars. Only the US Exim Bank could extend dollar-denominated buyer credits, contingent on modification of Jackson-Vanik's Section 402 of the US Trade Act and/or signing of a trade agreement, and the resolution of the government claims issue. This may be possible by mid-1980.

To meet its urgent need for dollars, China has turned to other sources. In March and April it borrowed \$1.2 billion from seven Arab, UK, and Canadian banks. (See *CBR* 6:2, p. 64.) These differ from buyer credits in that they are not tied to the exports of any particular country, nor do they receive government guarantees or interest rate subsidies.

The loans include a \$500 million 3½-year loan from the Union des Banques Arabes et Francaises (UBAF), which made the first Eurocurrency loan to China in March, a \$175 million 5-year loan from Midland International Banks Ltd., and five \$100 million 5-year loans from Lloyds Bank International, Standard Chartered Bank, National Westminster Bank, Midland Bank, and the Canadian Imperial Bank of Commerce. All are believed to waive banking fees, standard arbitration clauses, and reportedly charge only 0.5 percent above LIBOR, the London interbank offer rate which is now

around 11 percent for six months.

The low interest charge of 0.5 percent appeared again April 12, when the Financial and Investment Services for Asia (FISA), a Hong Kong finance company backed mainly by Arab investors, extended a 10-year credit at the same attractive rate of interest for the construction of an 826-room hotel in Beijing.

China obviously hopes that these favorable terms will elicit similar concessions from Japanese bankers, who thus far have refused to offer China the low interest rates it demands. A 22 bank Japanese consortium led by the Bank of Tokyo is asking for 0.625 percent above LIBOR for a \$2 billion 5-year loan, and 0.375 percent for a 6-month \$6 billion loan, while China has not wavered in its determination to get 0.5 percent and 0.25 percent, respectively, for the two loans which total \$8 billion.

The Japanese are now under pressure to match UBAF's lower terms, or watch European banks finance Japan's exports to China. The threat is real, since it is unlikely China would use the \$1.2 billion Euro-dollar loans to pay for UK, French, and Italian exports, which already have adequate buyer credit facilities.

## **US Banks Anxious To Form Syndication—If Terms Improve**

The message China wants to convey to Japan was undoubtedly directed towards US banks as well. But as yet no banks have offered China the bargain-basement terms she wants. Undoubtedly some banks may offer credits to China even at unattractive rates if they can be the first to make a syndication. In most cases, however, the enthusiasm manifested a few months ago for financial deals with China has cooled. Only Chase Manhattan Bank has announced a \$30 million direct loan agreement with China for the engineering design phase of the Beijing Foreign Trade Center. The terms have not been revealed. Moreover, the loan

has reportedly not been accepted by China as yet, despite early reports that the agreement was a contract and not a letter of intent.

US bankers are casting a more critical eye towards the China market because American banks must survive in the world's most competitive financial environment. Few can afford to divert funds to China in unprofitable ventures with uncertain goodwill pay-offs, while competitor banks enjoy higher yields in other parts of the world. Moreover, the problem of surplus liquidity prevalent in Europe and Japan is not so keenly felt in the US just now, where ample investment opportunities exist domestically.

But the hesitation of US banks to make loans at China's terms is perhaps only one side of the picture. China is undoubtedly avoiding the overtures of US banks in order to hasten negotiations for MFN treatment. Greater access to the US market for its exports would of course reduce the need for US loans.

### Bank Revenues Up, But Not Soaring

In the absence of active loan deals, US banks are currently receiving extremely modest revenues from the China trade. The amount was negligible in 1977, and may have been as little as \$1 million for the US banking system as a whole in 1978. This estimate is based on the value of America's 1978 trade with China, multiplied by the rates charged for such basic banking services as negotiating documents and handling overseas remittances, the two main revenue earners for US banks at present.

The low revenues stem from China's preference for cash deals, at least for

**For a change, how about adding tomato sauce, meat balls and parmesan cheese to those noodles . . .**



### RMB: DOLLAR RATES AS OF MAY 8, 1979

Date		RMB/US\$	US¢/RMB	RMB/US\$ % Change
Mar. 14	Bid	1.5776	63.3874	
	Offer	1.5698	63.7024	
	Median	1.5737	63.5445	+0.30
Apr. 10	Bid	1.5840	63.1313	
	Offer	1.5760	63.4518	
	Median	1.5800	63.2911	+0.40
Apr. 13	Bid	1.5903	62.8931	
	Offer	1.5823	63.1991	
	Median	1.5863	63.0398	+0.40
May 8	Bid	1.5854	63.0756	
	Offer	1.5774	63.3955	
	Median	1.5814	63.2351	-0.31

Source: Standard Chartered Bank, Ltd.

US imports thus far. For example, US wheat and corn sales to China in 1978 were paid for mainly with sight letters of credit (sight L/Cs) worth \$403 million—of which well over \$100 million was handled by the First National Bank of Chicago—whereas Australian sales normally involve 12-month credits and Canadian wheat exports use 18-month credits.

Cash deals involve "negotiating fees," which usually amount to one-tenth of one percent of the value of the sight L/C. This is an administrative fee for checking to see that the drafts and documents prepared by the US exporter at the time of shipment meet the terms of the L/C. They are then presented by the US bank to the Bank of China for payment. Only "advising banks" receive this fee. These are designated in the original export or import contract as the bank through which documents and payment are to be routed. "Open account transactions," which bypass US banking intermediaries, of course do not pay this fee, but are rare in the China business.

### Waiting for the BOC—Until Then Profit Opportunities Slim

US bankers are hopeful the Bank of China will set up a New York office soon, and open accounts with US banks once the private claims/assets agreement initialed by Secretary Blumenthal March 2 is officially signed. US banks could then transact payment through China's accounts in the US, and avoid the roughly 20-30 day delay

in sending exporter's drafts and documents to China.

Due to the time lag, some US exporters want payment as soon as their sight draft (demand for payment), commercial invoice (list of items shipped), and bill of lading (proof of shipment) are turned over to their bank.

The bank then "discounts" the draft, and pays the exporter the value of the sight L/C minus interest charges equivalent to, say, 30 days. The draft can be discounted "with recourse to the exporter," or "without recourse," the more common practice. In the latter case the bank's fee is higher, since the US bank bears the risk, rather than the exporter, during the period before payment is received. As a result, few exporters have discounted their drafts, preferring to wait for payment from the Bank of China. But this forces US companies to mark up the prices of their goods—making them less competitive than exports to China from countries with Bank of China branches—in order to compensate for payment delays.

### BOC ELEVATED IN STATUS, SUPERVISION TIGHTENED

The Bank of China is now directly under the State Council instead of the People's Bank of China, its former parent body. The same State Council directive also established a State General Administration of Exchange Control to supervise the Bank of China's activities, according to an April

11 Xinhua bulletin.

The need to tighten central control over foreign exchange transactions has been apparent for some time. Import deals have been signed without giving adequate attention to their aggregate cost in view of China's limited foreign exchange earnings. The Bank of China was severely criticized at a February banking conference in Beijing for allowing a chaotic state of affairs to develop. The new arrangement also signifies an increase in status of China's foreign trade sector. Henceforth balance of payment policy issues will be the day-to-day concern of China's highest echelon government leaders.

The State General Administration of Exchange Control is apparently only a monitoring organ, responsible for "drafting decrees to unify China's foreign exchange control, examining and supervising the commercial and non-commercial foreign exchange balance of payments," the report said. Branches will be set up in provincial capitals, and in major ports and municipalities, but it will not duplicate the work of the Bank of China. The BOC is still

responsible for "the international clearance of all commercial and noncommercial exchange, the organization of foreign funds in a planned way, and the handling of import and export credits and loans," Xinhua explained.

**SAVINGS DEPOSIT RATES UP—  
OVERSEAS CHINESE BENEFIT  
MOST**

As part of China's strategy to pay for the country's ambitious development program mainly through domestic savings, the People's Bank of China recently decided to pay higher interest rates on savings accounts in order to attract depositors at home and abroad.

Interest rates paid on one year deposits were increased from 3.3 percent per annum (compounded monthly), to 4 percent, while 5-year time deposits now earn 5.2 percent per annum—the maximum rate—instead of 3.3 percent, according to a March 22 Xinhua announcement.

Under the new rates, which went into effect April 1, depositors are paid higher rates the longer they keep money in the bank. Before, 5-year

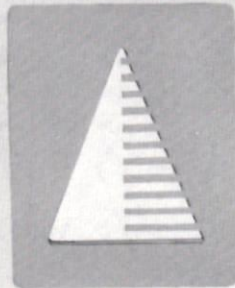
deposits paid the same return as 1-year deposits. Moreover, yields paid on overseas Chinese depositors will continue to be higher than those paid local depositors. The new rates are as follows:

**People's Bank of China:  
Interest Paid on  
Individual Deposits**

**(Percent Per Annum  
Beginning April 1)**

Deposit Maturity	Previous Rate	New Rate
Current	2.2	2.2
6 Month	—	3.7
1 Year	3.3	4.0
Overseas Chinese	4.0	4.8
3 Years Overseas Chinese	3.3	4.6
5 Years Overseas Chinese	4.0	5.2
5 Years Overseas Chinese	3.3	5.2
5 Years Overseas Chinese	4.0	5.5

Source: Xinhua, March 22, 1979



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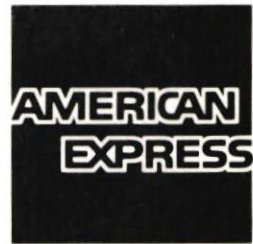
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# China International Notes

## **Briefly:**

- **Recent agreements with foreign firms underline China's high priority for agriculture and light industry.**
- **Recent freeze of Japanese contracts includes \$1.3 billion of petrochemical plants and \$900 million of contracts relating to Baoshan.**
- **Talks with Japan on oil exploration still stalled as China turns to US and Britain.**
- **Compensation trade talks continue with many firms on producing trucks.**
- **Chinese choose to remodel old hotels and scale down contracts to build new ones, but tourism development still a priority.**

## **GENERAL**

As a consequence of Beijing's current reevaluation of its long-term strategy for economic modernization, agriculture is once again getting priority, with cash crops, animal husbandry, and forestry being emphasized over grain production. This could mean additional trading opportunities for foreign exporters of agricultural and light industrial products.

Despite the passage of the PRC's forestry act in March and the initiation of a huge tree-planting campaign, China faces a short-run shortage of paper and will import at least 100,000 tons of pulp annually from a Canadian firm under the terms of a three-year agreement. Textile traders can also expect more business as a result of China's renewed emphasis on light industry. Chinese and EEC negotiators are busy trying to hammer out the terms of a textile accord on import quotas under which China would exercise restraints. Meanwhile, China's desire to expand its textile exports will soon be realized through the construction of a \$217 million polyester plant, expected to be the world's largest.

In an apparent effort to increase the competitiveness of Chinese food products in the world market, the PRC is investing more heavily in modern food processing, packaging, and storage techniques. Japanese firms are to contribute know-how and equipment for a ham and sausage plant and a massive fish catching and processing plant in Guangzhou, while new cold-storage facilities and sugar refineries are about to come on stream.

Beijing's latest policy shift calling for a more selective approach to the import of technology and less reliance on labor-saving equipment continues to send shock waves through the Japanese business community. The PRC's freeze on its order for Japanese petrochemical and steel plants has been only partially offset by indications that China will follow through on a Sino-Japanese steel pact ensuring Japanese exports of 5 million tons of rolled steel annually. The interruption of China's iron and steel buying spree is also likely to dash the British Steel Corporation's hopes of clinching a \$1 billion contract to modernize Beijing's Shoudu steelworks.

In energy, the Japanese have also felt the sting of China's economic reassessments, with the Japan National Oil Corp. talks suspended. Coal and hydroelectric power remain promising areas for foreign participation. A Japanese consortium has received tentative approval for a plan to revitalize two coal mines in Shandong and Shanxi provinces. Western firms, including several from the US, are anxiously vying for a stake in China's plans to construct four large dams and hydroelectric power stations.

In transportation, the Chinese are planning a containerization network of regional and local depots. They are also negotiating with truck manufacturing firms all over the world about possible

compensation trade agreements to produce heavy and light trucks. In addition to continuing their purchases of new and secondhand vessels on the world market, the Chinese have shown a new commitment to modernizing their shipbuilding industry, as evidenced by an agreement with a British firm to launch the first stage of a project to improve the Guangzhou shipyard. Following China's acquisition of hundreds of new ships in the last two years has been an announcement that PRC ships will soon be available for chartering, a move designed to build up China's foreign exchange reserves.

Finally, Beijing's rethinking of its modernization program has generated questions about China's hotel-building plans. It is thought that the Chinese may scale down their contracts with foreign companies in favor of remodeling their existing facilities. However, the recent air service agreements reached between the Chinese government and Lufthansa, Thai Airways, and KLM, and the extension of domestic flights to popular cities within China, suggest that the tourism industry still has high priority in the new modernization campaign.

## **China puts renewed stress on agriculture**



Photo: Xinhua

### PRINCIPAL JAPANESE EXPORTS TO CHINA, 1977-78

Quantity: 1,000 Metric Tons  
Value: \$ millions

Commodity	1977		% Export Share	1978		% Export Share	% Change	
	Quantity	Value		Quantity	Value		Quantity	Value
Chem. fertilizer	1,907	148.9	7.7	1,476	166.6	5.5	-22.6	11.9
Organic chemicals	224	97.7	5.0	197	112.8	3.7	-11.8	15.5
Artificial resins and plastics	89	61.6	3.2	103	91.0	3.0	15.8	47.7
Iron and steel	4,535	1,062.9	54.8	5,636	1,656.6	54.3	24.3	55.8
General machinery		69.6	3.6		237.3	7.8		241.1
Electrical machinery		14.3	0.7		62.5	2.1		336.0
Transportation machinery		115.4	6.0		297.2	9.7		157.5
Textiles	118	198.2	10.2	115	197.9	6.5	-2.6	-0.2
Other		170.0	8.8		226.8	7.4		33.4
Total		1,938.6	100.0		3,048.7	100.0		

Source: Japanese Ministry of Finance

### PRINCIPAL JAPANESE IMPORTS FROM CHINA, 1977-78

Quantity: 1,000 Metric Tons  
Value: \$ millions

Commodity	1977		% Import Share	1978		% Import Share	% Change	
	Quantity	Value		Quantity	Value		Quantity	Value
Animal products	73.8	119.5	7.7	79.2	212.1	10.4	7.3	77.5
Vegetable products	—	219.7	14.2	—	245.1	12.1	—	11.5
Coal	490.8	19.9	1.2	772.2	36.8	1.8	57.3	84.9
Crude oil	6,800.0	654.7	42.3	7,500.0	758.0	37.3	10.2	15.8
Other Mineral Products	—	52.1	3.4	—	72.8	3.6	—	39.7
Textiles	64.4	302.0	19.5	90.8	491.4	24.2	40.9	62.7
Other		179.0	11.5		214.1	10.5		
Total		1,546.9	99.8		2,030.3	99.9		

Source: Japanese Ministry of Finance.

### JAPANESE CHEMICAL FERTILIZER EXPORTS TO CHINA, 1977-78

Value: \$1,000

Item	1977		1978		% Change	
	Quantity	Value	Quantity	Value	Quantity	Value
Ammonium chloride	348,900 mt	15,285	255,700 mt	16,301	-26.7	6.6
Ammonium sulfate	631,800 mt	25,924	280,000 mt	19,020	-55.7	-24.8
Urea	926,477 mt	108,289	932,653 mt	129,938	0.7	20.0
Total	1,907,177 mt	148,868	1,476,110 mt	166,626	-22.6	11.9

Source: Japanese Ministry of Finance.

## CHINA: 1979 SALES AND NEGOTIATIONS TO APRIL 15

The following chart contains recent reports of sales and negotiations exclusive of those listed in previous issues. Total figures of 1979 deals, including deals listed in previous issues, are presented under the heading, "Cumulative Total Values of 1979 Sales Through April 15" and "Cumulative Total Values of 1979 Negotiations Through April 15."

Company/Country	Product/Plant/Technology	Value Millions of US \$ (Local Currency If Known**)	Sale (S) or Negotiation (N) Date Announced
<b>Agricultural Commodities</b>			
(France)	Wheat, soft (75,000 tons)	\$10.5	S: 2/20/79
(US)	Cotton (30,000 bales)	NVG	S: 3/10/79
(Argentina)	Wheat (890,000 tons)	NVG	S: 3/12/79
(Thailand)	Thai rice (100,000 tons) and other products for Chinese crude oil (80,000 tons) Rice (600,000 tons) (not part of countertrade agreement)	Countertrade Agreement	S: 4/4/79
<b>Chemicals</b>			
Occidental Petroleum (US)	Russian urea (50,000 tons)	\$6	S: 2/24/79
Imperial Chemical Industries (UK)	Agro-chemicals	NVG	N: 2/12/79
<b>Chemical Plants and Equipment</b>			
Rhone-Poulenc, Speichim (France)	Methionine plant	NVG	N: 2/26/79
Technip (France)	Polyisoprene rubber plant (30,000 ton/year)	NVG	N: 2/26/79
<b>Construction Materials and Plants</b>			
Goliath Portland Cement (Australia)	Cement plant (200,000 ton) near Guangzhou	NVG	N: 4/4/79
<b>Electronics</b>			
Philips (Hong Kong)	4 complete studio setups of Video-80 color TV studio system	NVG	S: 2/3/79
Abacus Computers (UK)	2 medium-sized computers with micro- processor-based processors, display units, floppy disc drives	NVG	S: 2/79
Solitron Devices (US)	Transistors for use in TV sets and stereos, amplifiers	NVG	N: 3/11/79
Solid State Scientific Inc. (US)	Semiconductor facility for the manufacture of digital watch circuits	\$10 (initial scope)	N: 4/14/79* (Memorandum of Understanding Signed)
<b>Food Processing and Packaging</b>			
Booker McConnell, Tate and Lyle (UK)	2 cane factories, 2 beet factories (Total cost: \$80 million each)	NVG	N: 3/9/79
<b>Machinery</b>			
NEI Clarke Chapman Power Engineering Ltd. (UK)	TIG welding equipment	\$0.2 (£100,000)	S: 1/31/79
<b>Machine Tools</b>			
Cincinnati Milacron (UK)	19 machine tools for operations on a variety of Spey jet engines	\$3 (£1.5)	S: 3/7/79
Toshiba Machine Co. (Japan)	Horizontal borer with main pivot diameter of 210 mm.	\$1.98 (¥400 million)	S: 3/13/79
<b>Metal Mining and Processing</b>			
Mining and Transport Engineering BV (Netherlands)	3 gold-digging dredgers with bucket capacity 300 liters, sufficient spare parts for minimum of three years	NVG	S: 3/21/79

**CHINA: 1979 SALES AND NEGOTIATIONS TO APRIL 15—Continued**

<b>Company/Country</b>	<b>Product/Plant/Technology</b>	<b>Value Millions of US \$ (Local Currency If Known**)</b>	<b>Sale (S) or Negotiation (N) Date Announced</b>
Wright Engineers Ltd. (Canada)	Engineering and feasibility study for possible underground gold mine development on coast of Shandong Province	NVG	N: 1/20/79
(US)	Development of copper deposits at Yongping in Hehsi Province	NVG	N: 3/6/79
<b>Metal Processing Plants and Equipment</b>			
W. Canning Engineering Ltd., Dowty Mining Equipment (main contractor) (UK)	Electroplating plant	almost \$2 (almost £1 million)	S: 2/79
W. Canning Engineering Ltd. (UK)	Metal finishing equipment	\$0.26 (£128,000)	S: 3/12/79
Vacuum Engineering Ltd., GCA Vacuum Industries (UK, US)	Vacuum metal processing equipment	NVG	N: 3/12/79
<b>Mining Equipment</b>			
British Ropes Ltd., MD Ewart & Co. (UK)	Mining and general steel wire rope	\$1.2 (£600,000)	S: 1/79
Atlas Copco (W. Germany)	Tunnel-boring machines	\$8.1 (DM 15 million)	S: 1/79
VEB Hennigsdorf (E. Germany)	90 electric locomotives for opencast lignite mines	NVG	S: 2:79
Mackley Pumps (division NEI Clarke Chapman Engineering) (UK)	Acomb switches for use in mines.	\$0.12	S: 2/27/79
Aveling Barford International (UK) Orenstein & Koppel (main contractor) (W. Germany)	4 ASG 018 motor graders for coal mining complex in Inner Mongolia	NVG	S: 2/79
<b>Nonferrous Metals and Products</b>			
(Turkey)	Chromite (30,000 tons)	NVG	S: 3/2/79
Western Minolco Corporation, Sabena Mining (Philippines)	Copper	NVG	S: 3/9/79
(Japan)	Lead (1,200 tons)	NVG	N: 3/2/79
<b>Power</b>			
China Light & Power Co. (Hong Kong)	Electricity for Guangdong Province in exchange for coal to Hong Kong	Countertrade Agreement	S: 4/1/79
<b>Scientific Equipment</b>			
EMI (UK)	2 laser photometers, 2 scanner systems, 1 advanced radiation therapy planning system for Cancer Institute at Beijing	\$1+ (£500,000 +)	S: 3/6/79
Nuclear Enterprises (UK)	Scientific equipment	\$0.52 (£500,000)	S: 3/79
<b>Shipping</b>			
Hayashikane Shipbuilding & Engineering (Japan)	3 ro-ro vessels (13,000 dwt)	NVG	S: 3/21/79 (delivery for early 1980)
Malta Drydocks (Malta)	Tanker	NVG	N: 2/23/79
<b>Steel and Steel Products</b>			
Pacific Steel Ltd. (New Zealand)	2-year contract for steel wire and reinforcing bars (60,000 mt)	\$15.9 (NZ\$15) price to be renegotiated every quarter	S: 3/16/79



**CHINA: 1979 SALES AND NEGOTIATIONS TO APRIL 15—Continued**

Company/Country	Product/Plant/Technology	Value Millions of US \$ (Local Currency If Known**)	Sale (S) or Negotiation (N) Date Announced
(Argentina)	3-year contract for tubes (40,000 tons), steel bars (30,000 tons), wire (1,600 tons), unspecified amount of seamless tubes	NVG	S: 3/79
<b>Textile Plants and Equipment</b>			
Leesona Company (US)	240 loom winders	\$0.7	S: 2/16/79
Toyoda Automatic Loom Works, Ltd., Toyo Menka Kaisha (Japan)	Pneumatic spinning plant (10,000 spindles 13 million lbs/year)	\$7.5 (cash on delivery, payable in yen)	S: 4/13/79
<b>Transportation Equipment</b>			
VEB Ammendorf (E. Germany)	72 passenger coaches	NVG	S: 2/79
(UK)	BAe 146s and Airbus A300s	NVG	N: 3/10/79
(US)	Modernization of air traffic controls at airports in Beijing, Guangzhou, Shanghai	NVG	N: 4/6/79
<b>Miscellaneous</b>			
Japanese Movie Picture Producers' Association (Japan)	10 Japanese films to be shown at Japanese movie fairs in Beijing and Shanghai in Fall 1979	NVG	S: 4/4/79
C. Kondo & Co. (Japan)	Countertrade agreement for production of small-size carpets. Japan to supply machinery, equipment, raw materials, design, technological guidance	NVG	N: 1/79

<b>Total Value of 1979 Sales Listed:</b>	<b>\$58.98 million+</b>
<b>Total Value of 1979 Negotiations Listed:</b>	<b>\$10 million+</b>
<b>Cumulative Total Values of 1979 Sales through April 15:</b>	<b>\$5.3 billion</b>
<b>Cumulative Total Value of 1979 Negotiations through April 15:</b>	<b>\$2.01 billion</b>

NVG = No Value Given

\* Date Contract Signed. All other dates are when sale or negotiation was announced.

\*\* Dollar conversions at month-end rates quoted in IFS (IMF).

Now, before I get too far into my technical seminar . . .



# Notes from GUANGZHOU 45

## FAIR TO END THE FAIR? VETERANS WILL SHED NO TEARS OVER THE PASSING OF GUANGZHOU 45. Fair To Be Revamped, Streamlined In Time For Fall Event.

Endless lines, crammed hotels, and some 50,000 Hong Kong tourists arriving for Easter weekend in this dusty, provincial Chinese capital marked the opening of the forty-fifth biannual PRC Export Commodities Fair in Guangzhou (Canton).

It was the Fair to end the Fair, according to disgruntled traders. Although US attendance was at a record high (about 450 firms of 560 invited came to the Fair), even the most sanguine of analysts rated US business conducted there as only "moderately successful."

Guangzhou 45 was the swan song of the Fair in its present form, according to sources in the Fair administration. The total volume of US-China trade, at \$83 million, dropped 42 percent compared to the level of Fall 1978, according to National Council estimates. US firms pulled in about \$26 million in sales, and laid out some \$57 million in purchase contracts for Chinese goods. (An uncorroborated Fair source puts the figure for Chinese sales higher by \$10 million, however, based on a reputed \$20 million in textile sales.)

China's imports from US firms were in sharp contrast to Guangzhou 44's record \$82 million in US sales but comparable to levels reached in previous Fairs (Guangzhou 43: \$28.6 million; Guangzhou 42: \$17.9 million; Guangzhou 41: \$29.6 million; Guangzhou 40: \$16.5 million).

Frustrating though it was, poor planning at the Fair did little harm to Chinese export sales.

## MAJOR CHANGES—YEAR-ROUND COMPLEX

The next Guangzhou Fair will see major changes in the form and function of China's premier export trading venue. According to recent PRC media reports, the Fair of the future will be a year-round, integrated trading complex. To the existing facilities of the Guangzhou Fair Building and grounds will be added hotels, restaurants, and office space for foreign companies. The biannual Export Commodities Fair will continue on schedule, but from now on mini-fairs and other business events will go on during what was the slack season.

"The plan is designed so that foreign businessmen can do business comfortably without ever having to leave the trade center," deputy Fair director Zheng Shaokang told foreign reporters in Guangzhou in early April. Beginning at the Fall 1979 Fair, foreign firms will be able to take advantage of such new features as exhibition space for rent and transactions in foreign currencies.

Other major developments at the Fair:

- Streamlining of Commodity Exhibits: Dazhai and Daqing exhibits were pulled off center-stage for the first time in years. Exhibits now concentrate on products available for sale, reflecting the dominant spirit of realism in PRC export planning and policy.

- Open Season on Advertising: This Fair saw the first advertising in China by a US corporation, Diamond Shamrock. With a slew of billboards promoting PRC products on the Fair grounds, the Shanghai Advertising Corporation and its national counterpart, the China Advertising Corporation, advertised their presence. Both corporations opened discussion rooms.

- Appearance by More Branch FTCs: As at the last Fair, branch FTCs sent delegations to the Fair. And as at the last Fair, the branches and FTC head office delegations found it difficult to come to terms over division of product responsibilities and other FTC marketing activities. The competition has now deepened to include sub-branch corporations.

- End-user Corporations Making Room for Themselves: Representatives of the industrial ministries and their end-user corporations were space-seeking rivals of the FTCs at this Fair—not always with full consent of the traditional Fair denizens. Among others, the China Nuclear Instruments Import and Export Corporation and the Aviation Technology Import and Export Corporation made their debut.

- Slowdown on Compensation Deals: The big splash made by compensation arrangements at the Fall Fair was kept down to a ripple this time.

—Based on a report from John Kamm, National Council representative in Hong Kong

## **CORRECTIONS**

The caption for the front cover of the March-April issue of *The China Business Review* omitted the following sentence: "Signing the contract are Robert Anderson, Atlantic Richfield's chairman, and Zhang Wenbin, president of the Petroleum Corporation of the PRC." The contract was signed on March 19, 1979. On page 4, Li Xiannian, China's vice premier responsible for finance matters, was mistakenly referred to as Minister of Finance. On page 27, in the last paragraph, the sentence should have read "In 1977, more than 28 million square meters of new building space were erected . . ." The next sentence should read, "At the cost given in Guangzhou, China's total building budget in 1978 was at least \$1.37 billion." On page 29, under "US Delegation Impressed by China's Tungsten Industry," the Xihua Shan tungsten mine was reported as producing 2,500 tons of tungsten ore annually. The figure actually referred to tungsten ore concentrate, a refined product.

Other corrections: (p. 34)—First column, second paragraph: the Baoshan Steel Mill contract has been suspended, but not withdrawn. (p. 37)—"Top Twelve Exports to US, 1978," add \$4,369,715 as value of 1978 copper (unalloyed) exports to PRC. (p. 60)—Under the section on construction equipment factories, Shanghai, the target for 1985 for the 16-ton cranes is 80, and the last line should read "40-ton cranes." In the commune near Guangzhou, the entries should read "10-20 h.p. small tractors," and "60-80 h.p. medium tractor." (p. 68)—Second column, second paragraph: Liu Xiwen is, of course, PRC Vice Minister of Foreign Trade. (p. 69)—Second column, third paragraph: Japanese exports to the PRC in 1978 grew 57.3 percent over 1977, not 45.7 percent. (p. 77)—Imodco has not, as was reported in *CBR* 6:2, p. 77, entered into negotiations on single-point-mooring systems with the PRC. A proposal was submitted in September 1978 but, as of mid-May 1979, no discussions have been held.

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The new Pinyin romanization system is used throughout this issue as widely as possible. The old system of Wade-Giles, however, has been used in some cases where the Pinyin style could not be ascertained.

### Front cover:

US Secretary of Commerce Juanita Kreps face-to-face in Beijing with China's Vice Premier Deng.

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