

# The China Business Review

November–December 1985



*The foreigner in China*

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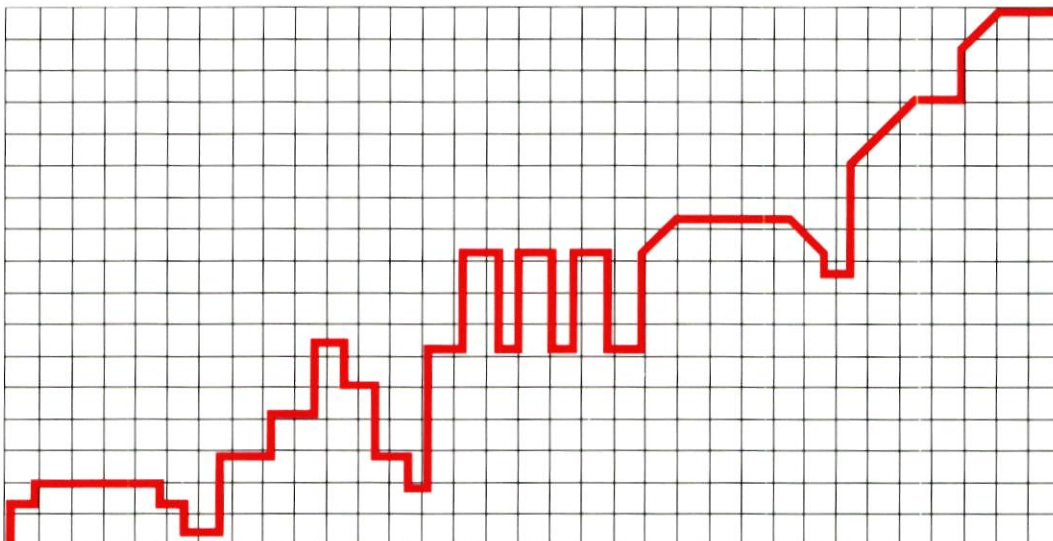
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# The China Business Review

The magazine of the National Council for US-China Trade

November-December 1985

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**Cover:** Foreigners in China have long faced special challenges and opportunities. "Weighing and Purchasing of Tea," painting by an unknown artist, c. 1800, courtesy of the Peabody Museum of Salem, MA. Photo by Mark Sexton.



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## 摘要

**COCOM AGREEMENT EXPECTED TO EASE DELAYS**

At a September 1985 meeting in Paris, the member nations of COCOM, the Coordinating Committee for Multilateral Export Controls, agreed on a substantial liberalization of controls over goods sold to China. Announced by Vice-President George Bush during his October visit to China, the agreement stipulates that certain technical levels of products in 27 controlled commodity categories will no longer require COCOM review and can be shipped at national discretion. COCOM must only be notified of these sales. The equipment covered consists mainly of computers, software, instrumentation, telecommunications equipment, semiconductor manufacturing equipment, and medical equipment. COCOM will also institute procedural changes to raise the minimum dollar value allowed for certain types of shipments, including spare parts.

Exporters of high-technology goods have long been frustrated by delays in the review of export license applications sent to COCOM, which was set up in 1949 to monitor strategic exports to Communist countries. COCOM's 15 member countries, including Japan and most NATO members, meet regularly to process cases. In recent years, as China's trade has expanded and many countries have liberalized their own domestic guidelines for what can be sold to the PRC, the backlog of China cases sent for COCOM review has been growing rapidly. Since 1984 the US government has been working with other COCOM nations to reach consensus on methods to speed the processing of China cases, which have accounted for as much as 80 percent of COCOM's workload this year.

Although final negotiations are still underway, the full agreement is scheduled to go into effect on December 1. If successful, it is expected to reduce the number of China export applications requiring COCOM re-

view by 50 percent or more. Smooth implementation, however, will depend on China's willingness to cooperate with COCOM members in implementing certain procedures. The new COCOM technical guidelines will be published in the US Federal Register shortly after the agreement goes into effect. —PD

**MILITARY MARKETING**

Relaxing restrictions on goods with *potential* military applications may seem only reasonable since China also hopes to purchase more equipment from the West with *intended* defense applications. On September 30, the executive branch of the US government notified Congress of its intent to sell China the technology and plant design for two munitions factories capable of producing fuses, primers, and detonators for 155 mm artillery projectiles. In addition to this \$5 million transaction, China will have the option to buy production equipment for the factory, which could total \$100 million.

This is the first sale to be applied for under the foreign military sales (FMS) agreement between the United States and China reached in June 1984. FMS sales are government-to-government transactions between the United States and a foreign country in which the US government acts as the procurement agent for potential sales of US military equipment valued at \$14 million or more (or a

total goods and services value of \$50 million). These sales are submitted to Congress by the executive branch, and approved unless Congress acts to stop them. The United States now has such agreements with 117 countries.

China has actually been able to buy US military equipment through commercial channels since 1980, when President Carter agreed to let China purchase certain items on the US munitions list. In 1981 the Reagan administration allowed any item on the list to be considered for sale following case-by-case review.

Nevertheless, until recently, the level of approved commercial sales has been low, averaging only several million dollars per year and consisting mainly of electronic communications equipment and spare parts. The pace of commercial sales began to pick up in 1984 when United Technologies sold the People's Liberation Army 24 Sikorsky S-70C2 helicopters worth more than \$100 million. ITT also signed a major contract last year to deliver several coastal surveillance radar systems capable of detecting and tracking ships in coastal waters and low-flying aircraft, and is discussing a possible joint venture to manufacture the system. And just last August General Electric announced that it had sold China gas turbine engines for naval destroyers, a contract worth approximately \$20 million.

China now has three basic priorities for foreign military procurement: improving its ground forces (better antitank equipment and surface-to-air missile systems), air defense (improved jet fighter capability), and naval defense (modernizing antisubmarine warfare capabilities). The United States is holding exploratory discussions with China about cooperation in these areas. Especially if any of these talks prove successful, the pace of US military sales will probably continue to pick up in 1986. Nevertheless, limitations will remain on what types of technology

**WE'RE ON THE MOVE**

In 1986, the National Council for US-China Trade will be moving its Washington DC headquarters to new offices that will accommodate its growing activities and allow for expansion of the library facilities.

Beginning February 3rd, the National Council's new address will be:

1818 N Street NW, Suite 500, Washington, DC 20036. The next issue of *The CBR* will contain further details . . .



the US can sell and what the Chinese can afford to buy. —MS

### ENRICHING THEMSELVES

Many Chinese have apparently taken to heart Deng Xiaoping's exhortation to "enrich yourselves." The government claims per capita national income now exceeds ¥400 (\$135), up from just ¥170 in 1978 when economic reforms began. This places China in the ranks of such other developing countries as Sri Lanka, Togo, and Madagascar. Although China's progress has been striking, per capita figures mask disparities of at least three sorts.

Per capita income in urban areas is ¥608, compared to ¥355 in the countryside. Using another indicator, 87 percent of urban households have televisions while just 7 percent of rural homes are so equipped. This urban/rural gap has been a persistent feature of Chinese life, although it is now narrowing. According to government figures, rural income has more than doubled since 1978 while urban incomes have grown by 60 percent, both rates adjusted for inflation. The improvement reflects the fact that economic reforms, and thus opportunities for enrichment, were instituted first in the countryside. But urban reforms now being implemented might well widen the traditional gap again.

Long-standing regional disparities are also likely to be reinforced by the government's decision to let already relatively prosperous coastal areas lead the development effort. Some of the new wealth will trickle in to poorer interior regions, but not enough to narrow the gap.

The toughest type of inequality to address occurs between individuals or families within the same region or city. China is hardly alone in facing this form of stratification, though the Maoist period was unique in its effort to enforce egalitarianism. The result was a fair degree of equality and a high degree of poverty.

The current leadership, recognizing that its encouragement of private enterprise, wage bonus schemes, and managerial expertise would widen income gaps, has taken the line that equality isn't all that important anyway. For a time, local heroes were those who had done the best by the reform policies, such as the so-called "¥10,000-households." Recent rhetoric, however, suggests the policy has

been a little too successful. Spokesmen are now often at pains to point out that there aren't that many ¥10,000-households after all, and that those who have reached this level of prosperity should do all they can to help others get rich too.

The government is also eager to show that incomes are rising faster than inflation. In the first nine months of this year, consumer prices reportedly rose 7.7 percent nationally over the same period in 1984 and 11.1 percent in China's big cities. The trick is to convince citizens just starting to sample the good life that price reform is an integral aspect of the total economic reform program.

Government spokesmen say the country is going through a "transition from having enough to eat and wear to enjoying a comparatively well-off life." China hopes to reach a per capita income level of ¥800 by 2000. Tax authorities may have had a hand in picking that goal: people start paying taxes on income above ¥800. —TE

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(Signed) Madelyn C. Ross, Editor

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## China's Independence from the Superpowers

Han Xu

China is pursuing an independent foreign policy of peace. China will neither enter into an alliance or strategic relations with any major power, nor join any power blocs. China will not let her State relations be predetermined by the similarity or difference of a nation's social system or ideology. China seeks to develop relations with all countries on the basis of the Five Principles of Peaceful Coexistence. These principles—mutual respect for each other's sovereignty, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence—ensure that all countries can live in amity and engage in mutually beneficial cooperation.

China's recent emphasis on an independent policy of peace seems to have aroused some concern in the Western world. Some believe that China is conducting equidistant diplomacy between the United States and the Soviet Union. We are pursuing a positive, independent foreign policy and we determine our position on issues on the merits of each case. For instance, we criticize the Soviet Union for its aggression against Afghanistan and its maneuver in Indochina. We also disapprove of US policy in Central America and southern Africa. Nevertheless, we continue to believe that the chief threat to peace and stability in the Asia-Pacific region comes from the north.

Others think that China is playing the United States against the Soviet Union or vice versa. China will not play the US card or the USSR card. Nor shall we allow others to play the China card. We oppose hegemonism, but we have no intention of straining our relations with either superpower. Nor do we wish to see relations between them become strained. We welcome the November summit talks

between American and Soviet leaders. We hope the two superpowers can reduce tensions and work toward world peace.

Some see our independent foreign policy as an effort to position China as leader of the Third World. China certainly belongs to the Third World and considers it her international obligation to uphold the rights and interests of Third World countries. But China has no underlying motives. In 1974 Deng Xiaoping declared at the UN Special General Assembly that China will never become a superpower. That remains our national policy today.

The overall goals of China's foreign policy are to oppose power politics, check the arms race, ease international tension, safeguard world peace, establish fair and equitable international economic relations, and promote human progress. The danger of another world war still looms large as a result of superpower rivalry. The United States and Soviet Union are the only two countries with the capability of starting another world war. China would like to see the two superpowers reduce their nuclear weapons stockpiles, stop alternate escalation of their arms race, and avert a space weapons race.

China resolutely opposes the arms race and supports practical and effective measures to reduce arma-

ments. The few nuclear weapons China possesses and the limited number of nuclear tests it has conducted are solely for the purpose of self-defense. On the very day we came into possession of a nuclear force, we declared that China would never be the first to use nuclear weapons. China has also pledged not to use nuclear weapons against nonnuclear or nuclear-free zones. China's military expenditure has long been kept at a low level. Although there has been a rapid growth in China's economy in recent years, its military expenditure has not increased accordingly. Earlier this year, China decided to reduce the size of its military force by 1 million troops. Part of China's military industry is being shifted to civilian production to meet the increasing daily needs of our people.

Foreign policy is an extension of domestic politics. The ardent desire of the Chinese people for peace is a reflection of our basic interest and our needs at home. China has a long-term plan for economic development. By the end of this century, China will bring its GNP to \$1 trillion, with a per capita income of about \$800. By the mid-21st century, China hopes to approach the economic level of developed countries. It is with this goal in mind that we are earnestly working for an international environment of lasting peace.

Peace and development are two issues of strategic and far-reaching importance. Peace is the main issue between East and West, and development is the main issue between North and South. I have briefly dealt with the peace and war issue between the two superpowers and their blocs. On the North-South issue, the existing unfair international economic order has broadened the gap between the developed countries of the North and the developing countries of the South. If countries of the South con-

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*Han Xu became China's ambassador to the United States in April 1985. A career diplomat, he served as deputy chief of the Chinese Liaison Office in the United States from 1973 to 1979. In 1982 he was elected an alternate member of the CCP Central Committee by the 12th Party Congress. This Commentary was adapted from an address he gave on China's foreign policy on October 17, 1985, at the Johns Hopkins University School of Advanced International Studies in Washington.*



tinue to be bogged down in poverty, social unrest, and political turbulence, how is it possible to maintain world peace? How can the economic stability and growth of the developed countries be ensured? China supports the North-South dialogue and South-South cooperation in the hope that the joint efforts of the North and South will lead to a stable and balanced development of the world economy.

The Third World also helps reduce the ever-present threat of war. Third World nations account for three-quarters of the world's total population and possess many of the world's strategic areas and raw materials. Therefore, the strongest force for preventing war today is the continued independence and development of Third World countries. As for China, we are fully aware of our weight and responsibility in international affairs. That is why we treasure our independence and will not add our weight to either of the superpowers. If we tie ourselves to their chariots, there would be an increased likelihood of war. In short, we need peace to develop and we need to develop to keep peace.

The Chinese Communist Party Conference held in September adopted the proposal for China's Seventh Five-Year Plan (1986-1990). Full-scale reform of China's economy, science and technology, and education will accelerate over the next five years to ensure the country's long-term growth. The conference also partially readjusted the composition of the Party's key organs, bringing younger and more competent persons into the central leadership. The conference aimed at preserving the continuity of our present policies and guaranteeing the success of our reforms. We believe the conference is not only another milestone in China's new Long March toward modernization, but also an important contribution to world peace.

To speed China's modernization, we are committed to a policy of economic and technical exchanges and cooperation with all countries. Our open door policy is designed to rejuvenate the country and enrich our people. It is not an expediency, but a long-term, basic national policy. China's history over the past few centuries has shown that a closed door policy leads only to backwardness.

In discussing China's foreign policy, I cannot help touching upon Sino-US and Sino-Soviet relations. Are Sino-Soviet relations improving? (I ask this first since it seems that Americans are more concerned about Sino-Soviet relations than Sino-US relations). My answer is "yes and no." I say "yes" because progress has been made in our bilateral economic and trade relations and in the exchange of personnel. Bilateral trade between China and the Soviet Union will hit \$3.5 billion in 1990. But that will only be half of the amount of present Sino-US trade. Some people are worried that Sino-Soviet trade might one day exceed Sino-US trade. This fear is unwarranted as long as there is less trade legislation like the Jenkins bill which, if enacted, would cut China's textile exports to the United States by \$500 million per year.

I say "no" because there has been virtually no progress in political relations between China and the Soviet Union. Three major obstacles still block improved political relations. They are Soviet support of Vietnam's aggression against Cambodia and Vietnam's provocations against China; the Soviet occupation of Afghanistan; and the massive concentration of Soviet troops along the Sino-Soviet border and in Mongolia. The Soviets have indicated no willingness to resolve those issues. China wants concrete actions, not vague statements. We Chinese are known for our patience. We will wait and see. But even if the obstacles are removed, Sino-Soviet relations will not return to their status of the 1950s.

The overall picture of Sino-US relations is good. Our bilateral trade reached a record of \$6.1 billion in 1984. The United States is the number one foreign investor in China: its investment totaled over \$700 million at the end of 1984 and has increased further this year. In the first half of this year, 110,000 Americans visited China, and some 15,000 Chinese scholars and students are now studying in this country.

Impressive as those figures are, I mustn't pretend there are no points of friction between our two countries. China has complaints about discriminatory trade regulations and restrictive procedures that hamper transfer of technology from the United States. Above all, however, is

the Taiwan issue—the main obstacle to the steady development of Sino-American relations. The US government continues to treat Taiwan as an independent political entity and sell it large amounts of arms. Some Americans even try to create "two Chinas" through legislation, and others advocate Taiwan's independence. Such ideas are absolutely unacceptable to the Chinese government and people. Fortunately, we have three Sino-American joint communiqués laying down the guiding principles for our relations. Only if both countries strictly abide by the communiqués will our relations develop on a stable and durable basis.

China attaches great importance to Sino-American relations. China is the world's biggest developing country while the United States is the biggest developed country. Chinese and Americans with vision know full well that the significance of Sino-American friendship has gone well beyond bilateral relations. It constitutes an important factor for world peace and stability. The development of Sino-US relations is the requirement of our times. That requirement will and must be met if peace and development are to prevail in this world.

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# China's Party Conference

*Continuity through turnover*

Martin Weil

The conference of Communist Party delegates held in September 1985 was perhaps the calmest, most orderly meeting involving high-level leadership changes ever held in a socialist country. Only in China would a turnover of about a fourth of the members of the Party's Central Committee, a third in the Politburo, and almost half in the Secretariat imply continuity rather than change in policy direction.

These three organs are at the summit of China's political system. The 210-member Central Committee—a kind of Communist Party parliament representing all of China's major power bases—has ultimate power over all policy and personnel decisions, but meets formally only once or twice a year. Day-to-day decision-making power rests in the Central Committee's two executive organs—the 22-member Politburo (short for Political Bureau) and the 11-member Secretariat. Theoretically, the Politburo makes policy while the Secretariat oversees its implementation, but in practice the two groups' powers ebb and flow according to the particular political circumstances and personalities of the time. In recent years the Secretariat has been more active than the Politburo, but the Politburo's five Standing Committee members, among whom Deng Xiaoping still wields the most influence, remain the nation's supreme leaders.

The Central Committee membership is normally selected by a Party congress, which the Party Constitution says should be held every five years. The most recent congress, the twelfth, occurred in 1982. The September 1985 Party meeting was called a "special conference," although it did what a congress would normally do. The urgency that Chi-

na's aging leadership attaches to the problem of succession dictated the need to convene a special conference—only the second in the Chinese Communist Party's history—rather than wait until the next Party congress in 1987. Far from trying to block the emergence of a set of successors, China's top leaders are actively working to promote the prestige and position of their successors while they still hold power.

"Orderly succession" means first and foremost a smooth transition from Deng Xiaoping as the Party strongman to his heir apparent Hu Yaobang, an outspoken supporter of Deng's political and economic reform program. Hu, as general secretary of the Communist Party Secretariat, is already the titular head of the Party. But Deng is still the number-one leader, reflected in his role on the Politburo's all-powerful five-person Standing Committee, and his chairmanship of the Party's Military Affairs Commission (MAC), the chief organ of control over the military. Although Hu made gains at the recent conference, there was no real shift in the very highest levels of power.

## *Identifying the "new generation"*

Hu Yaobang and Premier Zhao Ziyang are hailed as representatives of a "new generation" of leaders. But this overlooks the fact that Hu and Zhao are 70 and 67 years old respectively, and thus unlikely to be more than transitional figures. It is in the levels immediately below the top that the real generational change is taking place. In the Central Committee, Politburo, and Secretariat, leaders in their 40s, 50s, and 60s—many of them organizationally affiliated with Hu Yaobang—are replacing most, though not all, of the veterans in their 70s and 80s.

The word "technocrat" is often used to describe the new generation of leaders. But they are not, as the term implies, an apolitical, highly educated, managerial corps interested only in economic growth. They are certainly better educated than the peasant revolutionaries of the previous generation, but only a minority of them have completed college; many have only a secondary school education or a few years in a special institute for political "comers."

They are also an intensely political group, having risen by virtue of their Party activism, skills, and connections in one of the toughest political systems in the world. They include model workers, local-level politicians, soldiers, factory managers, and industrial bureaucrats. A surprisingly large number of them are also the sons and daughters of China's older generation of leaders, and thus rose to current positions on less than purely meritocratic grounds.

The new generation cannot be automatically stamped as "Dengists" or "reformers." In the first place, these labels encompass a wide range of views and opinions, and in the second place, such dyed-in-the-wool politicians are always difficult to pin down, tending to float with the currents of the time. Finally, in some cases local power bases have played as great a role in the choice of new leaders as the central leadership's wishes.

What does distinguish the new group of leaders from the older generation, however, is their professional and managerial background, combined with critical differences in life experience. These younger people share as their primary experience the effort to make the socialist system function, as opposed to turning soci-



ety upside down after 20 years of revolutionary war. They are certainly likely to have less grandiose, more realistic views of what can be accomplished by the political system. And they share to some extent the popular sentiment that China has had too much political upheaval since 1949 and needs above all to improve general standards of living. Deng and Hu have systematically sought to exclude from the new leadership those members of the younger generation who owe their rise to the traumatic Cultural Revolution of 1966-1976. While they have probably not been completely successful, the new leadership is by and large composed of people who either fell during the Cultural Revolution or stood back from its excesses.

People of this type were first elevated to power in substantial numbers during the Twelfth Communist Party Congress in 1982, when 90 new members (nearly half of the Central Committee's membership) were selected. But while the Central Committee changed, proportionately far fewer of the old guard retired from the Politburo and Secretariat. In

fact, the Politburo actually expanded in 1982 to the unwieldy size of 28 people.

### **Promotions reflect gains for Hu, economic planners**

With the changes in September, the new generation has become better represented at the Politburo and Secretariat level, putting the Deng-Hu stamp more firmly on both organs. Ten people, six of them elderly military figures, retired from the Politburo and were replaced by six younger people. The Secretariat saw the retirement of three elderly members and their replacement by five younger figures, all of them associated with the reform policies or Hu Yaobang personally (see chart).

The average Politburo member's age, however, is still close to 70. This reflects Deng's most conspicuous failure at the conference—an inability or unwillingness to engineer any resignations from the Politburo Standing Committee, except for the elderly, incapacitated Marshall Ye Jianying. Neither was Deng able to introduce any younger members onto the Standing Committee, de-

spite hints before the conference that this would happen. The Standing Committee, and thus China's top leadership, remains as five elderly men—Deng Xiaoping and Chen Yun in their 80s, and President Li Xiannian, Hu Yaobang, and Zhao Ziyang in their late 60s and 70s. Other people in their 70s—most but not all aligned with Deng and Hu—also remain in the Politburo, belying the rejuvenation trend.

The list of newly promoted people, however, clearly reflects the rise of Hu Yaobang's personal star. Three of the six new Politburo members—Qiao Shi, Foreign Minister Wu Xueqian, and Hu Qili (no relation to Hu Yaobang, but perhaps his closest, most trusted confidant), are 30-year colleagues of Hu Yaobang from his Party Youth League days. Furthermore, the younger Hu and Qiao now hold concurrent positions on the Secretariat—a feat achieved by only five other people at present, one of whom is Hu Yaobang himself. These seven holding dual seats are in the most promising position for future power gains.

Of the seven, three of the others—

THE POWER BROKERS	THE NEW COMMUNIST PARTY LEADERSHIP	THE RISING STARS
	<p><b>Politburo</b> <i>Standing Committee</i> (in protocol order) +Hu Yaobang, 70 Deng Xiaoping, 81 Zhao Ziyang, 67 Li Xiannian, 76 Chen Yun, 80</p> <p><i>Members</i> Fang Yi, 69 Hu Qiaomu, 73 +*Hu Qili, 56 +*Li Peng, 57 Ni Zhifu, 53 Peng Zhen, 83 +*Qiao Shi, 60 +*Tian Jiyun, 56 +Wan Li, 69 *Wu Xueqian, 64 Xi Zhongxun, 72 Yang Dezhi, 75 Yang Shangkun, 78 *Yao Yilin, 68 +Yu Qiuli, 71</p> <p><i>Alternate members:</i> Chen Muhua, 65 Qin Jiwei, 75</p>	
	<p><b>Secretariat</b> General Secretary +Hu Yaobang, 70</p> <p><i>Members</i> Chen Pixian, 69 *Hao Jianxiu (f), 50 +Hu Qili, 56 +*Li Peng, 57 +*Qiao Shi, 60 +*Tian Jiyun, 56 *Wan Li, 69 +Yu Qiuli, 71</p>	
	<p><i>Secretariat resignations at September Party conference:</i> Gu Mu, 71; Xi Zhongxun, 72; Yao Yilin, 68.</p>	
	<p><i>Politburo resignations at September Party conference:</i> Deng Yingchao (f), 81; Li Desheng, 69; Nie Rongzhen, 86; Song Renqiong, 76; Ulanhu, 81; Wang Zhen, 77; Wei Guoqing, 72; Xu Xiangqian, 84; Ye Jianying, 88 (standing committee member); Zhang Tingfa, 68.</p>	
	<p><b>Key</b> * new members elected at September Party conference + holds concurrent membership in Politburo and Secretariat</p>	



Wan Li, Li Peng, and Tian Jiyun—are also vice premiers of the State Council and are thus primarily concerned with administration of the economy. Of these three, only Tian is considered a personal protégé of Premier Zhao. But the real importance of the Tian and Li promotions is institutional as much as personal. They reflect the increasing power of China's State Council, i.e., the economic planning apparatus, which in turn reflects the importance of economic modernization in present-day China. Never before have economic planners, as opposed to Party apparatchiks or military leaders, been so well represented at the top.

### *Military conservatives on the wane*

The economic administration's gain is the military's loss. The military is generally perceived as both the strongest source of opposition to reform and the likeliest source of opposition to Hu Yaobang. Perhaps the most remarkable feature of the Party conference was Deng's ability to oust no fewer than six military figures from the Politburo—octogenarian marshals Ye Jianying, Xu Xiangqian, and Nie Rongzhen, former air force Commander Zhang Tingfa, former Shenyang Military Region Commander Li Desheng, and Deng's own personal friend Wang Zhen—while not adding a single military figure to either the Politburo or the Secretariat. While the military certainly retains significant influence, its voice in the high levels has been reduced, and its position vis-a-vis the Party and government bureaucracies lowered.

The resignation of General Li Desheng, who flirted with the radicals during the Cultural Revolution and won the reputation of "a nail that could not be pulled out" by virtue of his 15-year tenure in the Shenyang military region, probably gives Deng great personal satisfaction. But personal ties to Deng were not necessarily sufficient to ensure promotion. A case in point involves General Qin Jiwei, a Beijing area military commander who, though reputed to be a friend of Deng, failed to advance from alternate to full member of the Politburo. A logical explanation is that Deng and other civilian leaders have decided in principle that military figures don't belong in the high organs, at least in the numbers that have prevailed since the Cultural

Revolution.

The conference, of course, reflects only the tip of the iceberg with regard to Deng's moves to reform the military; massive changes and reductions in staff are already underway. But the sensitivity of this task is underlined by the fact that three of the septuagenarians who conspicuously avoided demotion from the Politburo and Secretariat are Deng's key men in the military—Chief of Staff General Yang Dezhi, Yang Shangkun, and Yu Qiuli. Yang Shangkun, as much a political as a military figure, is Deng's number-one deputy on the MAC. Yu Qiuli's critical importance lies in the fact that he is the seventh man (in addition to Hu Yaobang and his two confidantes and the three vice premiers) to be on both the Politburo and Secretariat. As head of the military's Political Affairs Department, he must ensure that the Party line is propagated throughout the military and prevent the military from promoting a political line independent from or contrary to the Party's. A former petroleum minister, Yu took a strong stand against the short-lived "spiritual pollution" campaign of 1983 that caused such unfavorable domestic and international repercussions. Yu's influence effectively squelched the campaign's credibility in the military.

Deng is believed to want to pass his position as MAC chief to Hu Yaobang, but has so far been unable to do so—a sign that the military does not yet completely accept Hu. In contrast to all other major Party organs, the MAC does not appear to have been reorganized in September. It is possible, given the number of MAC officials who lost their Central Committee seats and should by rights retire from the MAC, that such a reorganization will take place in the next year. A key measure of Hu's legitimacy as Deng's successor is whether he gains the MAC chairmanship at that time.

### *Ideological conservatives keep a toehold*

In marked contrast to military conservatives, Deng and Hu were unable to cashier the so-called "ideological conservatives"—officials who are concerned about what they consider a drift away from Marxist orthodoxy in the cultural and political spheres as a consequence of reform. Three of

the people in their 70s and 80s who retained their positions on the Politburo and Secretariat fall into this category: Peng Zhen, Hu Qiaomu, and Deng Liqun. Hu Qiaomu and Deng Liqun gained particular notoriety as the spearheads of the spiritual pollution campaign.

Deng Xiaoping has proved himself capable of gaining the trust of such conservatives, and has even collaborated with them on certain issues over the years. The same cannot be said, however, of Hu Yaobang. The ideological conservatives consider Hu too "soft" on capitalism and Western culture (as expressed in such seemingly trivial matters as Hu's penchant for Western suits). Hu was probably the conservatives' ultimate target during the spiritual pollution campaign, and he must certainly view this group as a potential threat to him once Deng dies.

The lingering conservative bloc underscores the fact that Deng must still listen to other voices and make compromises. In the Politburo Standing Committee itself, two figures—Li Xiannian and, more important, Chen Yun—are more conservative than Deng and are believed to have intervened to preserve the ideological conservatives' positions. They undoubtedly have protégés scattered throughout the system, and their status may give political fence sitters pause before fully embracing Hu Yaobang and his policies.

### *The Chen Yun factor*

Chen Yun himself re-emerged from a period of relative quiet to deliver an important speech to the Party conference. Widely noted in the West, it expressed clear and sharp disagreement with some of the effects of economic reform policy and propaganda, particularly the breakdown of fiscal sobriety and the tendency of peasants to leave the fields for more lucrative sideline undertakings. Some have interpreted this speech as a sign that a major political conflict is brewing.

There is undoubtedly a divergence between Deng, Hu, and Zhao, who want to speed the pace of economic reform, and Chen, who favors a slower loosening of central controls and shows greater sensitivity to reform's side effects. Quite probably the feverish pitch of reform rhetoric in 1984–85 sharpened this contradiction.



But the fact that Chen Yun—rather than a disgruntled military conservative, or a Cultural Revolution figure such as Hua Guofeng (who remains on the Central Committee)—is now the focal point of conservative opposition says much about how far the political spectrum has shifted toward reform since 1978. Chen made his reputation as an opponent of dogmatic, reckless economic policies during the 1950s, and was the most prominent spokesman for allowing market mechanisms to play a role in resource allocation at that time. He fought against Mao's Great Leap Forward and was purged during the Cultural Revolution. Deng Xiaoping himself engineered Chen's rehabilitation in 1978, and the two have worked very closely in the last six years on reform of the Communist Party.

While circumstances seem to be driving Chen and Deng apart, Deng shows no desire for a bloody battle to purge Chen. Indeed, allowing Chen a platform for dissent at the conference can be read as a sign of the Party's growing political maturity and a realization that it is better to provide a safety valve for dissent than to allow it to build up unexpressed.

Chen, for his part, has never been known to rock the political boat for narrow personal gain. Indeed, in his dissenting speech at the Party conference he expressed explicit approval of the leadership changes and asked only that "leading bodies . . . practice democracy fully, taking heed of the full range of opinions, including dissenting ones," adding that, "no individual should try to have the final say." Chen accepts the fact that he represents a minority point of view, asking only that it be respected and taken into consideration, something that has clearly happened over the past four months as economic controls have been tightened.

Both Chen and Deng seem to realize that too much is at stake in the process of orderly political succession for their personal differences to be allowed to sabotage it. A meeting such as the recent conference could never have taken place at all, let alone so peacefully, if the tension between Deng and Chen had truly reached a crisis point.

### *The staying power of reforms*

There is further proof, if any is needed, of Deng and Hu's growing

base of support. While their opponents were able to maintain some of the positions they already held at the high levels, and to force Deng to drop a few of his elderly supporters such as General Wang Zhen and Song Renqiong, they were unable in almost all cases to promote their own protégés into the Politburo and Secretariat. To be sure, Yao Yilin, a follower of Chen, was promoted from alternate to full Politburo member, but he lost his position on the Secretariat. Chen Muhua, another reputed protégé of Chen Yun who was recently transferred from her position as head of the Ministry of Foreign Economic Relations and Trade to head of the People's Bank of China, failed to be promoted from alternate to full Politburo member, despite her recent prominent advocacy of tighter fiscal and monetary policy.

The limits to conservative influence bode well for the long-term viability of gradual economic reform. The economic reform policy was emphatically upheld by the conference, and should be reinforced by the principles of the Seventh Five-Year Plan (1986–1990), which was also on the agenda. The plan's output targets, released at the conference, include 1 billion tonnes of coal by 1990, 550 billion kilowatt-hours of electricity, 150 million tonnes of crude oil, and 44 million tonnes of steel products, all of which imply annual growth rates in the 4–7 percent range, consistent both with recent performance and with the annual 7 percent target for combined agricultural and industrial growth in the five-year period. All of this suggests that the apparent retrenchment on the economic front since the middle of this year is likely to be both short-lived and of limited scope. Only a major turn for the worse in the economy is likely to derail the reform movement, although pressure from conservatives will always affect its pace, and differences will arise in the course of implementing specific measures.

### *Long-term implications*

While the five-year plan and the shift of personnel in the Politburo and Secretariat have attracted the most attention, the turnover in the Central Committee will be equally significant in the long run since it provides the power base for future

leaders. Fifty-six of the 210 positions on the committee changed hands at the conference, and the new name list accurately reflects the current institutional balance of power, as well as the future leadership cadre. Almost half of the new members are the recently appointed heads of provincial governments and Communist Party committees; all provinces are represented. Almost all State Council ministers are on the Central Committee as well, although some only as alternate members. Interestingly, certain retired ministers—including Gao Yangwen (coal), Tang Ke (petroleum), and Li Dongye (metallurgy)—are still Central Committee members, suggesting that they haven't lost all their political clout yet.

Eleven members of the military were promoted to the Central Committee, fewer than the number that retired from it. Several figures associated with the public security apparatus were promoted, as were some Party functionaries—though most of the important ones were already on the Committee—and a couple of outstanding scientists for symbolic purposes.

One of the more remarkable facets of this shift is the extent to which the young successors happen to be the sons and daughters of the old revolutionaries they are replacing. Indeed, this trend was apparent regardless of the old timers' political orientation. For example, Retired Army Marshal Ye Jianying's son Ye Xuanping is now a Central Committee member and governor of Guangdong. Ding Henggao, the son-in-law of ex-Politburo member Marshal Nie Rongzhen, is another newly promoted Central Committee member. He has inherited his father-in-law's position as czar of the military industry. Li Tiejing, the new minister of Electronics, is another new Central Committee member and son of one of the founders of the Communist Party. The prominence of such people has led cynics to call the new Communist Party a "party of princes."

But these "princes," if nothing else, underscore the theme of continuity that underlies the conference. This conference will be remembered for further sealing the transition from revolutionary China to one focusing on modernization and eradication of problems inherent in a socialist system. 完



# Setting Up Shop in Shanghai

*A 16-step primer for foreign business representatives*

Carolyn L. Brehm

An estimated 1,300 foreigners reside in Shanghai today, including more than 250 American business people, diplomats, students, and foreign experts. Shanghai is and has long been an alluring city for foreign businesses. Officially opened to foreign trade in 1843, the city's foreign commercial presence still falls short of the pre-1949 situation, but it is catching up. In 1935 Shanghai listed 19 major foreign banks—today there are 16. With renewed prospects for trade and investment in the municipality and throughout the Yangtze River economic region, Shanghai is once more becoming an international business center. In some cases, foreign firms set up a branch office in Shanghai to complement their existing operations in Beijing. Others, particularly traders and consumer goods exporters, find Shanghai the most centrally located and easily accessible base for China-wide operations.

By late 1985 more than 180 foreign representative offices were registered in Shanghai, according to the Shanghai Administration of Industry and Commerce. Of these firms, about half are Japanese, 17 percent are American, 12 percent are from Hong Kong, and the remainder are West German, British, French, Swedish, Danish, Canadian, and Thai. However, the official numbers are misleading in that they do not include oil companies or some airlines, banks, and trading and service companies. Furthermore, several categories of foreign companies are not required to register under current regulations: those in a joint venture with a Chinese partner, those that are wholly owned subsidiaries of foreign companies, those established in Shanghai before 1949, and those do-

ing business under a bilateral agreement. When all of these are considered, there are actually more than 250 foreign companies that now claim a presence in Shanghai (see page 14).

## OFFICE REGISTRATION

Official procedures for registering an office in Shanghai are similar to those required in all Chinese cities except those in Guangdong Province and the special economic zones. They are outlined in the 1980 "Provisional Regulations of the PRC Concerning the Control of Resident Offices of Foreign Enterprises" and the 1983 "Procedures for Registration and Administration of Resident Representative Offices in China of Foreign Enterprises." The Shanghai municipal government outlined several special provisions governing representative offices in its jurisdiction in an April 1982 notice.

**1 Find a sponsor.** A company seeking to set up a Shanghai office must first find a Chinese organization to sponsor its application. The choice of a Chinese sponsor can be an important decision—particularly in Shanghai, where powerful Chinese corporations can help obtain scarce office space and living quarters. The most likely candidate to sponsor registration is the foreign company's pri-

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mary business partner, whether it be a factory, import-export corporation, industrial bureau, or the Shanghai Investment and Trust Corporation (SITCO). The following items should be presented to the sponsor:

- ▶ A letter of application signed by the president or general manager of the corporation outlining the purpose of the office.
- ▶ A notarized letter of appointment authorizing the foreigner to represent the company in Shanghai.
- ▶ A brief biography and two photos of the resident representative.
- ▶ A copy of the firm's business license or certificate of incorporation.
- ▶ A bank letter verifying the company's financial standing or a copy of the most recent annual report.

**2 Get approval to register.** Once the application and related paperwork are submitted, the Chinese sponsor moves the paperwork through the bureaucracy. Previously all representative offices had to be approved by the appropriate central ministries in Beijing. Certain companies must still seek approval from central authorities: banks and insurance companies from the People's Bank of China, aviation companies from CAAC, and ocean shipping operators and agents from the Ministry of Communications. But new regulations issued in November 1984 allow for a streamlined process whereby the Shanghai representative of the Ministry of Foreign Economic Relations and Trade (MOFERT) can approve most applications locally. Shanghai officials claim that these applications can be processed in a week or less, but recent experience indicates that even local approvals still take one to three months if not nursed through the system.

Once approval is granted by the local or central authorities, the Shang-

hai Municipal Government Foreign Economic Relations and Trade Commission issues a certificate of permission to register. A foreign company has 30 days to complete registration procedures once it has received this certificate. Completing the process easily takes a week of running from office to office, taking care of the following steps:

**3 Locate office space.** Most companies do extensive research on available space prior to registration by calling or visiting the buildings sanctioned to rent office space (see chart on page 16). In theory, one cannot register without a permanent office address—but neither can one rent office space without being registered. Most firms must find a way around this bureaucratic catch-22 since all registration forms submitted to the various agencies require the representative office to state its permanent, approved office address. In some cases, firms are able to hold space in an authorized building until registration is approved, or convince an unauthorized building to rent them rooms that serve as makeshift offices until they can move to a sanctioned building.

**4 Register and pay fee.** The Shanghai branch of the State Administration of Industry and Commerce (SAIC) supplies the actual certificate of registration after you present them with your certificate of permission to register (see Step 2). This registration certificate and a resident representative booklet are in turn used at the other Shanghai agencies during registration. The registration fee is ¥600, or approximately \$200. (The official exchange rate on November 12, 1985, was ¥3.19/\$1.00.)

**5 Apply for visas.** The Shanghai Public Security Bureau's division for foreigners provides a household registration booklet and six-month multiple entry visas for the foreign representative(s) and family members. Visa extensions are granted every six months by the bureau as long as office registration is valid.

**6 Register and pay tax.** Representative offices must register at the Shanghai Tax Bureau. They must provide a letter from their head office and/or a pay stub to verify their personal income for individual tax purposes. They must also provide a description of office activities so the Tax Bureau can determine the office's tax status.

**7 Register with Customs.** Register your office at Shanghai's Customs House, and officials will later grant duty-free entry of office furniture, equipment, and personal effects. You must file forms detailing the type, brand, and value of the items to be imported (see Step 14).

**8 Open bank accounts.** Stop at the Bank of China's main branch or the Huaihai sub-branch to open company checking and/or deposit accounts in RMB or US dollars.

**9 Visit Shanghai FESCO.** Inform the local office of the Foreign Service Company of your projected staffing needs. FESCO controls the hiring of local employees and can also help secure office and living space.

**10 Keep registration current.** On reaching the end of the bureaucratic maze of registration, there is comfort in knowing that registration is valid for three years. But you must renew registration annually. Each office must submit a report and ¥300 within 30 days before the anniversary of its registration. The report, in both English and Chinese, should describe office activities over the past year and detail the contracts signed and projects negotiated. When the initial three-year registration period expires, the entire application procedure must be repeated to extend registration.

**11 Making office changes.** To change the number of foreign resident representatives in Shanghai, or register a new office address, apply to SAIC and pay a ¥100 fee.

#### AFTER YOU REGISTER

The successful registrant is now ready to tackle the remaining matters necessary to open a business office.

**12 Hire local staff.** The hiring of local Chinese employees to staff Shanghai offices is tightly controlled by the Shanghai branch of FESCO. Office assistants, secretaries, drivers, cooks, maids, and technical personnel cost from ¥800 to ¥1,500 per month depending on the candidate's qualifications. Employees receive a percentage of the fee as wages. FESCO selects the candidates, and the hiring company has the opportunity to interview, approve the selection, or request another applicant.

FESCO requires the foreign company to sign a one-year employment contract guaranteeing compensa-

tion, sick leave, vacation, overtime, and payment for missed meals. An increase of at least 5 percent must be paid to FESCO after the Chinese employee's first year. The contract also gives the company the right of dismissal in the event that the local staffer's work proves unsatisfactory.

Foreign rep offices report the quality of Shanghai FESCO's personnel to be fairly good, but periodic shortages of qualified candidates can cause delays in adding office staff. Hiring local employees directly without going through FESCO is currently a topic of heated debate between foreign companies and the Shanghai authorities. Companies that have succeeded in hiring staff outside the FESCO monopoly have done so only after arduous negotiations and the intervention of highly placed local officials. These companies continue to face bureaucratic opposition for circumventing the FESCO system.

Qualified office workers are also available on a temporary, part-time, or full-time basis from the Jinjiang Service Center for Overseas Traders (SCOT). Fees vary according to the services performed. SCOT theoretically furnishes only temporary personnel, although SCOT employees have been known to work for the same firm for a year or longer.

**13 Install telex and telephones.** The Shanghai Telegraph Bureau handles installation of telex machines. Normally there is a one- to two-week wait between applying for service and installation. The bureau provides customers with a modern Philipps Pact 200 machine. Installation fees vary from building to building, but average about ¥1,500. A two-year telex machine rental fee, paid up front, costs ¥8,240. After two years, an equipment rental fee of ¥295 is charged per month. In addition to the cost of sending telexes, a monthly fee of ¥37.50 is charged for use of the telex line.

Companies are discouraged from importing their own telex machine. If they do, the Shanghai Telegraph Bureau becomes owner of the machine and charges a rental fee. Most offices come with at least one extension phone tied into the building switchboard, since they are generally under hotel management and equipped like a hotel room. However, direct line phones are a necessity in a city where 50 percent of local phone calls do not connect. The



## ESSENTIAL CONTACTS FOR OFFICE REGISTRATION

**Shanghai Special Representative of the Ministry of Foreign Economic Relations and Trade (MOFERT)**  
1333 Nanjing Xi Lu  
Tel: 582087

**Shanghai Municipal People's Gov't Foreign Economic Relations and Trade Commission**  
New Office Building  
33 Zhongshan Dong Yi Lu  
Tel: 232220

**State Administration for Industry and Commerce (SAIC), Shanghai Branch**  
Dongfeng Hotel Room 303  
3 Zhongshan Dong Yi Lu  
Tel: 218060, ext. 303

**Shanghai Public Security Bureau, Division for Foreigners**  
210 Hankou Lu  
Tel: 215380

**Shanghai Tax Bureau, Foreign Affairs Section**  
60 Jiujiang Lu  
Tel: 219610 ext. 159

**General Customs of the PRC, Shanghai Branch**  
13 Zhongshan Dong Yi Lu  
Fourth Floor  
Tel: 215529

**Bank of China, Shanghai Main Branch**  
23 Zhongshan Dong Yi Lu  
Tel: 217566  
Telex: 33062 33063 BOSCH CN

Huaihai Sub-branch:  
Huaihai Zhong Lu  
Tel: 312011

**Shanghai Foreign Service Corporation (FESCO)**  
New Office Building  
33 Zhongshan Dong Yi Lu, Room 403  
Tel: 232200

Branch Office: Jinjiang Club  
58 Maoming Nan Lu, Room 58151  
Tel: 582582, ext. 58151; 315499

**Jinjiang Service Center for Overseas Traders (SCOT)**  
Jinjiang Club  
58 Maoming Nan Lu  
Tel: 582582, ext. 671; 370115, ext. 671

Branch office: Union Building  
100 Yan'an Dong Lu  
Tel: 264006

**Shanghai Telegraph Bureau**  
34 Nanjing Dong Lu  
Tel: 211130  
Telex: 33006 (SITSR)

**Shanghai Telephone Bureau**  
232 Jiangxi Zhong Lu  
Tel: 288090

**Shanghai Long Distance Telephone Bureau**  
934 Nanjing Xi Lu  
Tel: 581567

SOURCES: US Consulate General Shanghai, Shanghai Administration of Industry and Commerce, and author's research

Shanghai Telephone Bureau charges ¥400 to install direct phones for local service.

To make long distance calls, foreign offices must apply to the Shanghai Long Distance Telephone Bureau for an account number for domestic and international calls. Some exchanges already offer direct dialing to several Chinese cities, the United States, Japan, and Hong Kong, and widespread direct dial service is expected within the next year.

**14 Import office supplies.** Rep offices in Shanghai benefit from the more lenient customs regulations granted to China's "open" cities. In addition to office equipment and supplies, foreign companies can import duty free one vehicle and personal effects. Goods must be imported within six months of the Customs Bureau's approval of the application. Only one application can be made to import personal belongings, but there is no limit on the number of applications for import of office-related goods. Shanghai customs officials have a reputation for efficiency and for being generally helpful to resident foreigners.

**15 Rent an office car.** Resident representative offices can book an office car for long-term use from any one of Shanghai's larger taxi companies, such as Friendship Taxi, Overseas Chinese Taxi, and Shanghai Taxi Company. Shanghai FESCO recently started its own fleet specifically to serve this market. Rates for cars from the various cab companies are comparable. FESCO offers a newly imported Japanese sedan for approximately ¥1,500 rental fee per month, with the driver's salary an extra ¥500 per month.

**16 Locate living space.** Once your office is taken care of, you must still compete with the brisk tourist trade in Shanghai for a place to spend the nights. Permanent business reps living in Shanghai hotels are downright unpopular with most hotel managers, and can find themselves bumped into the street with little notice when an important State visitor and entourage come to town.

The majority of foreign business residents live at the Jinjiang Hotel, Jing'an Guest House, Shanghai Hotel, Shanghai Mansions, or the Peace Hotel. A number of families also live at the Cypress Hotel Villas.

A handful of lucky foreigners have managed (generally through connec-

tions) to secure living space in quiet, secluded guest houses such as the Dong Hu, Ruijin, and Dingxiang. The Aijian apartments near the sports stadium in south Shanghai house a few resident representatives and their families. The Hengshan Hotel, a long-time favorite for its

## AMERICAN COMPANY

\*=Registered representative office  
(JV)=Joint equity venture with PRC entity  
according to Chinese sources  
Current through October 1985.

ACE LUGGAGE AND BAGS CO. LTD. (JV)  
\*AEG-TELEFUNKEN CHINA LTD.  
\*AIKU KABUSHIKIKAIISHIYA  
AJ ELECTRONIC TECHNOLOGY CO. LTD. (JV)  
AJ OPTICAL MANUFACTURING CO. (JV)  
\*ALOKA CO. LTD.  
AMERICAN BUREAU OF SHIPPING  
\*ASAHI TRADING CO. LTD.  
\*ASSOCIATED MERCHANDISING CORP.  
\*BANK OF AMERICA  
BANK OF EAST ASIA  
\*BANK OF TOKYO  
\*BANQUE INDOSUEZ  
\*BANQUE NATIONALE DE PARIS  
\*BANQUE DE PARIS ET DE PAYS BAS  
\*BAYER CO. LTD.  
\*BBC BROWN BOVERI LTD.  
BEST WOOL TEXTILE CO. LTD. (JV)  
BINNIE AND PARTNERS PTY. LTD.  
BOHAI RACAL  
\*BONICO LTD.  
\*BRAMBILLA-COGROS SA  
BRITISH PETROLEUM DEVELOPMENT LTD.  
\*CARTEGENA INDUSTRIAL CO. LTD.  
CAST COMPUTER PRODUCTS CORP. (JV)  
CAST SOFTWARE TECHNOLOGY CORP. (JV)  
CATHAY PACIFIC AIRLINES  
C-E INTERNATIONAL  
\*CHALON CO. LTD.  
CHARTERED BANK  
CHEVRON AND TEXACO ORIENT  
CHINA INTERNATIONAL LEASING CO. LTD. (JV)  
CHINESE-POLISH JOINT STOCK SHIPPING CO. (JV)  
\*CHORI CO. LTD.  
\*CIBA-GEIGY (HK) LTD.  
CINDIC HOTEL INVESTMENT CO., LTD.  
\*CITIBANK, NA  
CLUFF OIL P.L.C.  
\*COOPERS & LYBRAND  
\*COSA CO. LTD. (HK)  
\*CROCKER PACIFIC TRADE CORP.  
DAHUA DECORATION & ENGINEERING CO. LTD. (JV)  
\*DAI-ICHI KANGYO BANK, LTD.  
\*DAIWA HOUSE INDUSTRY CO. LTD.  
DA JIANG CO. LTD. (JV)  
\*DELOITTE HASKIN & SELLS  
\*DENTSU INC.  
\*DETAU INC.  
\*DIAMOND SHAMROCK  
\*DIGITAL EQUIPMENT CHINA LTD.  
\*DODWELL CHINA DIVISION  
DONGHUA CONTAINER REPAIR & GENERAL SERVICES CORP. (JV)  
\*DORBEN LTD.  
\*EAST ASIA IMPORT AND EXPORT CORP.  
\*EAST ASIATIC CORP.  
EASTERN COMPUTERS INC.  
EBASCO  
EXCEL-UNITED CO.  
\*FIRST NATIONAL TRADING CO. LTD.  
\*FORT TRADE & DEVELOPMENT CORP. LTD.  
\*FRAMCO MANUFACTURER CO., LTD.  
\*FUJI BANK LTD.  
FUTONG CO. LTD. (JV)  
GAN LIN BEVERAGE LTD. (JV)  
\*GENERAL ELECTRIC TECHNICAL SERVICES CO. INC.  
\*GENERAL MOTORS TRADING CORP.

spacious apartments with kitchens, is partially closed for a year-long renovation that began last summer.

The Yandan Apartment Building, the first of several new residential apartment towers, opened in October 1985. Space has already been purchased by local Chinese organiza-

tions and by overseas Chinese. They, in turn, are renting them to foreigners for ¥6,000 to ¥7,000 a month, or providing them as expatriate housing under contract obligations in which the Chinese side is required to furnish living quarters.

Construction of new hotels is un-

derway but won't solve the current crunch for several years. The 1,000-room Huating Hotel across from the sports stadium in east Shanghai, tentatively scheduled to open in early 1986, will be managed by Sheraton Hotels. The Jing'an Hilton should open in 1987, as should the Jinjiang

## FOREIGN COMPANIES REPRESENTED IN SHANGHAI

- \*GERMANISCHER LLOYD  
 \*GOBANKEN  
 GRACEFO SHOE MANUFACTURING LTD. (JV)  
 \*GRAPHICS INTERNATIONAL (HK) LTD.  
 GREAT WALL LEATHER LTD. (JV)  
 GREAT WALL ZIPPER CO. LTD. (JV)  
 GREAT YANGTZE TRAVEL CO. (JV)  
 \*GUNZE SANGYE INC.  
 \*HAIBIN INTERNATIONAL CO. LTD.  
 HAI MAO ENGINEERING CO. (JV)  
 HERALD PLASTIC PRODUCTS CO. LTD. (JV)  
 \*HERBERT KEES (CHINA) LTD.  
 \*HIGHGROVE LTD.  
 \*HITACHI LTD.  
 HONGKONG AND SHANGHAI BANKING CORP.  
 HONGQIAO ASA HATA EMBROIDERY FACTORY (JV)  
 HONEYWELL  
 HU XING ELECTRONICS CO. LTD. (JV)  
 HUA DE PLASTICS CORP. LTD. (JV)  
 HUA DING ARCHITECTURAL DECORATING CO. LTD. (JV)  
 HUI FENG CO. LTD. (JV)  
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SOURCES: Shanghai Administration of Industry and Commerce; *China Economic News*, Hongkong and Shanghai Bank, US Consulate General.  
 Compiled by Carolyn L. Brehm



Hotel extension and Garden Hotel project behind the Jinjiang Club.

Fully contained office-apartment complexes under construction include the Ruijin Building and Shanghai Centre. The former will feature 204 offices and 42 apartments. On a larger scale, Atlanta-based Portman Associates' Shanghai Centre will include an office tower and apartments among its many planned facilities (see *The CBR* July–August 1985, page 44).

### IS IT WORTH IT?

In the next two years, living and working conditions for resident rep-

resentatives in Shanghai may actually deteriorate before they improve. Office space will be at a premium as traditional Shanghai buildings are torn down or closed for renovation. Ever growing numbers of business people and tourists will continue to overtax Shanghai's scarce facilities. Prices for hotels, office space, and services will continue to climb at a rate of 20 percent or more per year. But unlike Beijing, spiraling prices will not be made up for with improved services and facilities in the near term. Amenities enjoyed by foreigners in Beijing and Guangzhou, such as supermarkets and deli-

catessens with imported foods and bakery items, health clubs, and authentic Western restaurants, will come to Shanghai only with the advent of joint venture hotels.

Nevertheless, conditions for resident representatives should improve dramatically by 1988. Representative offices set up in Shanghai during the lean years between now and then will have a head start in China's major industrial and commercial city. For most companies, the frustrations involved in establishing an office presence are likely to be worth it in the long run. 完

## OFFICE SPACE IN SHANGHAI

*Office space in Shanghai is extremely tight compared to Beijing, where foreign companies now have access to a growing range of new facilities. Until 1988 when the space crunch in Shanghai will be alleviated by several new complexes, companies must continue to compete for the city's limited facilities.*

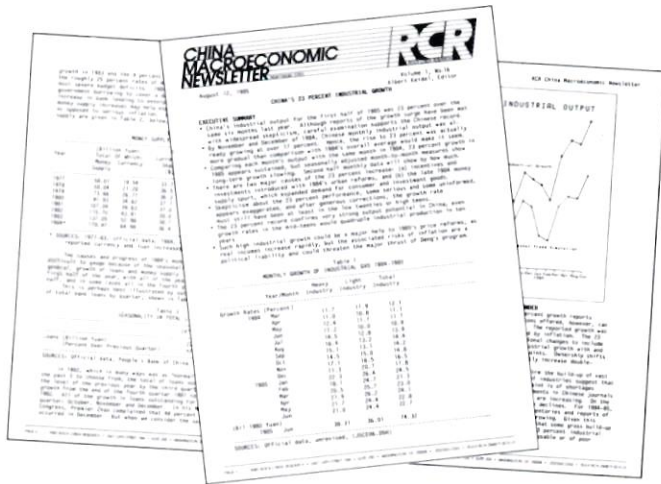
*Only certain buildings are approved by Shanghai authorities to house foreign representative offices, as opposed to comparatively free-wheeling Beijing. Also unlike Beijing, Shanghai municipal regulations forbid foreign representatives from living in the office, thus requiring a company to rent at least two separate rooms. A few fortunate companies managed to rent villas in guest house compounds for combination offices and apartments, but generally these arrangements were negotiated several years ago when Shanghai had fewer foreign residents and was more flexible with office registrations.*

*As of September 1985, representatives could set up offices in only the following seven locations sanctioned by the Shanghai Foreign Service Corporation:*

Facility	RMB Price	Average room size	Terms and availability	Comments
Cypress Hotel Villas 2419 Hongqiao Lu	2-BR: ¥360/day 3-BR: ¥410/day	3-BR villa: 130 m <sup>2</sup>	Discount available. Two-year lease. No space available, but new houses under construction to open by end of 1985.	Suburban development of prefabricated 2-story houses near the airport on the former Sassoon estate. There are some offices in the villas. The rest are business and diplomatic residences.
Dongfeng Hotel 3 Zhongshan Dong Yi Lu	1 room: ¥80/day 2-room suite: ¥140-¥160/day	N/A	Limited space available. No parking.	The former Shanghai Club, this hotel is an older building with 1- and 2-room suites overlooking the Huangpu River. Convenient location on Bund.
International Club 65 Yan'an Xi Lu	¥2.91/m <sup>2</sup> /day	2-room suite: 50-60 m <sup>2</sup> 3-room suite: 90 m <sup>2</sup>	One-year lease. No discounts. No space available.	Only 2- and 3-room suites. The building may be demolished to make way for a new hotel.
Jing'an Guest House 370 Huashan Lu	1 room: ¥90/day 2-room suite: ¥220/day	1-room: 64m <sup>2</sup> 2-room suite: 128m <sup>2</sup>	Discount negotiable. No long-term leases. Not accepting new applications.	Located close to the International Club, the Jing'an is a cozy, older hotel.
Jinjiang Club Office Buildings 58 Maoming Nan Lu	¥2.70/m <sup>2</sup> /day	1 room: 24.5m <sup>2</sup> ; 2-room suite: 50m <sup>2</sup> ; 3-room suite: 74m <sup>2</sup>	One-year lease. No discounts. Very limited space available.	Buildings No. 3 and 4 house a large number of foreign offices. The Jinjiang Hotel, across the street, houses some foreign offices, but most will soon move to the Union Building.
Shanghai Mansions 20 Suzhou Bei Lu	2-room suite: ¥180/day 3-room suite: ¥220/day	2-room suite: 68m <sup>2</sup>	Discount negotiable. No new applications accepted for office space.	Recently renovated, this old hotel lies at the north end of the Bund. Some offices are here temporarily while waiting to move to the Union Building.
Union Building 100 Yan'an Dong Lu	Monthly rates: 4th-7th flr: ¥64/m <sup>2</sup> 8th-12th flr: ¥66/m <sup>2</sup> 13th-17th flr: ¥68/m <sup>2</sup> 18th-27th flr: ¥70/m <sup>2</sup>	According to tenant's specs	Utilities extra. Minimum 2-year lease. Cleaning services extra. Raw space must be finished, decorated by tenant. Space available.	Shanghai's only high-rise office complex, the Union Building opened in July. By September it had a 60 percent occupancy rate. It is located on the Bund near Shanghai's foreign trade corporations and trade offices. Very limited parking.

SOURCE: Portman and Associates, author's research.

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# The Rewards of China Duty

Almost 900 American business people, not counting their dependents, now call China home. They have come to oversee the expansion of business between the United States and China in recent years. Half of them live in Beijing and most of the rest in Guangzhou and Shanghai. Since China is considered a hardship post and, for expatriates at least, one of the most expensive countries in the world in which to live and do business, firms have had to design special compensation packages to lure employees to the PRC and keep them there. Several recently published studies on how US companies compensate their China-based personnel suggest that the firms have not been niggardly in what they offer. The studies were conducted by three international management consulting firms during late 1984 and 1985. Runzheimer International, based in Rochester, Wisconsin, surveyed 34 US companies with a total of 221 employees in China, 77 percent of them Americans. Hewitt Associates of Lincolnshire, Illinois, received responses from 49 firms employing 490 expatriates in the PRC. And Organization Resources Counselors, Inc. in New York got responses from 66 companies employing more than 400 Americans in China. Our survey of these studies was compiled by May Seto and Tom Engle. Artwork is by John Yanson.

The "typical" American businessperson in China is a 37-year-old marketing manager earning a base salary of \$52,700 per year on a two- or three-year stint. That's one conclusion of the Runzheimer study. About 70 percent of the companies that responded to the study have been represented in China two years or less. More than half of the firms have fewer than five employees in China, and more than 80 percent have fewer than 10. All three studies agree that companies spend more to keep executives in China than in most other foreign locations. This is largely because hardship conditions in China, a relatively new frontier for the business community, obligate firms to offer many incentives to their China-based people.

## BASE SALARY

Virtually all US companies surveyed in the three studies determine base salaries paid to Americans in the PRC according to the same structure used for US-based employees. More than half of all third country nationals in China are paid according to their home country salary structure, while 24 percent use the US structure, according to the Organization Resources Counselors (ORC) survey. A fifth of the companies in the ORC study pay extra for the longer work week common in China.

Runzheimer found that base sala-

## SALARY LEVELS OF AMERICAN BUSINESS EXPATRIATES IN CHINA

Salary level	% of expatriates at that level
\$40,000 or less	17%
\$41,000 to \$45,000	14
\$46,000 to \$50,000	17
\$51,000 to \$55,000	15
\$56,000 to \$60,000	10
\$61,000 to \$65,000	10
\$66,000 or more	17

Number of responding companies: 34; employing 170 Americans in China.

SOURCE: Runzheimer International

ries range from less than \$40,000 to about \$80,000. Two-thirds of ORC's respondents pay all salaries and allowances in the home country. Most of the rest split payments between home and China. None pays all salaries and allowances through the Bank of China.

## FOREIGN SERVICE AND HARDSHIP PREMIUMS

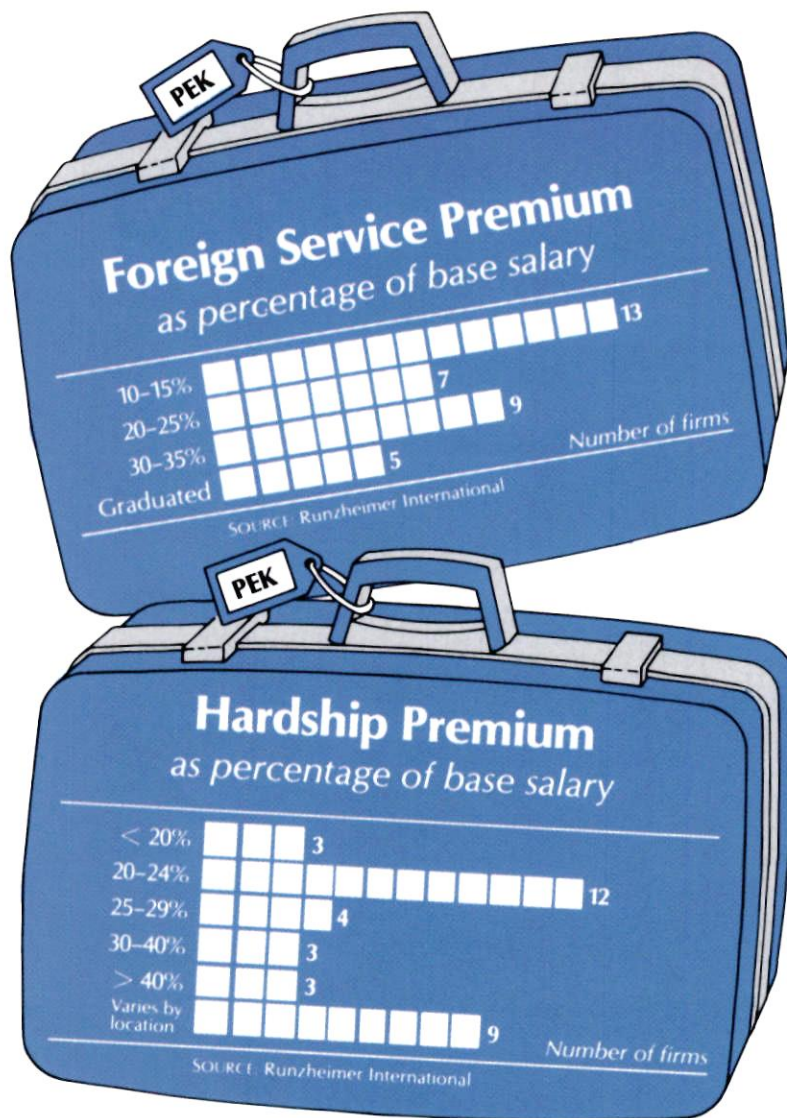
In addition to the base salary, most companies provide both extra compensation for serving in a foreign country—called a foreign service premium—and an additional hardship allowance for a PRC assignment. Eighty-six percent of Hewitt's respondents pay employees a foreign

service premium, and two-thirds of those that do so also pay a hardship allowance. More than three-fourths of Runzheimer's respondents pay both premiums. Seventy-three percent of ORC's companies pay a foreign service premium, most as a monthly allowance but a few as a lump sum before departure for China as an incentive to move.

Companies usually calculate these premiums as a percentage of base salary. According to ORC, the average foreign service premium is 15 percent. Runzheimer's respondents pay an average premium of 22 percent. Some companies set an upper limit on their premiums—one company in the Runzheimer study provides a 25 percent premium up to a maximum of \$12,500 per year, while another pays 15 percent up to \$7,500.

Most companies pay China-based employees foreign service premiums comparable to those they pay in other foreign locations. But the studies found that hardship allowances in China are considerably higher than for most other countries. ORC's data reveal that several firms offer the same allowance for China that they provide to expatriates in such other hardship posts as El Salvador, Ethiopia, and Nigeria, but more than to those in Saudi Arabia and the Soviet Union. Most firms pay a hardship premium of about 25 percent of base salary. At several firms, China is the





only foreign posting for which hardship allowances are offered. Some companies pay a higher hardship premium to executives living outside of Beijing. One firm in the Runzheimer study pays a 20 percent premium to its employees in Beijing and 30 percent to those assigned to Zhanjiang, Guangdong. Zhanjiang, now being used by international petroleum firms as an offshore oil supply base, has the dubious distinction of being the city with the highest reported hardship premium: 55 percent, paid by one of ORC's respondents.

### COMPLETION INCENTIVES

Some business people find that these enticements still do not compensate for the lack of entertainment in China, separation from family, hotel living, and the often frustrating business environment. ORC found that 14 percent of the companies it surveyed have had expatriates request to go home early. Nine percent

have had instances where the expatriate was sent home early because of unsatisfactory performance.

To deal with this problem, some companies sweeten the pot with additional incentives for expatriates to complete their assignment and re-enlist for China duty. One company surveyed by Hewitt provides a completion bonus of 10 percent of base salary each year for finishing a two-year assignment, plus 15 percent of monthly pay for each month worked after that. Another company gives a "stay-on bonus" of two months' pay per year, while yet another provides one month's pay per year to a maximum of \$5,000. The Runzheimer study found several companies that offer even heftier completion bonuses. Some firms build completion incentives into their foreign service premium. One multinational pays a premium equal to 40 percent of base salary for the first six months and 50 percent thereafter.

### TAX ASSISTANCE

Virtually all companies provide some form of tax assistance for their employees stationed in China, but this help usually does not differ from tax assistance provided to their expatriates elsewhere. Almost all of Runzheimer's respondents and four-fifths of Hewitt's use the pay equalization approach, in which the expatriate pays no more or less than if he or she were residing in the United States. The standard practice is for firms to pay all income tax owed in China, and deduct from the employee's paychecks the amount they would pay in income tax if living at home. A few companies follow the tax protection method, in which the firm also pays any tax owed in the PRC above what the employee would owe at home. The difference is that, under this system, if the tax owed China is less than what the employee would owe the US government, the employee pays less tax than if he or she were living at home.

One of the studies quotes a respondent who claims that the generous foreign service and hardship premiums paid to employees are exempt from taxation in China. But Arthur Young's Robert B. Klein, who advises companies on tax matters in China, points out that this is not the case. Klein adds that ample opportunities exist for "tax-effective structuring of compensation packages" for employees assigned to the PRC.

### HOME LEAVE AND R & R

Ninety percent of Runzheimer's responding companies permit expatriates in China to visit their home country at least once every 12 months. The visit usually lasts four

#### THE TYPICAL BUSINESS EXPATRIATE IN CHINA

Base salary	\$52,700
plus:	
Foreign service premium (15%)	7,905
Hardship allowance (25%)	13,175
Per diem for goods and services	8,500
	<u>\$82,280</u>
minus:	
Housing deduction	9,490
Federal income tax deduction*	7,630
	<u>\$65,160</u>

\*Assumes executive has a spouse and two children.



weeks. Less than 10 percent said this policy differs from that for expatriates in other foreign countries, a finding consistent with ORC's answers to this question.

Rest and relaxation policies present a different picture. Many companies grant extra R & R to employees in China because of the lack of Western-style recreation. But firms vary considerably as to how much R & R they permit and what they pay for during an R & R period.

Ninety percent of Runzheimer's respondents permit their US expatriates some type of R & R, half of them allowing it four times per year and a third three times per year. About 80 percent of ORC's companies grant R & R, generally three one-week trips per year. Two-fifths of those doing so pay actual expenses or a per diem, but another fifth pay only airfare. Forty-four of Hewitt's 49 respondents provide R & R, but only 14 cover all or most expenses. Forty-one pay airfare and another 18 provide a per diem. Respondents break roughly into thirds on the question of destination: those paying for R & R only to Hong Kong, those allowing other Asian destinations, and another third allowing Europe, Hawaii, or other places. Some companies in all the studies allow more R & R for single executives than for married ones, and for employees living in cities other than Beijing.

## HOUSING AND COST OF LIVING ASSISTANCE

For most business people, life in China still means hotel life. Only 18 percent of Runzheimer's respondents are able to place all their employees in apartments, while 56 percent have all their PRC expatriates living in hotels. The remainder place some in both types of housing. Employees working in remote areas—for instance on drilling and geological teams—generally live in staff compounds built by the company.

Just over half of the companies in the Runzheimer survey pay only the difference between the cost of an employee's hypothetical home country housing and PRC housing. The usual technique is for firms to pay for all housing costs in China and then deduct the hypothetical home cost from the employee's compensation. Almost 40 percent of Runzheimer's and 36 percent of ORC's respondents pay the entire cost of housing.



The difficulty of obtaining many Western consumer items obligates most companies (70 percent, says Runzheimer) to help employees with daily goods and services. Two-thirds of ORC's respondents provide a per diem for such expenses, and 40 percent reimburse in China for all living expenses (lodging, food, personal services, and transportation). Companies generally hire a car and driver for their employees in China or reimburse all taxi expenses, but a few now use the car rental services that have recently become available in Beijing.

Of the firms providing help with goods and services, about 70 percent of both Runzheimer's and Hewitt's respondents hire services of outside consultants to determine appropriate compensation. The irony, though, is that companies don't really follow the consultants' recommendations. When housing is not considered, pricing surveys show

China to be a *less* expensive place to live than the United States. This is the case despite the fact that most expatriates must take their meals at hotel restaurants. Moreover, it's legitimate to exclude housing costs since companies generally cover the added expense through a separate allowance. The upshot, say consultants such as ORC, is that companies are "double-compensating" for a goods and services differential that doesn't exist. Instead of providing extra help, they might legitimately consider deducting the "negative goods and services differential" from an expatriate's compensation just as hypothetical home housing costs and taxes are deducted. It remains to be seen whether firms will eventually start acting on such advice.

## FAMILY AND EDUCATION ISSUES

It is well known that many compa-



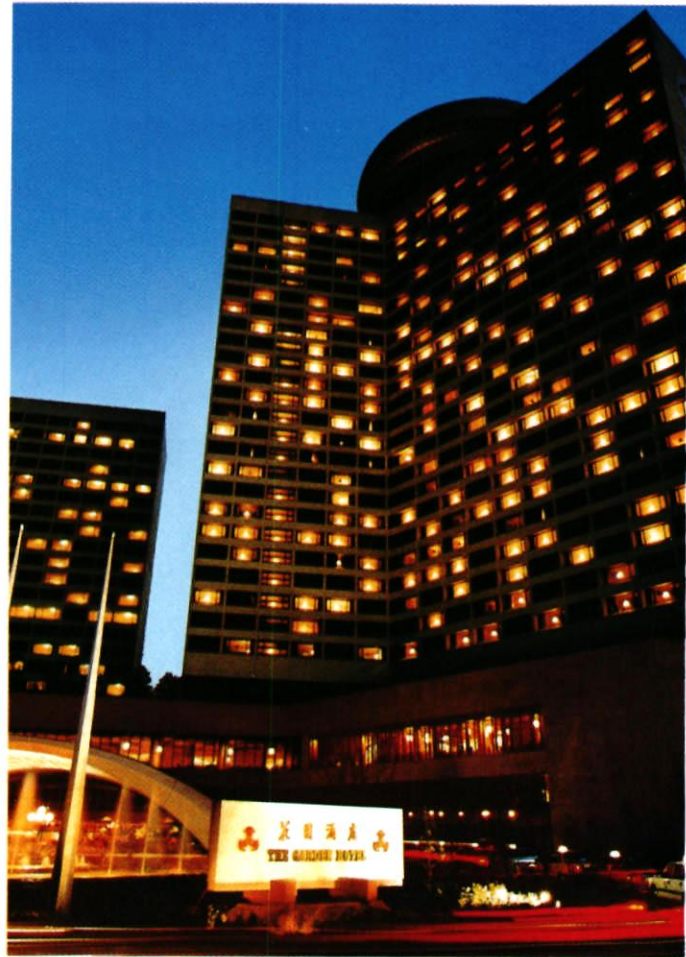
nies deliberately select single executives or those with no school-age children for PRC assignments. Some have a more or less formal policy of forbidding family members from accompanying the employees during a stint in China. But the studies disagreed on just how many firms follow this procedure. A quarter of Runzheimer's companies forbid all family members from accompanying the expatriate, while only 12 percent of Hewitt's respondents adopted this policy. ORC did not pose the question in exactly the same way, but found that a third of the companies have married expatriates living in China without their families. Of those, only a quarter have their families living as close as Hong Kong.

The lack of adequate educational facilities for expatriate children is the main reason for this approach. Beijing has one international school open to Americans, but it only goes through the eighth grade, and children of diplomats get priority admission. The school had to reject a significant number of applications for the current school year because there were no vacancies. The American schools in Shanghai and Guangzhou also give priority to children of diplomats. There is currently space available in Guangzhou's American School in the Garden Hotel, but tuition costs are approximately \$8,200 per year. Outside of these three big cities, China has no educational facilities designed for the children of expatriates. Consequently, many children are sent abroad to boarding school, at an average cost of about \$10,000 per year.

The amount of compensation companies provide for the education of employees' children varies. About 60 percent of Runzheimer's respondents pay tuition costs at the nearest school acceptable to both company and parents. Of the 23 firms in the Hewitt survey currently providing education assistance, only 13 pay through 12th grade; five pay only through eighth grade.

When it's all added up, companies are paying hundreds of thousands of dollars per person to station executives in China. So most are probably not planning to expand their staffs there, right? On the contrary, according to Runzheimer, 90 percent of the companies with US expatriates expect to maintain or increase their China staff in the next year. 完

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*Americans in Beijing complain, but admit conditions are improving*

# The Quality of Life

John Frankenstein

For at least half of the American business community, life in China means life in Beijing. What is it really like to be a member of Beijing's growing business community? How have husbands, wives, and children adjusted to life in the Chinese capital? What about health care, schooling, and recreation? And what aspects of doing business in China surprise American executives most? These were among the questions included in a study of 26 American business executives undertaken during the summer of 1984 and in a smaller, less formal survey a year later. The answers, and revealing comments that accompanied them, provide some indisputably bad news: many Americans in the PRC are far from satisfied with their lot. The good news, though, is that many Americans are also convinced that the quality of life in Beijing has improved considerably during the past year and continues to look up.

The 26 participants in last year's survey represent America's "new China hands." Sixty-five percent claim to speak Chinese at the "working level" or better and most received some training in Chinese area studies prior to their Beijing posting. Half have been in China for more than one year. The respondents span a broad range of experience: from recent college graduates to veteran international business executives. A seasoned group overall, almost 90 percent have at least four years of business experience, and almost 60 percent have prior overseas business experience. Seventy percent have a business, law, or technical background.

## *Strains in family life*

The survey results confirm what

Beijing expatriates already know: family life presents extra challenges in China. Thus, many do without. Seventy percent of the respondents are single or without dependents in Beijing; some married executives have left family behind for the duration of their assignment.

To the question of how well executives' spouses and those of their colleagues had adjusted to life in Beijing, about one-third responded with a lukewarm "fair" or "fairly well." But 20 percent indicated "poor" or "very poor" adjustment. One executive noted that a colleague's Beijing assignment and marriage both ended abruptly after one year. Another recalled a couple that had been transferred out because of adjustment problems. One manager simply noted that his wife—a Hong Kong Chinese—did "not wish to stay a long time."

For some, the limited availability of work is surely an important cause of this discontent. Of the expatriates with spouses in Beijing, only 27 percent have working spouses. Most working couples are employed by the same firm, but there are other options. Some expatriate spouses work at a foreign embassy or volunteer at the American School.

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For some families, though, adjustment does not necessarily depend on the spouses's work status. Several families seemed well adjusted despite having jobless spouses. Moreover, several working spouses tend to use their work as a refuge from their surroundings, or as a mask for their maladjustment to China for other reasons. Overall, personal flexibility and resourcefulness seem to be the distinguishing features of the better adjusted families.

About 20 percent of the executives interviewed have children with them in Beijing. One manager noted that because of difficulties in finding appropriate housing, it is "not wise to bring children unless assured of housing in a hotel suite." Nonetheless, one comment made several times was that children make a more positive adjustment than their parents. While some foreign children live in as much isolation as their parents, others have enjoyed learning the language and getting to know Chinese children. One executive noted that his children have met Chinese children through his wife's relatives, and another enrolled his child in a Chinese nursery school.

Informal talks in the business and diplomatic community suggest that most parents are pleased with the small American School, which offers the fundamentals of American elementary education, Chinese lessons, and some ambitious field trips—one to faraway Sichuan. One of the interviewees noted that the school offered "outstanding academic, cultural, and scholastic training." The school gives priority to children of embassy personnel, however, and enrollment is already straining capacity. The fact that a lack of educational facilities may require children to be left at home surely contributes to the discontent of some expatriates.

## *Health care concerns*

The challenges families face in the PRC are undoubtedly heightened by health care concerns. Asked to evaluate health care facilities, more than half of the managers rated them "poor" or "unacceptable" and 15 percent rated them "fair." No one rated them "excellent" and only one gave them a "good" mark. The managers' opinions of doctors and other medical personnel are only a little better. Forty-two percent rated them "good" or "fair," but another 30

percent expressed little confidence in them. Part of the problem may be the availability of medicines—while 45 percent of the managers feel the medicine supply is “good” or “fair,” another 27 percent place it in the “poor” or “unacceptable” categories.

Given these concerns, it is not surprising that most firms have fairly liberal medical leave policies. One large high-technology firm went so far as to send the company medical chief to China for a visit before deciding to treat all staff in Tokyo. Virtually all the managers interviewed said that company personnel with serious medical problems would be taken out of the country. Most would be treated in Tokyo or Hong Kong, but four executives indicated that all staffers would return to America. An energy executive noted that sick personnel would be immediately evacuated, “even for dental work.”

Some diplomatic spouses hold medical degrees, but, because of Chinese regulations, may not practice. An East German pediatrician, in fact, once had a thriving if unofficial practice that clearly cut across political lines. Allowing these doctors to practice would not only assuage expatriates’ health care concerns, but also reduce the problems of nonworking spouses.

### **The recreation challenge**

One of the most popular complaints among Americans living in Beijing is their sense of “isolation,” the feeling of being far from Western-style sources of entertainment and recreation. Indeed, after a typically frustrating day at the office, the executive returns home to a very limited range of diversions. Close personal friendships with Chinese are rare, and hotel life rules out entertaining in the traditional sense. There is nothing wrong with reading, watching (and re-watching) old movies on the VCR, partying, and sports, but that just about exhausts the possibilities.

In the area of sports, most managers were able to find some local recreation. Possibilities include tennis, swimming, basketball, volleyball, dancing, and fitness facilities. But much of this leisure activity centers on the diplomatic community, which has access to better recreational facilities than the hotel-bound business world. One manager noted that he

occasionally plays baseball and football; another participates in a “Hash House Harriers” group whose members come almost entirely from embassy row.

The great majority of the managers interviewed feel that getting to less austere surroundings for “decompression” is a critical aspect of coping with isolation in Beijing, and most firms operating in China offer a fairly generous leave policy. Although only two firms represented in the study actually require employees to leave the country, most expatriates respond without compulsion.

### **Giving credit where it's due**

For all their complaining, Americans in Beijing are also very willing to admit the improvements that have been made in the quality of life in their adopted city. Some are positively effusive when it comes to describing changes in the very recent past. One businesswoman praises the “dramatic, 180-degree changes in just a year.”

Improvements affect most of the areas expatriates have griped about in the past. Progress in building more new hotels and apartments is the

## **Sidelights and Surprises**

Participants in the 1984 survey were asked: “What surprised you most about conducting business in China?”

Concerns over wasted time, and the expense and frustrations of doing business dominated the list. At the same time, some managers were gratified to find a good working relationship with their Chinese associates. Excerpts from the responses:

“Most frustrating was that I was unable to make plane reservations for business trips to multiple cities in China. You have to make them in each city when you arrive.”—High-tech trading company president.

“Chinese lack of knowledge that ‘time is money.’”—Manufacturer’s representative.

“The time factor in negotiations. One-and-a-half to two years for contract signing (for \$10–\$30 million contracts).”—Manufacturer’s country director.

“Slowness. Time means nothing. Nonresponse.”—Air transport director.

“At first how slow it is, how informal their style is.”—Management consultant.

“The length of negotiations and the absolute difficulty of pinpointing who makes decisions . . . The best tactic is to do as many ‘show and tell’ technical seminars in user offices as you can—since you don’t know who decides to buy.”—Technology sales manager.

“I’ve been fairly impressed by the technical competence of the Chinese negotiators, even though they’re not engineers or technicians.”—Manufacturer’s representative.

“The amount of education you have to provide to Chinese end users along with the product.”—Manufacturer’s Beijing manager.

“The Chinese want the best, but can’t use it, like a kid in a toy store who wants everything he sees. Inappropriate technology.”—Bank officer.

“The rough way the Chinese treat each other.”—Commercial representative.

“The comradery between our local sponsor and American managers.”—Bank official.

“The general sense of uncertainty and vagueness of the Chinese system. You think something will be a problem and it’s not, and vice versa. Results are in the Chinese hosts’ hands, and the US partner plays a more passive role.”—Lawyer.

“It’s very expensive to run a business in China, compared to Hong Kong or other Asian countries. Also, business sales volume is not steady and is hard to predict, so it’s hard to plan expenses.”—Energy equipment sales manager.

“The precarious conditions that Chinese counterparts have to work under. Remarkable things are accomplished under difficult conditions.”—Energy exploration vice president.



most frequently cited area. Beijing's ubiquitous construction cranes are an eyesore most expatriates don't mind at all. As for taxis, another businesswoman says, "I hated living here just one year ago because of the taxi shortage. Now I'm harassed by taxi drivers trying to get my business. Half of them can't drive, but that's an easier problem to deal with."

Problems remain, however, and new ones crop up. One businessman acknowledges that "things have improved a lot in a year for expatriates—food, communications, taxis, and hotels." But he also claims that "the Chinese have no conscience about what they charge foreigners. The cost of our services is high, but we don't gouge. They do." Another

notes "the lack of basic household items that friendship stores don't have." And suggestions that American embassy doctors also treat business people and that the embassy school admit more children of businessmen remain popular.

There's no denying the constraints facing the foreign business community in Beijing. But the proverbial glass, half full, is slowly filling up. Personal resourcefulness and flexibility—along with a minimum of ethnocentrism and a maximum of cultural adaptability and preparation—remain very important for any Beijing assignment. As one executive puts it, "The attitudes of the people you send are very important. There's no where else I'd rather work right now." 完

adequate health care, poor communications, and, in many parts of the country, a difficult climate.

Nonetheless, more and more companies feel it's time to take the step of stationing employees in China. The obligation to provide technical training to the Chinese, the need to ensure adequate communications between the head office and China operations, the need to exercise careful quality control, sell more, or simply become "old friends" with one's partners in China all require many American companies to put their personnel on the line.

### *Who should go on China duty?*

Careful selection of prospective China personnel is the first step toward mitigating culture shock. Some companies try to circumvent the problem by minimizing the time their personnel spend in China. Oil companies, for example, often assign their employees to a "one month on/one month off" schedule. Although this kind of rotation does provide entertainment and relaxation not available in the PRC, it does nothing to foster viable, long-term business relationships with the PRC.

Other firms attempt to avoid culture shock by relying on Chinese-Americans, Hong Kong, or other overseas Chinese to represent them in China. Such an approach is reasonable for companies in which such employees already number among the technically and managerially skilled staff. But it still does not necessarily eliminate the need for predeparture orientation and training. Many overseas Chinese also face language problems in China and may have the added difficulty of accepting and adjusting to changes that have taken place in the PRC since 1949.

Other firms choose to train PRC citizens to fill company positions in China. But this only changes the kind of cultural and language training required, and introduces new problems in the selection and management of employees. Chinese host organizations almost always retain the right to assign the employees of their choice to positions in a foreign corporation. Often an employee, having received training and acquired some experience, will be moved by his Chinese work unit to another position outside the company. Thus, this option has been used successfully by only a few

## *What American expatriates should know before they go*

# Avoiding Culture Shock

**Brewster E. Fitz**

Some of the very traits and practices that contribute to business success in the United States, such as promptness, straightforwardness, and a willingness to put business before pleasure, can lead to failure in other countries. For this reason, experts have long admonished American multinational corporations to exercise special care in selecting personnel for overseas assignments, to take into account more than just technical expertise, and to offer expatriates and their families cross-cultural orientation, including language training, whenever possible. The goal is to minimize culture shock—the physiological discomfort, loss of judgment, impulsiveness, depression, and paranoia that characterize the behavior of people having difficulty adapting to the ways of another society. Culture shock can not only

impair an expatriate's performance, but in some cases also lead to early recall, resulting in loss of time, money, and even damaged relations between the host country and the US company.

This is nowhere true if not in China. It is a society where traditional Confucian values, a complex bureaucracy, a high degree of ethnocentrism, and now economic and political reforms combine to baffle many Americans. In addition to these differences, the physical and institutional environment in China can be bleak: foreigners and nationals alike are frustrated by power shortages, in-

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companies to date.

A few American companies make it a practice to hire China scholars, thereby shifting the kind of training needed by their expatriates from cultural to technical or managerial. This practice is obviously limited to positions that do not require long experience with the company or highly specialized technical knowledge. At present there is a small but growing number of young China scholars who also have business training or experience, and several new programs are getting underway at schools in both the United States and China to encourage young people to combine these two fields of study.

Beyond this, there are certain basic criteria useful in considering whom to send for China duty. Persons who are tolerant, flexible, patient, and persevering should be sought. Efficiency and energy are fine traits, but the pace of life and business in China often requires the ability to let things take their course without trying to create activity all around.

While cultural sensitivity is important, many experts feel that cosmopolites do not make the best candidates for a China assignment since they are more likely to chafe at the lack of Western-style recreations. According to these experts, older (over 45) executives, less upwardly mobile since their careers have generally peaked, are those most likely to succeed in China. If a company is willing to send married couples, they often adjust better than a single person. The ideal is an expatriate whose spouse is also able to work in China.

People whose moods depend greatly on their physical environment are not ideal. And those who are not willing to conform to wholesome standards of behavior may find themselves shunned by Chinese colleagues. Above all, those given to displaying anger should not be chosen. This is especially important in China, where displaying anger can cause a tremendous loss of face (*mianzi*) for all involved. It can be particularly difficult, if not impossible, to repair the damage done to a person who has been the object of a public display of anger.

Finally, to enjoy China, people need a touch of the "pioneer spirit" and considerable culinary adaptability. It is advisable to select people who have a good understanding of their own country and culture, but

who are not narrow-minded or chauvinistic in their national pride.

### ***Orienting the China-bound employee***

The next step is preparing the employee for his upcoming experience. Options available to companies range from programs of intensive, formal cross-cultural orientation and language instruction conducted by outside firms, to informal company meetings between future and former China expatriates, occasionally supplemented by films, videotapes, or reading material.

Most personnel administrators acknowledge the need to provide future expatriate families with some form of cross-cultural and language training. But most companies try to do this on the cheap. Too often company policy, or simply the lack of time between assignment and departure, rules out intensive orientation and language training. This often leaves employees with only a perfunctory briefing, a package of reading material about China, or nothing at all.

According to a recent survey, more than a third of the companies queried admitted offering no formal orientation to China-bound employees. Another third rely on informal employee contacts, while less than 10 percent offer a formal program using outside consultants (*see* box). Those that do generally don't require attendance and don't include other family members. Less than 10 percent of the companies require any language training, even for employees on long-term assignment in China.

Firms that have opted for a more elaborate orientation consider it a worthwhile investment. One big American corporation, which stations some 50 employees in China for at least a year each, reports that the intensive cross-cultural orientation an outside firm provided to its employees contributed to the positive attitude its people displayed upon returning from China. Instead of horror stories, the repatriated employees tell of making friends, and express a willingness to return for another stint in China.

### ***Getting a few things straight***

With or without a formal orientation, the future China-based employee and his family members should try to acquaint themselves with several basic areas of knowl-

edge. Start with a little Chinese history, especially the period from the 19th-century Opium Wars through the Cultural Revolution and up to the present. A knowledge of both the Confucian tradition and 20th-century Chinese politics helps one understand the workings of the bureaucracy, individual motivation, and China's current views of the West.

Second, future expatriates should be briefed on their legal status and liability in China, where law and tradition encompass notions of guilt and responsibility quite different from those in the United States (*see* page 27).

Third, people should have adequate knowledge of their future housing situation, health care facilities, and the availability of medication and important items of personal hygiene in the city where they will live.

Fourth, people should be briefed on other everyday logistical questions, such as postal regulations and use of telephones. For example, it is an unpleasant surprise to learn that in order to send a package to the United States, one must unpack the parcel in the post office, present the contents for inspection, and then sew everything up in a cloth sack (provided by the sender).

Fifth, learn something about the nature and availability of food. Most expatriates know in advance that they will eat most of their meals in restaurants. But how many are aware that they can ask for food prepared without the ubiquitous dose of monoso-

#### ***Does your company offer a formal orientation program for briefing employees about conditions in the PRC?***

	Percent
No formal orientation program	36
Orientation is mainly through contact with employees who have knowledge of the PRC	32
A formal program conducted by company personnel	14
A formal program using outside consultants	9
Orientation is the responsibility of the employee	0
Other	3
No response	6

SOURCE: Organization Resources Counselors, Inc. Based on survey of 66 respondents. (*See* page 18.)



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dium glutamate (*weijing*)? For those lucky enough to have access to a kitchen, a basic knowledge of shopping will be essential.

Sixth, a familiarity with Chinese etiquette, banquet manners, the role of gift giving, and an understanding of modes of persuasion and refusal are essential. Concepts such as *guanxi* (the use of connections), *houmen* (going through the back-door), and *mianzi* (face) should be understood. Future expatriates should be prepared for social encounters with PRC nationals, and know that questions such as "Where are you going?" and "Have you eaten yet?" are quaint transliterations of traditional Chinese greetings, not manifestations of totalitarian surveillance.

Expatriates should also be encouraged to travel within China, since this can provide welcome relief from the everyday routine and the often cramped physical quarters. Some knowledge of geography, climate, and ethnic groups can serve as a stimulus for such travel.

Finally, foreigners in China ideally need some knowledge of Mandarin, the northern dialect that is now the official language promoted throughout the country. Although a course of 20 or even 40 hours cannot give one the fluency necessary for a conversation in Chinese, it can help a person express some everyday needs and social amenities without an interpreter, and goes a long way in demonstrating one's interest in China and its culture. Acquiring "conversational currency" (anecdotes, slogans, proverbs, poems, and songs) facilitates developing friendships.

There is no way, nor any need, for Americans in China to become as "Chinese" as their hosts. But a little knowledge can help avoid unpleasant occurrences that arise from mutually misunderstood goodwill. It is possible to shorten the adjustment period, to attenuate the effects of culture shock, and to avoid poor performance or costly failure. For companies determined to build profitable, long-term relationships in China, investing a relatively small sum in cross-cultural and language training for China-bound personnel enhances the chances that they will experience long-term financial returns. Costly, short-term returns of distressed expatriates suffering from culture shock may be the alternative. 完

## SELECTED READINGS FOR CHINA-BOUND EXPATS

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*The National Council for US-China Trade has compiled several bibliographies on China, available to Council members from the library.*

# Criminal Justice and the Foreigner

*A recent case sheds light on what to expect from China's legal system*

Stanley B. Lubman and Gregory C. Wajnowski

With more and more foreigners going to China and increasing their contacts with Chinese society, some will inevitably have unfortunate encounters with the Chinese legal system. Some already have, including Richard S. Ondrik, an American businessman who was detained, interrogated, arrested, tried, and sentenced to 18 months in a Chinese jail on charges of causing a fire in a Harbin hotel that resulted in the deaths of 10 persons earlier this year. Although some overseas Chinese have been tried and convicted of various crimes, this was the first public trial of a Westerner since China opened its doors to the West in 1978.

The Ondrik case demonstrates the need for foreigners in China to understand how the criminal justice system works, and the ways in which Chinese conceptions of criminal law and the criminal process differ from those in the West. While not a detailed discussion of the Ondrik case—the complete record of which is not available—this article uses the case to illustrate important aspects of Chinese criminal law.

## *An emerging system*

China's substantive criminal law is relatively new. No criminal code was promulgated until 1979, although work was done in the 1950s to draft a code based on the Soviet model.

China's criminal code defines many crimes more vaguely than they are defined in the West, and it lacks specific standards of criminal responsibility. For example, negligence resulting in death, injury, or destruction of property is a crime in China. Under United States law unintentional negligent conduct may result in criminal liability, but the defendant must first be found to have

acted "recklessly." China's criminal law provides no such standard for determining criminal culpability for unintentional conduct.

The "Law on Criminal Procedure of the PRC" was also promulgated in 1979, replacing scattered earlier statutes and regulations. The criminal process provided for under the code resembles western European systems in form. But basic differences remain between China's criminal process and Western systems, particularly that of the United States. The Chinese system is organized like that of the Soviet Union and also resembles the system the Nationalists established in China before 1949 and still employ on Taiwan today.

China's Public Security Bureau (PSB) is responsible for the investigation, provisional apprehension, and preparatory interrogation of criminal suspects. Formal arrest is made only after the police decide that the suspect is guilty. Arrest warrants are issued by the People's Procuracy, which supervises pretrial investigations and initiates prosecution. In practice, the Procuracy may also initiate investigation and often works with the PSB prior to an arrest. The People's Courts are responsible for the adjudication of cases prosecuted

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*Stanley B. Lubman is a partner and Gregory C. Wajnowski an associate at the law firm of Heller, Ehrman, White & McAuliffe, which has offices in San Francisco, Hong Kong, and Beijing. All references to the case of Richard Ondrik are based on published sources and conversations with Robert C. Goodwin, Jr., a lawyer who assisted Mr. Ondrik to the extent permitted by Chinese law. The authors are grateful to Mr. Goodwin for his willingness to discuss the case with them. All inferences, conclusions, and errors are entirely the authors' responsibility.*

by the Procuracy. Together, these three organs are exhorted by China's "Law on Criminal Procedure" to "coordinate with and restrict one another to guarantee the accurate and effective enforcement of the law."

## *Detention and interrogation: establishing the State's case*

The initial, most important stage in China's formal criminal process is the provisional apprehension of a suspect by the PSB. This is *not* a formal arrest. China's criminal law provides that the PSB must produce a warrant for the detention and notify the suspect's family or work unit within 24 hours. In the case of an American citizen, the Consular Convention between the United States and China provides that Chinese authorities must notify the US Embassy within four days of the apprehension. When Ondrik was apprehended and detained, the US Embassy was promptly notified by Chinese authorities.

According to the "Law on Criminal Procedure," a suspect must be interrogated and either arrested or released within three days. But the same law also empowers public security organs, "according to the circumstances of the case," to "summon a defendant before detention." Ondrik was held for approximately two months pursuant to this provision and could have been held much longer. Consistent with the law, he had no access to a Chinese lawyer during this period and was interrogated several times by Public Security officials. He was, however, free to move around the city of Harbin during his detention, and was not forbidden to meet with friends, including foreigners.

The period of interrogation may unsettle a foreigner entangled in China's criminal process. A foreign sus-



pect may have little notion that the police consider his guilt likely. Ondrik thought he was detained to assist in an investigation of the cause of the hotel fire. Only after a few interrogation sessions did he realize that the police had already decided he was guilty.

Although not arrested, Ondrik was interrogated over a period of approximately 10 days. Because of past abuses of the legal process in China, both the criminal law and criminal procedure law attempt to ensure that the suspect is treated properly. For example, at least two interrogators must be present at each session. The suspect must be asked whether or not he has engaged in a criminal act and must be allowed to state the circumstances of his guilt or explain his innocence. Ondrik neither admitted nor denied that he had fallen asleep while smoking a cigarette, as the police charged. He claimed repeatedly that he did not remember whether he had been smoking when he lay down on his bed, and that it was not his habit to smoke in bed.

China's criminal law specifically forbids the use of torture to coerce statements. Nevertheless, as in many other countries, certain coercive techniques are used during interrogation to elicit information. Ondrik was repeatedly asked the same questions, many of which presumed his guilt. One interrogation lasted until about 4:00 in the morning.

At the end of each interrogation session, the suspect or defendant must be shown a transcript of the interrogation to read and sign. In Ondrik's case, this transcript was entirely in Chinese, which was read to him because he speaks but does not read the language. He fortunately understood well enough to be able to verify the record. Other foreigners might have to rely on local translators, whose proficiencies vary.

#### ***Arrest and indictment: enter the lawyer***

Following provisional apprehension and interrogation, the PSB must decide whether there is enough evidence to justify a formal arrest. If it so decides, application for an arrest warrant must be made to the People's Procuracy. If approved, the suspect is then arrested and may be detained until the trial. Again, the law provides for notice to the suspect's family or work unit.

Following arrest, a pretrial investigation is undertaken by the Procuracy. Evidence is obtained and the accused and any witnesses are interrogated to determine whether or not a formal indictment should be drawn up. Issuance of an indictment indicates that the Procuracy agrees with the police that the suspect is guilty. Indeed, it is the indictment that first characterizes the suspect as a "defendant."

A defendant is entitled to an attorney only *after* an indictment has been issued. Thus, the lawyer enters the process after police and prosecution have concluded their investigation and marshaled all the facts that they believe support the defendant's guilt. If they have done their work conscientiously, they will have considered and rejected facts supporting a conclusion that the defendant is innocent. Although the lawyer is given access to the file in the case, he or she appears only *after* fact-finding has been concluded.

Foreigners must be represented by a Chinese lawyer, since foreign lawyers are not allowed to practice law in China. A foreign lawyer may, however, cooperate with his client's Chinese lawyer to a limited extent. Ondrik's personal representative Robert C. Goodwin, Jr., an American lawyer, was able to confer closely with the Chinese lawyer preparing Ondrik's defense. The lawyer normally has little time to prepare because the trial is held within days after the indictment is issued. Ondrik and his Chinese lawyer had less than one week to prepare his defense.

#### ***Trial and sentencing: strict procedures to be followed***

The final stage of China's criminal process is the trial, whose object is generally to verify the facts gathered by the police and the Procuracy and confirm the defendant's guilt. A criminal defendant is guaranteed a trial. A complete set of rules governs the trial process: charges are read, defendant and witnesses are questioned, examined, and cross-examined, evidence is presented, and the defendant is allowed to make a final statement. The defendant has the right to have an attorney present and the trial must be held in public unless State secrets are involved.

Expert testimony presented at the trial is organized and gathered by the prosecution and the court. Because

the evidence already gathered is assumed to support the belief of police, prosecution, and court that a defendant is guilty, a defendant has no right to introduce evidence at the trial suggesting alternative theories. He does have the right to request the court to admit new or supplemental evidence—a request that the court may deny. Testimony by Chinese fire experts was crucial to the determination of causation of the fire and thus guilt in Ondrik's case. They testified that smoke and charring showed that the fire had started in Ondrik's room, and that the burn marks on Ondrik's hair and jacket showed he had fallen asleep holding a lighted cigarette. They ruled out the possibility that the fire had been caused by defective wiring. The court regarded the evidence presented by these experts as sufficient, and refused Ondrik's request for admission of testimony by an international fire expert.

The guilt or innocence of a defendant is normally determined by a panel of one judge and two lay jurors, known as assessors. In important cases like Ondrik's, the panel may consist of three judges. If found guilty, a defendant may be sentenced to a variety of punishments depending on his crime, ranging from fines and a type of probation to imprisonment or death. Although Ondrik is currently serving his sentence in a prison in China, a foreigner may also be deported. The convicted defendant may also be ordered to compensate for losses associated with the crime. Ondrik had to pay approximately \$53,000 in compensation to the hotel for damages.

The court also recognized a degree of negligence on the part of the hotel staff and punished two hotel employees absent from their posts during the fire. Yet in finding Ondrik guilty of causing the fire, the court implicitly refused to treat as crucial certain circumstances that in the West might have exonerated him. These include the failure to install smoke detectors, inoperative fire extinguishers, the failure of the local fire brigade to answer the telephone when it was called and its consequent half-hour delay in arriving at the fire. In the United States, such related acts of negligence might have relieved Ondrik of liability, even assuming it had been proved he was smoking in bed.

The involvement of a foreigner also raises the problem of language.

By the account of his American lawyer, the interpreting throughout Ondrik's detention, interrogation, and trial was poor at best. Ondrik was fortunate to possess reasonable facility with the Chinese language, but others may not.

A defendant has the right to one appeal in China. Unlike a US court, Chinese appellate courts are not limited in their scope of review and may make a complete review of the facts and law. If the appellate court determines that any trial or pretrial procedures were improper, it may remand the case to the lower court for retrial. Ondrik's appeal was unsuccessful. In the appeal, Ondrik challenged the prosecution's interpretation of the facts, the means used by investigators to determine the origin of the fire, and the assessment of 60 percent of the cost of the damage to the hotel against him. However, the High People's Court of Heilongjiang Province rejected the appeal and upheld the judgment of the lower court.

### *Differing views of the process*

Ondrik's case appears to have been handled in accordance with China's law, as different as it may be from Western law. But the fact remains that Ondrik was found guilty under circumstances for which prosecution in the United States would have been highly unlikely. Foreigners in China will have to live with China's laws and understand how justice is conceived and administered there. To understand how the Harbin court reached its conclusion in the Ondrik case, it is useful to compare Chinese expectations of their criminal justice system with Americans' expectations of their own system.

China's criminal justice system reflects traditional Chinese expectations of how justice should be administered. The law has always been regarded as an instrument to punish disruptions of social order in China. Although Confucian values are no longer considered the guiding principles of Chinese society, they may contribute to the Chinese refusal to distinguish among intentional, reckless, and negligent behavior. Anglo-American notions of jurisprudence, which do make these distinctions, reflect Western notions of free will that are viewed differently in China.

### *Differing conceptions of the trial*

In the West, and especially in the

United States, trial is the vehicle by which competing hypotheses are tested and guilt or innocence established. Consequently, the trial is an adversarial process that places the burden on the opposing parties to produce evidence.

The Chinese criminal process aims at establishing guilt or innocence through rigorous pretrial investigation. Under the Law on Criminal Procedure, the court must decide *before the trial* "whether the facts are clear and the evidence sufficient" to bring the case to trial, or return the case to the Procuracy. If a substantial discrepancy between the evidence gathered prior to trial and the testimony in court appears during the trial, the trial may be suspended in order to determine the truth through further investigation, rather than using the trial as *the* means to determine guilt or innocence.

A formal trial is thus relatively unimportant in the Chinese criminal justice system. Once Ondrik was arrested and subsequently indicted, his conviction was probably inevitable. China has no presumption of innocence, although the theory has been debated by Chinese legal scholars. The Law on Criminal Procedure requires the courts to decide on the basis of "established facts and the evidence," but no standard is expressed

such as the Anglo-American requirement that guilt be established beyond a reasonable doubt.

The United States' criminal process values certain ideals of due process even as it seeks to punish criminals. The Chinese process, though not unconcerned about protecting the individual, more heavily emphasizes efficiency in punishing criminal conduct. Obviously the values of the two systems differ, and practice in each deviates from official models, but China's criminal procedure relies on administrative fact-finding to lead to either exoneration or the entry of a guilty plea. The formal trial is but a final check on prior investigations by police and Procuracy.

### *The role of the lawyer*

The lawyer's role is crucial to the adversarial trial process in the West, but in China it has always been perceived differently. Historically lawyers were denounced as disturbers of social order. China's imperial legal codes contain special provisions punishing "litigation tricksters." This bias against the lawyer has survived and was strongly reinforced for 30 years following the establishment of the PRC in 1949. China had a bar only briefly during the mid-1950s, when it experimented with a Soviet-style system. The bar was essentially

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dismantled in 1959 and disappeared entirely during the Cultural Revolution. Only since 1978 has China once again expressed a need for lawyers and begun to train them.

Nevertheless, considerable bias remains, especially against criminal lawyers. The lawyer who provides a spirited defense for his or her client may be considered to be using legal stratagems with the goal of returning a criminal to respectable society. The Chinese press still contains accounts of judges ejecting defense attorneys from the courtroom because the attorney was too aggressive in the defense of the client.

The modern Chinese lawyer is not only an officer of the court, but also an employee of the State. As such, a lawyer must balance his or her duty to the State with duty to the client, making it difficult to be an aggressive legal representative. This may be appropriate in the Chinese context, but the Westerner encountering the Chinese criminal process for the first time may find his lawyer's behavior difficult to fathom.

Although only a few years ago China lacked legal experts, the situation is changing rapidly, and Ondrik was able to choose from among many Chinese lawyers willing to represent him. The lawyer he chose represented her client respectfully, given the constraints of the Chinese system. She convinced the court to delay commencement of the trial for two days so that she could better prepare her client's defense. She displayed a willingness to challenge the prosecution's case by asking the court to permit a foreign fire expert to evaluate the evidence and testify as to his findings. She also cross-examined the hotel staff and attempted to place a portion of the guilt for the fire on the hotel and its staff.

At the same time, Ondrik's lawyer did not question the qualifications of the fire experts, nor take issue with the expert testimony on which the prosecution's charge was based. Her closing statements did less to protest her client's innocence than to plead to the court for leniency. In this respect, she acted in a manner consistent with standard Chinese conceptions of the lawyer's role.

### *Extra-legal influences*

A variety of extra-legal factors also influence China's criminal justice system. Both before and after the estab-

lishment of the PRC, there has been a lack of functional separation between law and politics in China. Even today, although the present leadership in China celebrates the rule of law, politics and the Communist Party still heavily influence all segments of life, including law. Ondrik's case was certainly followed by authorities in Beijing. In fact, the chief judge in the trial stated that the final decision had to be deferred until reported first to Beijing.

China's courts are also influenced by current events. For example, when government leaders decide to crack down on certain types of crime, the courts mete out particularly harsh sentences. No secret is made of the support such judicial activity provides to the attainment of current policy goals. Some foreign observers believe government leaders felt a need to demonstrate that foreigners are not "above the law" in China. In pronouncing Ondrik's sentence, the judge carefully noted that all persons, including foreigners, are equal before the law.

Diplomatic as well as political considerations may affect the criminal process when a foreigner is involved. In Ondrik's case, five North Korean members of a government delegation were among the 10 persons killed. One can only speculate whether or not diplomatic concerns and pressure caused the Chinese to prosecute the case. As an individual, Ondrik was easier to blame than an entity such as the hotel for a fire resulting in numerous deaths.

Bureaucratic politics could also have been involved: the fire brigade, which was tardy in arriving at the scene of the fire, is part of the Public Security Bureau—which later investigated the fire. This potential conflict of interest could well have influenced the investigation.

Finally, one extra-legal consideration notable in China, of which foreigners must be aware, is the emphasis on the attitude of the defendant. In China, one is often judged by one's thinking or attitude, and leniency has traditionally been granted to criminals who turn themselves in or confess their crimes upon being apprehended. During interrogation, security officials reminded Ondrik of the importance of his attitude. They asked him to re-enact the events of the evening of the fire so that it could be videotaped and shown to leading

cadres, to permit them to assess Ondrik's attitude. (The videotape was also shown at the trial, which would have been considered highly prejudicial in the United States.) At the close of the trial, Ondrik's attorney, the prosecution, and the judge all noted Ondrik's cooperative attitude. His sentence of 18 months, compared to the maximum possible sentence of seven years, was meant to reflect the court's appreciation of his cooperative attitude.

### *No easy answers*

Foreigners in China should be sensitive to China's criminal process. Although laws have been promulgated, there is little published case law, and in any event Chinese legal theory does not regard prior cases as creating binding precedent. Foreigners should also be aware that many Chinese laws are vaguely drafted. Although the criminal code no longer contains the Qing Dynasty provision that punished an individual for "doing what ought not to be done," provisions such as Article 38 of the Criminal Procedure Law provide wide latitude for a court to detain an individual. Until practice becomes both better developed and more ascertainable, China's substantive criminal law and criminal procedure will remain general frameworks for broad administrative discretion, not easily understandable to foreigners.

Justice was apparently done by Chinese standards in the Ondrik case. No universal standards exist to measure Chinese justice. Anglo-American notions of due process are not viewed as Americans prefer to see them either by the architects or the administrators of China's criminal process. Moreover, we should not necessarily measure Chinese practice by our ideals. It would be wrong to conclude that Chinese law is perverse and that officials were arbitrary in prosecuting and convicting Ondrik.

To some, these concluding judgments may seem based on a facile relativism, nourished by the comfort that it is not the authors who are in a Chinese jail. Others still insist that there are universal standards of fairness. But it is too easy to define those standards using categories derived from the traditions of our own legal system, which are not universal. Judging others by our ideals is deceptively easy, but deceptive nonetheless. 完

# Making Money in China

*Beijing reps reflect on their companies' success*

Tom Engle

**T**he costs and frustrations of doing business in China are such that hardly any American companies are actually making a profit, right? Wrong.

To be sure, costs are high and rising, and the time required to seal a deal can test the patience of even the most seasoned China hands. But the evidence does not support the prevailing view that China is nothing but a black hole for corporate "business development" dollars. On the contrary, many US firms are quite pleased with the amount of money they're making in the PRC.

Inquiries were recently made into the progress of nine American companies with offices in Beijing. Almost all profess to be making a profit. Those that aren't yet in the black on their China operations believe they're near.

The firms were not chosen with the help of any scientific sampling techniques. But in a number of respects they are a fairly representative group, including both manufacturers and trading companies, multinationals and firms that operate exclusively in China, firms with a wide product base and some more narrowly focused, and high-technology companies as well as those in basic industries. Furthermore, there is no reason to assume that these are the only profitable firms in China. Several firms approached were not interested in having their China activities publicized. For some, this was probably because they are not earning a profit, but others admitted that success was the reason for their reticence—they'd just as soon not make this information readily available to their competitors and the Chinese tax authorities.

This latter factor, among others, explains the reticence of the execu-

tives featured here on the question of specific levels of earnings in China. Readers in search of figures on how much Company X made in China last year will be disappointed. But those interested in some of the ingredients of business success in China may find much of value in the accumulated experience of these successful companies.

## **ROCKWELL INTERNATIONAL**

One of the more striking examples of cooperation between different economic systems must surely be the daily printing of 4 million copies of *People's Daily*, China's Communist Party newspaper, on presses sold in 1982 by a division of Rockwell International. Worth \$20 million, the sale was Rockwell's first big order in China. Things have blossomed since, and the company is now involved in many different sectors including aerospace, automotive, electronics, and general industries.

Bob Yeager, vice-president of Rockwell International Overseas Corp., says the firm's China history dates back to the 1960s, when its British affiliate provided the avionics for British Trident planes bought by the PRC. But no one from the company actually traveled to China till 1975. Rockwell's first real delegation went to China in 1978, followed by the chairman and CEO the next year. Yeager says the company's goal in this period was "to get a foothold. Up to 1982 we were building. We were taking a loss, making an investment in the future, doing it 'Japanese-style.'" Deals concluded in this period included small sales of avionics to CAAC, valves for oil and gas refineries, industrial sewing machines, and small printing presses. Rockwell's multinational base helped it absorb losses in China. Yeager, respon-

sible for 36 countries in Asia, says "China was incremental then—we were able to capitalize on the good business thrust throughout the region."

Things took off in 1982. "Revenues have been doubling every year since," says Yeager. "Profits are slim, but there are profits and have been every year since 1982. You can't make big profits in China because of Japanese competition. You have to be satisfied with reasonable profits and hope that through volume you'll make more."

As sales increased, China urged Rockwell to license its manufacturing technology. The firm now has a licensing agreement with the North China Industries Corp. (NORINCO) to make hi-tech textile machines at a plant in Changsha, Hunan. Rockwell's remuneration comes in the form of an agreed upon percentage of the machines the plant makes. Yeager says production is on-schedule and quality up to specs; Rockwell is successfully marketing its share of the machines in other Asian countries. Another licensing deal—to build printing presses at a Shanghai factory—is just starting.

Rockwell is also close to an agreement on modernizing axle and brake production at China's biggest truck plant, the First Automobile Works in Changchun, Jilin. And Yeager says the company is currently studying seven other cooperative projects, including one that would be Rockwell's first equity joint venture, marketing its output in China and overseas: "Producing in China has enabled us to get back into markets the Japanese had pushed us out of."

Rockwell's shift from straight sales to cooperative production has taught Yeager a thing or two about doing business in China. First, when seek-



ing a licensing partner, find the right factory: "Don't ever take the first or second factory the Chinese show you." Those are likely to be the ones most in need of modernization, not the ones currently best equipped to do the job. The plant Rockwell chose for the textile machine project had been making high-precision parts for weapons; conversion to civilian output worked in this case since the textile machines also require fine tooling. Second, beware of Chinese threats to halt straight purchases of your equipment unless you transfer the technology. This is obviously a tough bargaining tactic and one Rockwell chose not to test. But now that both the textile machine and the printing press projects are underway, the Chinese are still importing Rockwell's American-made machines. As Yeager puts it, "Somehow they come up with the foreign exchange."

Third and perhaps most important, "You don't sell to the Chinese—they buy. They know what they want and they do tell you when you're trying to sell them something they don't want. But it's subtle—you've got to listen well."

### BET TRADING ASSOCIATES

Jay and Joyce Pace provide refreshing evidence that a company needn't be big to succeed in China. And they're not taking any chances

on becoming big and spoiling it all. Their firm, BET Trading Associates, has not actively sought new clients since 1982. That was the year the husband-wife team liquidated an earlier trading company in which they were partners, formed BET to serve old clients, and began concentrating solely on the China market.

"I once aspired to have the biggest trading company in the world," admits Jay. "But I found that as the size of the organization increases, communication decreases and efficiency suffers." Along with their four Chinese employees, the Paces are BET.

Small does not mean unprofitable. BET mainly represents companies selling equipment to China's thermal power industry, firms supplying machinery and instruments to the petroleum and petrochemical sectors, and agricultural producers. The company's only importer client buys Chinese rugs. As a trading company, all its revenues are in foreign exchange.

Advice for firms just entering the China trade? Jay says people underestimate the length of the pipeline. "You've got to have lots of projects going at once because it'll be one to three years before any come out the other end."

Jay says they urge clients not to rush into equity joint ventures: "The Chinese offer a joint venture right off. But we advise looking for cooperative deals for at least the first two to three years in tech transfer, licensing, kit assembly, etc. Go at it stepwise." Half of BET's business now comes from revenues derived from clients' technology transfer deals.

BET gives the same advice to the Chinese. "They're very technology-hungry," says Joyce. "They want the very latest, the very best. Other people try to sell them the highest level of technology. We try to sell the level of technology that will meet their needs."

### HONEYWELL

Honeywell sold its first computers to China in 1981 when People's University, the Data Equipment Institute, and the Mid-South Computer Center bought a total of eight of the firm's DPS-6 models. But the company's presence expanded greatly in late 1982 when the Ministry of Education (MOE) accepted Honeywell's bid to supply 120 computers (includ-

ing 14 of the larger DPS-8 systems) under the World Bank-funded University Development Project (UDP). MOE is currently accepting bids to provide equipment for an even larger project, and Honeywell hopes it's well placed in the competition.

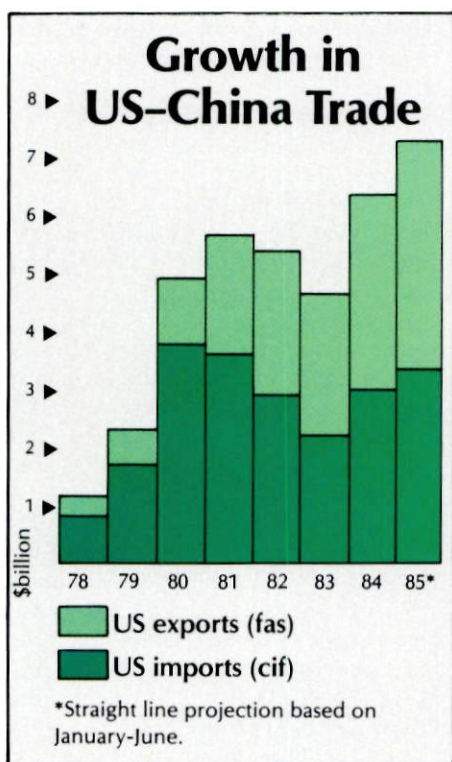
Honeywell's computers are in place at 14 major universities in 11 Chinese cities. The systems recently completed acceptance testing and have entered a one-year warranty period during which Honeywell is responsible for service. Of the firm's 40 employees in China, Resident China Director Dianna Last says half are customer service personnel, and that additional technicians are rotated up from Hong Kong. "You'll always wish you had one more, but we're answering all warranty calls on time."

For its sales outside the UDP, Honeywell has developed productive service relationships with three local units that sell DPS-6 computers. The company trains technicians from these local distributors at its US facilities and supplies them spare parts. The distributors then make service calls and develop their own software applications. Last says the arrangement is based on "a very positive coincidence of interests. It's a marriage, not a joint venture. There have been problems, but they've been resolved."

China has already bought about \$45 million worth of Honeywell equipment, the bulk of it under the UDP project. Profits? Last says not yet, but confidently predicts 1985 will turn out to be the "turnaround year. We're here for the long haul. We can't just look at the quarterly profits." Even China's new foreign exchange restrictions, announced this year, which have hit computer suppliers especially hard, will "modify but not substantially alter" Honeywell's profit forecast, according to Last.

### INGERSOLL-RAND

Ingersoll-Rand has experienced wide swings in its annual sales volume to China. The manufacturer, which sells drills, compressors, and other machinery for the mining, petroleum, and construction industries, reports sales over the past five years of between \$10 million and \$40 million per year. China manager Tony Diganese says this fluctuation reflects the fact that "China is not a



SOURCE: US Department of Commerce



mature market. Foreign exchange policy governs these ups and downs, as do changing industry priorities. In our case, a big project of, say, \$15 million really helps the annual total."

Things are swinging in the right direction of late. In one of its biggest China deals yet, Ingersoll-Rand got the contract to supply all the drills and compressors for the giant Pingshuo coal mine in Shanxi Province. The company is also pleased with recent technology transfer deals it has signed with factories in Hunan (pumps), Shanghai (compressors), and Hebei (drills). Other technology transfer arrangements are under active consideration.

Ingersoll-Rand began selling its equipment to China over 40 years ago. In the late 1970s the firm decided to concentrate more resources on China, and opened a Beijing office. Digmanese says, "Our goal all along has been to develop a long-term presence. As a capital equipment manufacturer, our products fit certain sectors of China's development plan. Profits aren't big because of competition and because costs of sales are high, but yes, we're making a profit."

#### **GOULD INC.**

A country in the process of economic reform, China takes an interest in foreign companies that have restructured themselves. Few have done so as radically as Gould. In the last four years, Gould has sold 75 percent of its total assets, shedding divisions in basic industrial sectors and replacing them with high-technology electronics companies. More than 65 companies have been bought or sold in the process. Like China, Gould is also practicing more decentralized decision making.

Sabina Brady, manager of the firm's Beijing office, says, "The Chinese are interested in this technological and administrative transformation. When talking to the Chinese, we present our history—there's lots of mutual sympathy."

It also helps Gould sell its products and systems. In its new incarnation, the company has five major business groups: minicomputers and imaging systems, industrial automation, instrument systems, electronic components, and defense systems. Brady says all five are doing business in China, though the latter, of course, is less active. Gould's first big contract

came five years ago when it sold programmable controllers to automate blast furnaces at China's biggest steel mills. Last year Gould sold high-performance minicomputers to the Ministry of Education under a World Bank project, and the firm recently announced a big order for oscilloscopes from the Beijing branch of China National Electronics Import-Export Corp.

Decentralized marketing makes it hard to gauge the company's total sales to China, according to Brady, since many sales are handled State-side or through other middlemen. Still, Brady admits "sales need to grow." As for profits, Brady is reasonably pleased with the current level, but "we can always do more."

Gould takes seriously China's growing insistence that foreign companies must transfer more of their technology as they sell equipment. "China is not just going to buy anymore," says Brady. "Their new direction is to export, which requires more tech transfer. Gould knows it can't completely rely on sales, and we're already talking about tech transfer with several enterprises. We're even willing to consider buy-back, though not of silk blouses." The firm signed its first technology transfer agreement in 1984 with the Tianjin Automation Instruments Factory to assemble kits of Gould industrial computers for the domestic market. The company has also licensed its recorder technology to Chinese enterprises in Ningbo and Liaoyang, and is currently discussing ways to transfer more know-how to the Tianjin plant.

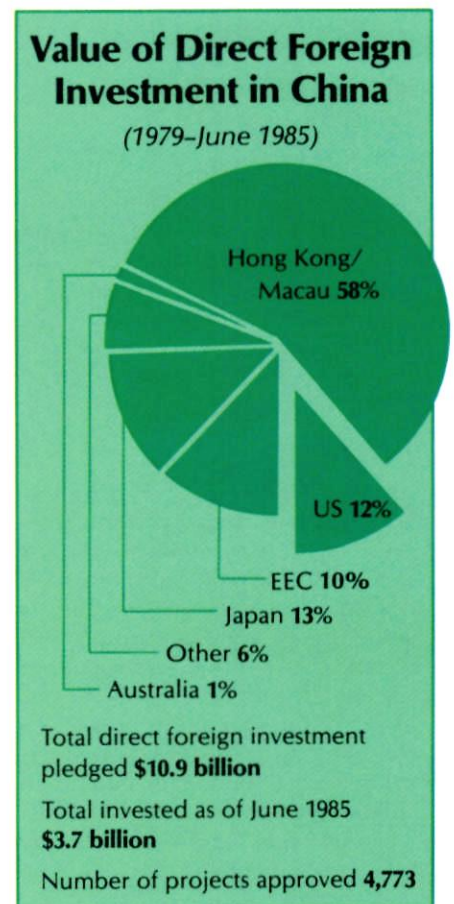
#### **US-CHINA INDUSTRIAL EXCHANGE, INC.**

In addition to restructuring its economy, China is trying to foster entrepreneurship and harness the energy of its younger generation. The country might take some lessons from a trading company called US-China Industrial Exchange, which was started in 1981 by Elyse Silverberg and Roberta Lipson, both then in their 20s. After positively meteoric initial growth, USCIE has mellowed to the point where business now only doubles every year. Staff is growing at a commensurate rate. Lipson says the ingredients of the company's success include good timing, the right products, strong service capabilities, hard

work, and a lot of luck.

USCIE got started at a time when many firms were naively enthralled by the prospect of tapping the China market. As Lipson explains, "Firms would pay big retainers to trading companies that didn't know enough about China to serve them adequately. It was easy to charm clients. But we decided it was time to do it right, to charm the China market instead of the US clients." USCIE's approach called for an emphasis on quality, not quantity; the firm acquired new clients only when the principals thought they could serve them properly.

The strategy also required product specialization and expertise. Lipson and Silverberg chose an initial product line in which American technology was competitive and which, because of China's socialist orientation, would not suffer "Baoshan-type" cutbacks: medical instruments. As Lipson says, "Being a jack-of-all-trades doesn't work in product marketing." The firm tries to branch out into other product areas only after securing a firm base in existing areas. While highly specialized medical instrument manufacturers make up



SOURCE: National Council files



most of USCIE's more than 30 clients, the company has diversified into other scientific instruments, heavy construction equipment, and industrial machinery. USCIE also advises clients on setting up co-production and joint ventures. For clients that have kit assembly deals, the trading company earns a commission on the kits imported and on the royalty payment to the client. In some cases of local production, the Chinese manufacturer and the US client are both happy to leave USCIE in charge of marketing finished products in China.

The firm decided early on to establish its own service capabilities in Beijing. As Lipson puts it, "You've got to keep the first products you sell working well—it's an important investment for future sales." Lipson has strong ideas about how to run a service operation. "Other companies have hired Chinese organizations to do their service, but it's so essential, you really have to keep control yourself. Service has to be a cost of sale—not a profit center." USCIE maintains a ratio of marketing to service personnel of about 2:1. They employ Chinese engineers trained at clients' facilities in America.

Besides the 15-hour days, Lipson adds one final element of success in China: serve every customer. "Some people walk in looking like they just got off the train from who-knows-where. You've got to give them all some time. Some will want to buy raw steel and sell you ships. We'll explain these aren't our product lines, but we'll get our New York office to find out whom they should contact. Then when the guy's brother-in-law wants to buy medical instruments next year, he'll come to USCIE."

### **BECHTEL**

Bechtel China Inc. President Ray Portlock says the big San Francisco-based engineering company began business in China in the late 1970s with two goals. First, to assist China's modernization by building large capital construction projects. Second, to make money.

Since its first contract in 1978 (with the Petroleum Ministry to perform technical services at Daqing oil field), Bechtel has been involved in a slew of projects. Active ones include provision of training services for the Pingshuo coal mine, consulting on civil work for a nuclear power plant

in Guangdong, design and construction management of a hotel in Shenzhen, a feasibility study for an iron ore concentrate slurry pipeline, a subcontract of a regional development study of Guangxi, engineering work for a proposed hydroelectric project on the Yellow River in Henan, and design of a coal gasifier.

Does this impressive list translate into profits in China? Not yet, says Portlock. The executive stresses that Bechtel needs more projects to reach its two goals. "These are relatively small assignments and are highly technology-oriented. China needs our engineering technology, but more important it needs our management technology—the skills to build projects on time, of high quality, and within budget. We didn't come to China to compete with local design institutes. It's the *major* projects where we can compete."

Bechtel thought it had landed just such a megaproject when a joint venture company it had formed in 1984 with the Coal Ministry was selected to perform the design engineering, procurement, and construction for the Junggar open-pit coal mine in Inner Mongolia late last year. Work began on the 35 million tonne-per-year project in March, but in June, according to Portlock, the Coal Ministry was told to stop work. Bechtel has had to send about 180 Chinese engineers back to their design institutes and some 25 expatriates home. Portlock feels the brakes were applied because the region's rail capacity was later determined to be insufficient to move the coal once mined, and because of China's recent foreign exchange squeeze.

"It's regrettable . . . this stop-and-go way of running an economy is not an economical way to do business," says Portlock. He says the company is disappointed but not bitter, and that the joint venture is already trying for other projects. "We haven't set a deadline for making profits," says Portlock. "We're not losing a lot, but we have to make up for the losses of the past. We hope to make a profit in the next year or two."

### **ITT**

So many ITT divisions are successfully involved in China that it's difficult to summarize the firm's operations there. A look at a couple divisions will have to suffice.

Beijing's slick Great Wall Hotel be-

came the Great Wall Sheraton last March when ITT-Sheraton signed a 10-year management contract with the Sino-foreign joint venture company that owns the hotel. Manager Joe Roseman says the deal is "a big money-maker for Sheraton." Sheraton receives a fee based on the percentage of revenue generated. This creates an incentive to keep occupancy rates high, and Roseman says the 1,000-room hotel is fuller now than Sheraton manages it.

Roseman says the Great Wall is only the start for Sheraton in China: "We're establishing a precedent. Five years from now, there will certainly be four or five more Sheratons and maybe as many as eight." An October signing in Shanghai suggests the plan is on track. Sheraton will manage the Huating Hotel, a 1,000-room hotel owned by the Shanghai Municipal Tourism Bureau scheduled to open in April 1986. Roseman says Sheraton is also discussing other hotel management projects in Guilin, Xi'an, and Tianjin. Profit isn't the only incentive for this planned expansion, though. "It's a high-profile industry," says Roseman. "Image is a big thing. A hotel in Guilin or Xi'an is not a big thing to ITT headquarters. It makes less money, but there's an image payoff."

The China market has also proved lucrative in a rather different industry to ITT-Rayonier, the forest products company. In fact, as Rayonier's China Manager Lloyd Roberts puts it, "China is currently the only bright news in the log export industry. Without China, there would have been a disaster in the industry in America's northwest."

Roberts reckons Rayonier's total sales of logs and pulp to China this year will be about \$100 million. Profit? "Yes, but not nearly as much as I feel would be appropriate." Still, Roberts is optimistic about future growth in China's demand for logs. "Construction plays a big role in China's modernization, and the Chinese recognize the objective limits they're up against in domestic supply. They know they have to slow down on domestic cutting."

The challenge is not just to sell more logs for the things China has traditionally built out of wood, but to convince a masonry-based culture to build more things out of wood. Roberts says Rayonier "is just now studying how to deliver that argument,

how to correct the prejudice that 'wood doesn't last.' It will be a long process." The company is also trying to convince China to buy more hemlock, a cheaper type of wood that happens to be the main type Rayonier produces. The executive says hemlock is adequate for most of China's needs so the country should match quality with end use. Training sessions in forestry economics that the firm holds for Chinese associates presumably help get the idea across.

Roberts says the company is prepared to be patient. "We're not just here for short-term profits. We're trying to develop long-term relations and better markets in the whole gamut of the wood industry. American companies that have tried for the quick kill in China have found their pants around their ankles." Patience: that time-honored *sine qua non* of the China trade, colorfully restated by Rayonier's Lloyd Roberts.

#### PERKIN-ELMER

If selling logs to China presents challenges, imagine trying to sell sequential inductively coupled plasma emission spectrometers. Norwalk, Connecticut-based Perkin-Elmer Corporation began selling such high-

performance analytical instruments in China 13 years ago. The company markets its sophisticated equipment in over 25 countries; sales to China rank fifth, after the United States, West Germany, Britain, and Italy. In recognition of the PRC's importance, the firm set up Perkin-Elmer China, Inc. two years ago as a separate company.

Former General Manager Bob Davis says the company focuses its efforts in China on high-technology instrumentation. In the year ending last June, Perkin-Elmer's sales to China were up compared to the previous year. Sales are greater than forecast, but there's been a slight downturn in profits in the last year or two. Higher costs associated with setting up the Beijing office—the expatriate staff has increased from one to five—account for this dip, which Davis expects to be temporary.

One reason sales are up is that Perkin-Elmer has improved its service operation. The firm set up its first service station in Shanghai in 1979. It subsequently opened a second, main service operation in Beijing. The agreement governing the latter stipulates that engineers must work at least two years at the

center. Davis has high praise for China's engineers, who receive training at Perkin-Elmer's US facilities. He says that more than 80 percent of the time, servicemen can repair a faulty instrument on the first visit.

Is Perkin-Elmer worried about China's recent restrictions on foreign exchange allocations? Davis acknowledges that the exchange squeeze creates "a whole new ball game. Each sale is a harder process. There are more bureaucratic layers to which a buyer has to justify a purchase. But Perkin-Elmer is in good shape because of our improved service abilities, our increasing investment, and our applications emphasis." Applications have been an oft-cited weak link in China's drive to acquire high-tech equipment. Perkin-Elmer is continuing efforts to strengthen this aspect of its business; its engineers frequently hold technical seminars on applications for customers. As for investment, the company has just signed a letter of intent with the China National Instrument Import-Export Corp. and the Beijing Geological Instrument Factory on setting up an equity joint venture to manufacture atomic absorption instruments in Beijing. 完

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# China's New Technology Import Regulations

*Help or hindrance?*

Ellen R. Eliasoph and Jerome Alan Cohen

**T**he acquisition of advanced foreign technology is the cornerstone of China's program of foreign economic cooperation. Although China also seeks substantial foreign investment and trade, its leaders are well aware that it is ultimately the mastery, application, and popularization of new technology that will enable the country to achieve fundamental improvements in infrastructure, economic efficiency, and living standards. For the majority of foreign companies, technology transfer holds the key to China's potentially vast marketplace. Thus the recently issued "Regulations of the People's Republic of China for the Administration of Technology Import Contracts" (hereafter the "Regulations") provide long-awaited insight into the government's attitudes and objectives in the all-important area of technology transfer.

Overall, the Regulations clearly indicate that China plans to intensify its scrutiny and control over technology transfer, reserving the power to shape the technology transfer process to fit the country's needs. Foreign companies will find many of the Regulations' provisions unsurprising and unobjectionable, reflecting the largely successful Sino-foreign technology transfer experience of the past seven years. Nevertheless, the Regulations also contain more restrictive provisions that may complicate—and thereby lengthen—many negotiations. Whether or not these restrictive provisions will actually turn away potential business partners will depend upon the manner in which they are interpreted by Chinese negotiators and officials.

The Regulations, issued and put into effect by the State Council on May 24, 1985, govern all transfers of

technology to companies, enterprises, organizations, and individuals "within the PRC" from similar entities and individuals "outside of the PRC." It does not matter whether the transaction occurs in the course of trade or economic and technical cooperation. Transactions subject to the Regulations include the transfer and licensing of patent and other industrial property rights, the transfer of other forms of proprietary technology, and the provision of technical services. Detailed confirmation of the scope of the Regulations is provided by the "Measures for the Examination and Approval of Technology Import Contracts" (hereafter "Approval Measures,") promulgated on September 18, 1985.

The Regulations govern technology transfer contracts concluded by Chinese-foreign joint ventures, whether they involve the foreign joint venture partner or a third-party foreign entity or individual. However, since the technology transfer provisions contained in the new Regulations differ in some respects from those outlined in the PRC's previous joint venture legislation, questions of interpretation are likely to arise. It is not yet clear whether the legislation specifically applicable to joint ventures will prevail over the more recent, but more general, Regulations. What is clear, from the Approval Measures, is that contracts under which the foreign investor

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makes an equity contribution to a joint venture in the form of technology do *not* fall under the approval process for technology import contracts, but are instead to be approved like other joint venture contracts.

The Regulations *are* intended to govern the acquisition of technology by Chinese-foreign cooperative ventures, whether by licensing contract or, apparently, by capital contribution. However, pending the promulgation of legislation defining the status of such ventures, it is difficult to characterize many of them as either "companies," "enterprises," or "organizations," as contemplated by the wording of the Regulations. As for wholly owned foreign enterprises established in the PRC, the Approval Measures make clear that their technology import contracts are also subject to the Regulations, even before promulgation of the legislation that is expected to define these as PRC enterprises subject to the jurisdiction and protection of PRC law.

## ***Guidelines for formulating contracts***

Articles 3 through 8 of the Regulations help clarify the nature of technology import contracts and should be generally encouraging to foreign technology suppliers. Article 3 of the Regulations provides that technology must be "advanced and appropriate" in order to qualify for importation, and, in addition, must meet one or more of the conditions enumerated in the Article. These conditions seem to apply the fairly workable standard that has existed heretofore.

Articles 5 through 8 of the Regulations set forth guidelines for the contents and scope of technology import contracts. Article 5(c) appears to give the contracting parties full discretion over the manner in which the recipi-

ent of technology will compensate the supplier, providing only that the contract must make provision for "remuneration, the form of remuneration, and the means of payment." By contrast, Article 46 of the 1983 "Implementing Regulations of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" (the "Joint Venture Regulations") requires that fees for the use of technology be "fair and reasonable," states that royalties "shall generally be adopted as the form of payment," and provides guidelines for the setting of royalty rates and calculation of royalty payments. Whether these differences in the two sets of regulations will result in differences in practice between joint ventures and other forms of cooperation remains to be seen.

Article 6 contains the unsurprising requirement that the supplier of technology "guarantee that the technology being provided is complete, free of error, effective, and can achieve the objectives stipulated in the contract." Similar provisions appear in the 1984 "Interim Provisions of the Shenzhen Special Economic Zone for the Import of Technology" (the "Shenzhen Provisions"). Moreover, the Approval Measures require the approval agency to determine "whether the contract has reasonable provisions on the technical standards the transferred technology should attain, including a guarantee of the quality of the products produced using the technology." Long prior to the existence of relevant legislation, PRC negotiators regularly raised such demands. Obviously, for any given transaction the ultimate scope of such guarantees hinges upon the manner in which the "objectives" are defined in the contract, and upon other contractual stipulations requiring the recipient to apply the technology in a proper manner.

The foreign business community will welcome Article 7's confirmation of the importance of the recipient's contractual obligations of confidentiality. (Curiously, the Article omits any reference to reciprocal obligations on the part of the supplier.) The provisions of Article 8, like the Joint Venture Regulations, allow for a contract term of 10 years in the usual case, but also explicitly offer the possibility of a longer contract. This should encourage foreigners who

wish to license their technology in return for long-run royalties and who were unnerved by the Shenzhen Provisions' restriction of contract terms to periods of five years.

### ***Problems with the "Restrictive Provisions"***

In contrast to the provisions described above, Article 9 of the Regulations may leave prospective technology suppliers with the impression that in certain respects China's conception of technology transfer is incompatible with their own. The Article lists nine types of restrictive conditions that cannot be included in technology import contracts without special approval. It reads like a checklist of areas in which, right or wrong, PRC legislators believe foreign suppliers of technology have taken advantage of their Chinese partners.

Depending on the transaction, the contracting parties may have sound economic reasons to agree to provisions that fall within Article 9's restrictive categories. Although the Regulations do allow for approval of such provisions on a case-by-case basis, Article 9 establishes a strong legislative presumption that such provisions are undesirable. Thus, a party that deems any such provision essential to its interests must persuade both its negotiating partner and the PRC authorities of its acceptability.

Several of the "restrictive provisions" prohibited by Article 9 are unlikely to provoke dispute since they are clearly unfair. For example, Section 9(i) prohibits "requirements that the recipient pay remuneration for or undertake obligations with respect to patents that are not usable or have become invalid." Certain other restrictions prohibited by Article 9, such as restricting the recipient's continued use of the technology following expiration of the contract term, are invariably rejected by PRC negotiators, and prohibited by other PRC legislation. It is therefore not surprising that they appear on the prohibited list in the Regulations.

Unfortunately, not all the restrictive provisions are so clear-cut. Characterization of the following as restrictive terms will in all likelihood give rise to serious concern among prospective suppliers of technology:

▶Section 9(a) of the Regulations prohibits "requirements that the recipient accept supplemental condi-

tions unrelated to the import of technology, including the purchase of unnecessary technology, technical services, raw materials, equipment, or products." This broad wording raises the risk of arbitrary interpretation. It is generally not possible for a supplier of technology to fulfill contractual guarantees that the technology "can achieve the objectives stipulated in the contract" unless the recipient agrees to master the necessary technology, accept certain technical services, and use appropriate raw materials and equipment in the course of applying the technology. Very often the supplier will require the recipient to purchase such additional services and material. In recognition of these practices, only sales of "unnecessary" technology, services, and materials are prohibited—but who is to judge what is necessary? The wording of this section will certainly increase the pressure on PRC negotiators to purchase the absolute minimum required. And can it be assumed that, once the contracting parties have agreed on the technology required, the approval authorities will accept their judgment? If not, the submission of a signed contract to the authorities could be followed by a second round of negotiations in which the foreign party must again present its case.

▶Section 9(b) of the Regulations, which prohibits "restrictions on the recipient's freedom to choose to purchase raw materials, spare parts, or equipment from different sources," is evidently designed, like the previous one, to discourage the common practice of linking technology transfer to sales. Since the prospect of securing orders of spare parts and proprietary products has frequently been a strong incentive for foreign suppliers to enter into licensing arrangements in China, strict interpretation of this provision could inhibit the growth of the PRC's licensing trade. In addition, if suppliers of technology have no say in the choice of the raw materials or equipment used in applying the technology, they will inevitably restrict their performance guarantees accordingly. Trademark licensing will also be affected, as licensors unable to exercise effective quality control will refuse to put their reputations at risk.

▶Section 9(c) prohibits "restrictions on the recipient's development and improvement of the imported tech-



nology." Although suppliers of technology may not find this section objectionable in and of itself, they may be more concerned upon reading it in conjunction with Section 9(d), which prohibits "restrictions on the recipient's acquisition from other sources of technology similar to that imported or technology of the same type that is competitive with it." A technology supplier hoping to form a relationship with a PRC partner, establish a sound reputation for its technology, and gain a foothold in the PRC marketplace can hardly be expected to want its partner cooperating with its competitors, purchasing their technology, experimenting with the technology acquired from different sources, and even competing directly with the supplier. Read together, Sections 9(c) and (d) could constitute a rebuff to foreigners' hopes of using technology transfer as a means of competing effectively in China's domestic market.

►Section 9(f) of the Regulations prohibits "restrictions on the volume, varieties, or sales prices of the products produced by the recipient using the imported technology," and Section 9(g) prohibits "unreasonable restrictions on the recipient's sales channels or export markets." While these prohibitions were included in earlier legislation and therefore come as no surprise, they differ from earlier formulations in an instructive manner. Article 46(2) of the 1983 Joint Venture Regulations provides that "unless otherwise agreed upon by both parties, the technology exporter must not restrict the regions, quantities, and prices of the technology importer's export of the resulting products." This is a much narrower wording than that of Sections 9(f) and (g) of the new Regulations; it does not prohibit restrictions on the "varieties" of the products manufactured; nor does it prohibit restrictions on the volume and prices of products produced for the PRC domestic market. Most important, in the Joint Venture Regulations the entire provision is qualified by the phrase "unless otherwise agreed upon by both parties." The Regulations contain no such statement, thereby leaving the approval authorities with the power of ultimate decision. The denial of the right to stipulate which "varieties" of products can be manufactured is disturbing; how can a supplier of technology give

performance guarantees without knowing what types of products will be produced? The lack of control over sales prices makes it difficult for a foreign supplier of technology to implement a pricing strategy for entry into the domestic market, even though its royalty may be linked to the sales price. Moreover, combined with the inability to "unreasonably" restrict export markets, this raises a real prospect of competition with PRC licensees for overseas markets, something that many foreign companies may not be prepared to risk.

Article 9 of the Regulations, then, places significant obstacles in the way of a supplier of technology who wishes to maintain control over the recipient's application of the technology and marketing of the resulting products. But at this early stage it is difficult to assess whether Article 9 is intended to mark a departure from past practice, or whether it is merely intended to compel PRC agencies to tighten their scrutiny of technology import contracts. If in fact PRC approval agencies will rarely grant the "special approvals" required for inclusion of the so-called "restrictive terms" in contracts, then the effect of the Regulations will be to alter PRC technology transfer practice in a significant way. For example, until now it has been fairly common in PRC licensing transactions for licensees to commit to purchasing production materials and equipment from licensors. In addition, licensors have occasionally obtained the right to inspect and reject raw materials being used in the production process. It has also been possible to limit PRC licensees' export markets, either by designating certain countries and regions as off-limits or by explicitly granting export rights to a restricted group of countries. The extent to which the new Regulations will make it difficult, if not impossible, for technology suppliers to obtain such contractual protection awaits clarification through practice.

### *Contract approval process*

Article 4 of the Regulations outlines the process for obtaining approval of a signed technology import contract, and the Approval Measures offer details. Prospective suppliers of technology should bear in mind that the contract "approval" process actually begins before the contract negotiations, at the time of initial

project approval. At this stage the PRC entity is officially authorized, on the basis of an approved project feasibility study or its equivalent, to commence contract negotiations. The Approval Measures confirm that this preliminary project authorization will continue to be the critical first step in the approval process for all PRC technology import contracts. The proper source for project authorization may be the national ministry having jurisdiction over the PRC participant, the relevant bureau directly under the State Council, the State Planning Commission, or the planning commission under the county, municipality, special economic zone, or province in which the project will be located, depending upon factors such as the scope and value of the proposed project.

Article 4 of the Regulations requires that the contract be submitted for final approval within 30 days of being signed by the contracting parties. The contract must be accompanied by the documents listed in Article 10 of the Regulations. The contract is submitted to the appropriate "examination and approval authority," i.e., MOFERT, its subordinate agencies, or another agency that MOFERT has authorized to examine and approve the contract—the Approval Measures provide details. The approving agency must decide within 60 days of receipt of the application whether or not to approve the contract. An approved contract becomes effective on the day of approval; however, if the approving agency fails to make a decision within the prescribed 60-day period, the contract is deemed approved and automatically enters into effect.

Article 4 is basically clear and simple, but this last provision allowing for "automatic effectiveness" raises an important question: what will be the legal effect of any "restrictive terms" prohibited by Article 9 that appear in a contract entering into effect because of the approving agency's failure to take action? One might be tempted to assume that, if a contract enters into effect automatically, it becomes effective in its entirety. However, Article 9 states that "without special approval by the examination and approval authority" such restrictive terms are illegal. In the case of automatic effectiveness, no "special approval" has affirmatively been granted. Should it therefore be as-

sumed that the restrictive terms are null and void, and not binding on the parties to the contract? Until this question is answered definitively, a contract that has become effective "automatically" will be a legal document of uncertain value.

The Approval Measures raise even greater doubts about "automatic effectiveness." They make no mention of the possibility that a contract can become effective without actual approval and they require the approval agency to issue a certificate for each approved contract. Finally, they state that a copy of this certificate must be provided when "such matters as bank guarantees, letters of credit, payments, foreign exchange settlements,

customs clearances, tax payments, or applications for tax reduction or exemption are handled." If the certificate is not produced, the relevant authorities are authorized to refuse to process the matter.

Although China's new technology transfer regulations do not seem as hospitable to foreign economic cooperation as the "Law of the People's Republic of China on Economic Contracts Involving Foreign Interests" promulgated earlier this year (see *The CBR* July-August 1985, page 52), they are a step forward when compared to at least one of their forerunners, the Shenzhen Provisions. Only actual practice, however, will determine their true significance. 完

## Regulations of the People's Republic of China for the Administration of Technology Import Contracts

**Article 1.** These Regulations are formulated in order to further expand economic and technical cooperation with foreigners, raise the level of our country's science and technology, and promote the development of the national economy.

**Article 2.** The import of technology provided for in these Regulations refers to the acquisition of technology by companies, enterprises, organizations, or individuals within the People's Republic of China (hereafter referred to as "recipients") from companies, enterprises, organizations, or individuals outside of the People's Republic of China (hereafter referred to as "suppliers") through the channels of trade or economic and technical cooperation, including: (a) the transfer or license of patent rights or other industrial property rights; (b) proprietary technology in such areas as technological processes, formulae, product design, quality control, and management provided in such forms as drawings, technical documentation, and technical norms; and (c) technical services.

**Article 3.** Imported technology must be advanced and appropriate and shall meet one or more of the following requirements: (a) be able to develop and produce new products; (b) be able to raise the quality and performance of products, lower production costs, and conserve energy or materials; (c) further the full utilization of this country's natural resources; (d) be able to expand product exports and increase foreign exchange revenue; (e) further environmental protection; (f) further safety in production; (g) further the improvement of management and administration; (h) assist in raising the level of science and technology.

**Article 4.** The recipient and the supplier must sign a written technology import con-

tract (hereafter referred to as a "contract"), and the recipient shall, within 30 days of signature, submit an application to the Ministry of Foreign Economic Relations and Trade of the People's Republic of China or another authority authorized by the Ministry of Foreign Economic Relations and Trade (hereafter referred to as the "examination and approval authority") for examination and approval. The examination and approval authority shall, within 60 days of receiving the application, decide whether or not to approve it; an approved contract shall come into force from the date of approval. If the examination and approval authority has not made a decision within the stipulated examination and approval period, a contract shall be regarded as having been approved, and shall automatically come into force.

**Article 5.** In signing technology import contracts, the Law of the People's Republic of China on Economic Contracts Involving Foreign Interests and the relevant provisions of other laws shall be observed.

The parties shall make clear provision in contracts for the following matters: (a) the contents, scope, and the necessary explanation of the technology to be imported; when patents and trademarks are involved a list shall be attached; (b) the expected technical objectives to be achieved and the time periods and measures for realizing each of such objectives; (c) the remuneration, the form of remuneration, and the means of payment.

**Article 6.** The supplier shall guarantee that it is the lawful owner of the technology being provided and shall guarantee that the technology being provided is complete, free of error, effective, and can achieve the objectives stipulated in the contract.

**Article 7.** The recipient shall, in accordance

with the scope and the time period agreed upon by the parties, undertake the obligation to maintain the confidentiality of the confidential portion of the technology being provided by the supplier that has not yet been made public.

**Article 8.** The term of a contract shall correspond to the time that is adequate for the recipient to master the technology being imported and, without special approval of the examination and approval authority, may not exceed 10 years.

**Article 9.** The supplier may not compel the recipient to accept unreasonable requirements of a restrictive nature; without special approval of the examination and approval authority, a contract may not contain the following provisions of a restrictive nature: (a) requirements that the recipient accept supplemental conditions unrelated to the import of the technology, including the purchase of unnecessary technology, technical services, raw materials, equipment, or products; (b) restrictions on the recipient's freedom to choose to purchase raw materials, spare parts, or equipment from different sources; (c) restrictions on the recipient's development and improvement of the imported technology; (d) restrictions on the recipient's acquisition from other sources of technology similar to that imported or technology of the same type that is competitive with it; (e) unequal conditions for the parties' exchange of technical improvements; (f) restrictions on the volume, varieties, or sales prices of the products produced by the recipient using the imported technology; (g) unreasonable restrictions on the recipient's sales channels or export markets; (h) prohibitions of the recipient's continued use of the imported technology following the expiration of the contract term; and (i) requirements that the recipient pay remuneration for or undertake obligations with respect to patents that are not usable or have become invalid.

**Article 10.** When submitting a contract for approval, the following documents must be submitted: (a) an application for approval; (b) a copy of the contract and the text of the translation of the contract; (c) documents evidencing the legal status of the contracting parties.

**Article 11.** Modifications of a contract or extensions of the contract term shall all be handled with reference to the provisions of Articles 4 and 10 of these Regulations.

**Article 12.** The Ministry of Foreign Economic Relations and Trade shall be responsible for interpreting these Regulations; the Ministry of Foreign Economic Relations and Trade shall formulate implementing rules.

**Article 13.** These Regulations shall go into effect from the date of their promulgation.

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*These regulations were issued by the State Council on May 24, 1985. Translated by Paul, Weiss, Rifkind, Wharton & Garrison.*



# CHINA'S TRADE AND INVESTMENT LAWS

Compiled by Linda L. Gramling

*The rapid improvement in China's business climate over the last few years can in part be attributed to a strengthening of the country's legal system. Since our last compilation of China's major foreign trade and investment laws (see The CBR, September–October 1983), there has been a notable increase in both the number and scope of these laws. The following list of legislation includes all such laws that we are aware of, but does not generally include laws affecting purely domestic commerce or the many secret "internal documents" affecting trade and investment available only to PRC officials. The laws are presented by subject category, and listed within categories chronologically by date the law took effect. The date a law became effective is the same as the date of issuance, adoption, approval, publication, or promulgation unless otherwise noted. References have been made throughout to articles in The CBR that treat these laws in depth.*

## ACCOUNTING

(See also *Joint Ventures*)

**Regulations Regarding the Functions and Powers of Accounting Personnel.** SC Circular No. 175. Published 9/12/78.

**The Accounting Law of the PRC.** Adopted by the Ninth Session of the Standing Committee of the Sixth NPC 1/21/85.

**President Li Xiannian's Decree On Accountancy Law.** Adopted at the Sixth NPC Standing Committee 1/1/85. Effective 5/1/85.

## ADVERTISING

(See also *Customs*)

**Provisional Articles on Control of Advertising.** Promulgated by the SC 2/17/82. Effective 5/1/82. See *The CBR* 3–4/83, p. 27.

**Circular of State Industrial and Commercial Administrative Bureau on Tobacco and Liquor Advertising Representation.** Issued by the SC 5/10/84.

## ARBITRATION

**Decision of the Gov't Admin Council of the CPG Concerning the Establishment of a Foreign Trade Arbitration Commission Within the CCPIT.** Adopted by the Admin Council 5/6/84.

**Provisional Rules of Procedure of the Foreign Trade Arbitration Commission of the CCPIT.** Adopted by CCPIT 3/31/86.

**Decision of the SC of the PRC Concerning the Establishment of a Maritime Arbitration Commission Within the CCPIT.** Adopted at the 82nd Session of the SC 11/21/88.

**Provisional Rules of Procedure of the Maritime Arbitration Commission of the CCPIT.** Adopted by CCPIT 1/8/89.

**Provisional Rules for General Average Adjustment.** Issued by the CCPIT 1/1/75.

**SC's Notice Concerning the Conversion of Foreign Trade Arbitration Commission into Foreign Economic and Trade Arbitration Commission.** Issued by the SC 2/26/80.

**Regulations of the PRC on the Arbitration of Disputes over Economic Contracts.** Promulgated by the SC 8/22/83.

## CONSTRUCTION

(See also *Finance, Foreign Enterprise, Taxation, SEZs*)

**Articles on State Requisition of Land for Capital Construction.** Promulgated by the SC 5/14/82.

**SC Regulations on Raising Construction Funds for Key State Energy and Transportation Projects.** Promulgated by the SC. Effective 1/1/83.

**Provisional Rules of Warranty for Building Construction.** Issued by the Ministry of Urban and Rural Construction and Environmental Protection 3/3/84.

**SC Regulations on the Building Industry.** Adopted by the SC 9/84.

## CONTRACTS

(See also *Arbitration, Finance, Intellectual Property, SEZs*)

**Joint Circular of the SEC, SAIC, and the PBOC on a Number of Questions Regarding the Supervision of Economic Contracts.** Issued 8/8/79.

**Economic Contracts Law of the PRC.** Adopted by the Fifth NPC 12/13/81. Effective 5/1/82. See *The CBR* 9–10/84, p. 13.

**Regulations on Purchase and Sales Contracts for Industrial and Mining Products.** Published by the SC 1/23/84.

**Circular on Contract System for Research and Development Units.** Issued by the State Science and Technological Commission and the State Commission for Restructuring the Economic System 4/10/84.

**Regulations on Contracts for Processing Jobs.** Issued by the SC. Effective 2/1/85.

**Foreign Economic Contract Law of the PRC.** Adopted by the Standing Committee of the NPC 3/12/85. See *The CBR* 7–8/85.

## CUSTOMS

(See also *Foreign Enterprise Registration, Joint Ventures, Maritime, Oil Exploration, Transportation*)

**The Interim Law of the PRC on Customs.** Adopted by the 77th Gov't Administration Session of the CPG on 3/23/51. Effective 5/1/51.

**Provisional Regulations Governing the Application of the Import and Export Tariff Schedule of the PRC.** Approved by the 83rd Session of the Admin Council 5/4/51.

**Provisional Rules Governing the Levying of Tonnage Dues of the Customs Authorities of the PRC.** Approved by the Finance and Economics Committee of the Admin Council 9/16/52.

**Customs Measures for the Supervision and Control of Baggage and Articles of Inbound and Outbound Passengers.** Amended and promulgated by MOFT 9/29/58.

**General Rules Governing Joint Inspection of Incoming and Outgoing Ships.** Jointly issued by MinComm, the MOFT, the Ministry of Public Security, and the Ministry of Public Health 10/24/61.

**Procedures of Supervision and Control by the Customs of the PRC over Entry and Exit Trains and the Cargo, Luggage, and Parcels on Board.** Issued by MOFT and the Ministry of Railways 11/5/58.

**Provisional Procedures for the Supervision and Control by the Customs of the PRC Over Entry and Exit of Motor Vehicles and Goods.** Effective on notification by MOFT 8/29/63.

**Regulations on Border Inspection Procedures.** Promulgated by the SC 4/30/65.

**Customs Procedures for the Supervision of Int'l Civil Aircraft.** Promulgated by MOFT 10/1/74.

**Rules Governing the Supervision and Control of Int'l Civil Aircraft by the Customs Authorities of the PRC.** Revised by the MOFT 11/3/75.

**Rules Governing the Supervision and Control of the Importation of Goods for Exhibitions by the Customs of the PRC.** Promulgated by MOFT 11/3/75.

**Provisional Customs Regulations for Supervision and Control of Baggage and Articles Accompanying Inbound and Outbound Overseas Chinese and Other Passengers.** Promulgated by MOFT on 3/23/78. Effective 4/5/78.

**Rules Governing the Levying of Import Duty on the Articles in Passengers' Baggage and Personal Postal Parcels of the PRC.** Approved by the SC 6/1/78. Promulgated by the MOFT 8/1/78.

Interim Customs Procedures for the Collection of Fees. Effective 5/1/81.

Interim Customs Procedures for the Supervision of Import and Export Containers and the Goods Contained Therein. Effective 8/1/81.

The GCA's Notice on Levying Export Customs Duties. Issued 5/15/82.

Notice of the GCA Concerning the Levy of Export Duties. Promulgated by the GCA. Effective 6/1/82.

By-Law for Supervision and Control by the Customs and Imposition and Exemption of Customs Duty on Import and Export Goods for Processing and Assembling and as Compensation Trade of Small and Medium Scale. Promulgated by MOFERT 8/6/82. Effective 10/1/82.

Measures on Inspection and Taxing of Import and Export Samples and Advertising Samples. Published in *China Trader* 10/1/82.

Interim Procedures of the Customs of the PRC for the Supervision and Control Over Bonded Goods and Bonded Warehouses. Promulgated by the GCA on 2/11/83.

Shanghai Customs Measures. Announced 8/15/83.

Regulations of the Customs on Bonded Factories for Processing Imported Material. Published by the GCA 10/26/83.

Regulations of the Customs on the Control of Baggage and Articles Carried by Incoming and Outgoing Overseas Chinese Who Return to China to Visit Relatives. Promulgated by the GCA 10/28/83.

Regulations on Management of Baggage and Goods of Overseas Chinese Entering and Leaving the Border to Visit Relatives. Announced 11/27/83.

Rules Governing the Supervision and Control Over Inward and Outward Containers and the Goods Contained Therein. Issued by the GCA. Effective 1/1/84.

Regulations Concerning the Supervision and Control Over and the Levying and Exemption of Duties on Imports and Exports for Chinese-Foreign Contractual JVs. Promulgated 1/31/84 by the GCA, MOF, and MOFERT. Effective 2/1/84.

Regulations for Carrying Gold or Silver Into and Out of China. Promulgated by the PBOC and the GCA. Effective 2/5/84.

Regulations Concerning Supervision of and Levying and Exemption of Duties on Imports and Exports of Chinese-Foreign JVs. Promulgated 4/30/84. Effective 5/1/84.

Regulations Concerning Import and Export of Articles by Resident Offices of Foreign Enterprises and Press and Their Staff Stationed in China. Promulgated by the GCA. Effective 5/1/84.

PRC Customs Regulations on Control of Import and Export of Articles by Personnel of Foreign Enterprises, News Agencies, and Other Organizations Stationed in China. Promulgated by the SC 5/20/84.

Regulations of Customs of PRC Governing Supervision and Control on Inward and Outbound Postal Packages. Promulgated by the GCA 9/25/84. Effective 10/1/84.

Regulations of Customs of PRC Governing Supervision and Control of Personal Postal Packages Sent to or from Hong Kong and Macau. Promulgated by the GCA 9/25/84. Effective 10/1/84.

Regulations to Facilitate Hong Kong and Macau Compatriots in their Entry and Exit from China. Issued by the Ministry of Public Security 11/30/84.

Regulations Covering Import and Export Duties. Issued by the GCA. Effective 3/10/85.

## ENTERPRISE TAXATION

(See also *Joint Ventures, Oil Exploration, SEZs*)

Provisional Regulations Concerning Industrial and Commercial Business Tax. Promulgated by the Admin Council 12/19/50.

Provisional Regulations Concerning the Urban Real Estate Tax. Promulgated by the Admin Council 8/8/51.

Provisional Regulations Governing the Vehicle and Vessel License Plate Tax. Promulgated by the Admin Council 9/13/51.

Regulations of the Consolidated Industrial and Commercial Tax (Draft). Adopted by the Standing Committee of the NPC 9/11/58. Detailed Rules and Regulations. Promulgated by the MOF 9/13/58.

Regulations for Taxation on the Transportation Incomes of Vessels of Foreign Nationality. Approved by the SC. Promulgated by the MOF 6/21/74. Effective 7/1/74.

Regulations Regarding the Levying and Exemption of Industrial and Commercial Tax for Import and Export Commodities. Approved by the SC 12/30/80. See *The CBR* 11-12/81, p. 55.

Income Tax Law of the PRC Concerning Foreign Enterprises. Promulgated by the Fifth NPC 12/13/81. Effective 1/1/82. See *The CBR* 1-2/82, p. 45. Detailed Implementing Rules and Regulations. Promulgated by the MOF 2/21/82. Effective 1/1/82.

Notice on Taxation of Transportation Revenue of Foreign Vessels. Issued by the MOF 2/26/82.

Temporary Provisions on Tax Registration for Foreign Enterprises that Begin Operation or Close Down. Promulgated by the MOF's General Tax Bureau 4/15/82.

Tax Registration Instructions for Foreign Enterprises in Beijing. Issued by Beijing Tax Bureau's Foreign Tax Collection Office 4/15/82.

Tax Registration Instructions for Foreign Enterprises in Shanghai. Announced by the Shanghai Municipal Tax Bureau 6/10/82.

Notice Concerning Tax Registration. Issued by the MOF 9/1/82.

Interim Provisions of the MOF of the PRC Regarding the Reduction and Exemption of Income Tax Relating to Interest Earned by Foreign Businesses from China. Promulgated by the MOF. Effective 1/1/83. See *The CBR* 5-6/83, p. 45.

Interim Provisions of the MOF of the PRC Regarding the Reduction and Exemption of Income Tax on Fees for the Use of Proprietary Technology. Promulgated by the MOF 12/13/82. Effective 1/1/83. See *The CBR* 5-6/83, p. 45.

Tax Regulations for Foreign Contractors' Operations in China. Effective 7/83. Published in *CEN* 1/30/84.

Interim Provisions on the Levying of Industrial and Commercial Consolidated Tax and Enterprise Income Tax of Foreign Contractors Undertaking Construction Projects and Providing Labor Services. Issued 7/5/83 by various provincial financial departments and tax bureaus.

Tax Regulations on China-Foreign Cooperative Enterprises. Effective 2/1/84.

Interim Provisions for Collection of Industrial and Commercial Consolidated Tax and Business Income Tax from China-Based Foreign Companies. Issued by the MOF 5/14/85. Effective 1/1/85.

Provisional Regulations Governing Regulatory Tax on Wages in State-Owned Enterprises. Promulgated by the SC 7/3/85. Effective 1/1/85.

Provisional Regulations of the PRC Regarding Urban Maintenance and Construction Tax. Promulgated by the SC 2/8/85.

Interim Provisions Concerning Taxation of Resident Representative Offices of Foreign Enterprises. Approved by the SC 4/11/85.

Provisional Regulations on Bonus Tax in State-Owned Enterprises. Promulgated by the SC 7/3/85.

## ENVIRONMENTAL PROTECTION

Regulations Governing the Breeding and Protection of Aquatic Resources. Issued by the SC 2/10/79.

Forestry Act of the PRC (for Trial Use). Adopted in principle by the Sixth Session of the Standing Committee of the Fifth NPC 2/23/79.

Law on Environmental Protection of the PRC (for Trial Use). Adopted in principle and promulgated by the 11th Meeting of the Standing Committee of the Fifth NPC 9/13/79.

Provisional Regulations for Pesticide Field Trial in the PRC by Foreign Companies. Issued by the Ministry of Agriculture, Animal Husbandry, and Fisheries. Effective 6/1/81.

Provisional Regulations for the Levy of Pollutant Discard Fees. Promulgated by the SC 2/5/82. Effective 7/1/82.

Circular on Provisional Regulations for Collecting Fees for the Discharge of Industrial Wastes. Issued by the SC on or before 3/29/82. Effective 7/1/82.

### KEY:

Admin: Administrative  
BOC: Bank of China  
CCPIT: China Council for the Promotion of International Trade  
CEN: *China Economic News*  
CPG: Central People's Government  
ETDZ: Economic and Technological Development Zone  
GCA: General Customs Administration  
JV: Joint Venture  
MinComm: Ministry of Communications  
MOC: Ministry of Commerce  
MOF: Ministry of Finance  
MOFT: Ministry of Foreign Trade (predecessor to MOFERT)  
MOFERT: Ministry of Foreign Economic Relations and Trade  
NPC: National People's Congress  
PBOC: People's Bank of China  
PRC: People's Republic of China  
SAEC: State Administration for Exchange Control  
SAIC: State Administration for Industry and Commerce  
SBOS: State Bureau of Standardization  
SC: State Council  
SEC: State Economic Commission  
SEZ: Special Economic Zone  
SPC: State Planning Commission



**Regulations Governing the Work of Water and Soil Conservation.** Promulgated by the SC 6/30/82.

**Regulations for Pesticide Registration.** Issued by the Ministry of Agriculture, Animal Husbandry, and Fisheries. Effective 10/1/82.  
**Detailed Rules and Regulations.** Issue date NA.

**Safety Regulations for the Use of Pesticides.** Published by the Ministry of Agriculture, Animal Husbandry, and Fisheries on or before 7/11/82.

**Law on Marine Environmental Protection of the PRC.** Approved by the 24th Session of the Standing Committee of the Fifth NPC 8/23/82. Effective 3/1/83.

**Regulations on Environmental Protection in Offshore Oil Exploration and Development.** Promulgated by the SC 12/19/83.

**Regulations of the PRC on Prevention of Marine Pollution by Vessels.** Promulgated by the SC 12/29/83.

**Decision on Environmental Protection Work.** Issued by the SC 5/8/84.

**SC Circular on Vigorously Practicing Water Conservation in Cities.** Issued by the SC 6/19/84.

**Decision on Environmental Protection.** Issued by the SC 7/84.

**SC Decision on the Work of Stepping Up Prevention Against Dust and Poisonous Gas Pollution.** Issued by the SC 7/18/84.

**Forestry Law of the PRC.** Adopted by the Seventh Session of the Sixth NPC 5/11/84. Effective 11/1/84.

**Regulations on Preventing Pollution of the Gaunting Reservoir.** Issued by Beijing Municipality and Hebei and Shanxi provinces 3/85.

**Regulations on the Prevention of Marine Pollution by Controlling the Dumping of Waste at Sea.** Issued by the SC 3/85. Effective 4/1/85.

## **FINANCE**

(See also *Joint Ventures, SEZs*)

**Provisional Regulations on Providing Loans for Capital Construction Projects.** Approved by the SC 8/28/79.

**Stipulations on the Handling of Financial Problems Encountered in the Course of Financial Inspections.** Issued by the MOF 5/27/84.

**Notice on Repayment of Foreign Banks' Debts.** Issued by the SAEC and the BOC 8/27/84.

**Regulations on the 1985 Treasury Bonds of the PRC.** Promulgated by the SC 11/27/84.

**Regulations on Loan Contracts.** Issued by the SC 3/8/85. Effective 4/1/85.

**Regulations on the State Treasury.** Issued by the SC 7/27/85.

## **FOREIGN ENTERPRISE REGISTRATION**

(See also *Joint Ventures, SEZs*)

**Provisional Regulations of the PRC Concerning the Control of Resident Offices of Foreign Enterprise.** Promulgated by the SC 10/30/80. See *The CBR* 3-4/81, p. 51 (text); *The CBR* 3-4/83, p. 28.

**Notice of the SAIC Concerning Registration of Resident Offices of Foreign Enterprises.** Promulgated 12/8/80.

**Notice to Resident Representative Offices and Personnel of Foreign Enterprises in Beijing Regarding Customs Formalities for the Importation of Office and Personal Articles.** Issued by the Beijing Customs Authority 12/25/80.

**Provisional Regulations on the Standards of Registration Fees to be Paid by JVs Using Chinese and Foreign Investment.** Promulgated by the SAIC 2/2/82.

**Special Provisions Governing Representative Offices in Shanghai.** Approved by the Shanghai Municipal Government 4/1/82.

**Interim Regulations for the Control of Resident Offices of Foreign, Overseas Chinese, Hong Kong, and Macau Enterprises in Guangdong Province.** Announced 4/2/82.

**Regulations on Registration and Administration of Industrial and Commercial Enterprises.** Adopted 7/7/82. See *The CBR* 3-4/83, p. 28.

**Provisional Regulations for the Establishment of Representative Offices in China by Overseas Chinese and Foreign Financial Institutions.** Issued by the PBOC 2/1/83. See *The CBR* 3-4/84, p. 25.

**Circular Concerning the Establishment of Permanent Agencies in Tianjin City by Foreign Institutions.** Issued by the PBOC 2/1/83.

**Procedures for the Registration and Administration of Resident Offices in China of Foreign Enterprises.** Approved by the SC 3/5/83. See *The CBR* 5-6/83, p. 46; *The CBR* 3-4/84, p. 24.

**Notice of the SAIC Concerning the Question of Registering Foreign Companies that Come to Our Country to Cooperate in the Development and Contract for Projects.** Issued 3/12/83. Explanation of the Notice . . . Issued by the SAIC 5/4/83.

**Decision on Revised Examination and Approval Procedures Relating to the Establishment of Permanent Representative Offices of Foreign Enterprises.** Issued by MOFERT. Effective 11/1/84.

**Revised Registration Procedures for Chinese-Foreign JVs, Cooperative Enterprises, Wholly Owned Foreign Enterprises, and Foreign Business Representative Offices in Guangdong and Fujian Provinces, SEZs, the 14 Open Cities, and Hainan Island.** Issued by the SAIC.

## **FOREIGN EXCHANGE CONTROL**

**Provisional Regulations of the BOC on Foreign Exchange Certificates.** Issued by the BOC 3/19/80.

**Measures on Short-Term Foreign Currency Loans of the BOC.** Adopted by the SC 8/30/80.

**Provisional Regulations for Foreign Exchange Control of the PRC.** Promulgated by the SC 12/18/80. Effective 3/1/81. See *The CBR* 11-12/81, p. 53.

**Foreign Exchange Control Relating to State Units and Collective Economic Organizations.** Approved by the SC. Effective 3/1/81.

**Provisional Regulations for Exchange Control of the PRC.** Adopted by the SC 12/5/80 and promulgated by the SC 12/18/80. Effective 3/1/81. See *The CBR* 3-4/81, p. 49.

**Rules Governing the Carrying of Foreign Exchange, Precious Metals, and Payment Instruments in Convertible Currency Into or Out of China.** Promulgated by the SAEC and published 8/10/81.

**Rules for the Implementation of Foreign Exchange Control Relating to Foreign Representations in China and their Personnel.** Promulgated by the SAEC and published 8/10/81.

**Detailed Rules for Approval of Applications by Individuals for Possession of Exchange.** Promulgated by the SAEC 12/31/81. Effective 1/1/82.

**Detailed Rules Concerning Exchange Control Relating to Individuals.** Promulgated by the SAEC 12/31/81. Effective 1/1/82.

**BOC Regulations for Foreign Currency Deposits (Category A), (Category B), and for the Special Deposits of Renminbi.** Promulgated by the BOC. Published in *China Daily* 11/18/82.

**Regulations for the Use of Currency in Contributing Taxes to the State and in Settlement of Accounts with Enterprises or Individuals Residing in China by JVs with Chinese and Foreign Investment.** Effective 2/24/83.

**Rules for the Implementation of Exchange Control Regulations Relating to Enterprises with Overseas Chinese Capital, Enterprises with Foreign Capital, and Chinese and Foreign JVs.** Approved by the SC 5/19/83. Promulgated by the SAEC 8/1/83.

**Instructions on Foreign Exchange Loans.** Issued by the BOC. Published in *CEN*, 1/1/84.

**BOC Regulations on Foreign Currency Deposits.** Issued by the BOC 5/26/84.

**Regulations on Withdrawal of Foreign Exchange Deposits.** Formulated by the BOC and approved by the SC. Effective 3/1/85.

**Decision on Strengthening Control of Foreign Exchange.** Issued by the SC 3/85.

**Penal Provisions for Violation of Exchange Control Regulations.** Approved by the SC 3/25/85. Announced by the SAEC on 4/5/85.

## **FOREIGN TRADE ADMINISTRATION**

**Provisional Regulations Governing Export License System of the Import and Export Commission and MOFT.** Promulgated by MOFT 6/3/80. Effective 10/1/80.

**Details Concerning the Export License System Governing 11 Categories of Export Commodities.** Issued by the MOFT and the GCA 1/22/82. Promulgated 2/1/82.

**Interim Procedures for the Administrative Systems of National Specialized Corporations.** Promulgated by the SC 3/16/82.

**Provisional Regulations Governing the System of Licensing the Import of Goods.** Promulgated by the SC on 1/10/84. Implementing Rules for the Provisional Regulations. Promulgated by MOFERT and the GCA 5/15/84.

**Circular on Improving Work in Import of Technology and Equipment and Avoiding Repetition and Waste.** Issued by the SEC on or before 3/23/84.

**Circular Concerning Application Procedures for Export Licenses and License-Issuing Organizations.** Issued by MOFERT in or before April 1984.

**Commodities Needing Export Licenses.** Additions to MOFERT list as of 4/10/84.

**Regulations Governing the Export and Domestic Production of Four Textiles.** Issued by MOFERT. Effective 2/1/85.

## INDIVIDUAL TAXATION

**Individual Income Tax Law of the PRC.** Adopted at the Third Session of the Fifth NPC and promulgated 9/10/80. See *The CBR* 11-12/80, p. 38. **Detailed Implementing Rules and Regulations.** Promulgated by the MOF 12/14/80. Effective 9/10/80.

**Notice of the Foreign Tax Collection Office of the Beijing Municipal Tax Bureau.** Dated 6/30/82.

**Notice Regarding Exemption from Tax Reporting and Payment of Individual Income Tax for Income Gained Outside China by Personnel of Foreign Nationality Working in China.** Finance Tax Document No. 62, dated 3/7/83.

## INSPECTION AND HEALTH

**Regulations on the Inspection of Import and Export Commodities of the PRC.** Promulgated by the SC 1/28/84. Abolishes previous **Provisional Regulations** promulgated 1/3/54.

**The Frontier Health and Quarantine Regulations of the PRC.** Adopted by the 88th Meeting of the Standing Committee of the First NPC 12/23/57. **Enforcement Rules.** Approved by the SC 9/19/77.

**Food Sanitation Regulations of the PRC.** Promulgated by the SC 8/28/79.

**Trial Procedures for Monitoring Infectious Diseases in Border Ports.** Issued by the Ministry of Public Health 6/18/80.

**Current List of Commodities Subject to Inspection.** Issued by the MOFT 2/1/82.

**Procedures of the PRC for Supervision of Sanitation at Border Ports of the PRC.** Issued by the Ministry of Public Health, MinComm, CAAC, and the Ministry of Railroads 2/4/82.

**Provisional Regulations Regarding Application by Foreign Companies to Carry Out Clinical Trials of New Drugs in the PRC.** Issued by the Ministry of Public Health. Date NA.

**Animal and Plant Import and Export Quarantine Regulations of the PRC.** Promulgated by the SC 6/4/82.

**Food Hygiene Law of the PRC (for Trial Implementation).** Approved by the 25th Meeting of the Standing Committee of the Fifth NPC. Effective on a trial basis 7/1/83.

**Regulations of the PRC on Inspection of Import and Export Commodities.** Promulgated by the SC 1/28/84.

**Circular on Registration of Pharmaceuticals.** Issued by the Ministry of Public Health, the SAIC, and the State Pharmaceutical Administration. Published 7/13/83. Effective 8/1/84.

**Measures for Inspection of Ship Holds Carrying Cereals, Oils, Foodstuffs, and Frozen Products for Export.** Promulgated by the State Administration for the Inspection of Import and Export Commodities. Effective 7/1/84.

**Measures for Inspection of Containers Carrying Perishable Goods, Foodstuffs.** Promulgated by the State Administration for Inspection of Import and Export Commodities. Effective 7/1/84.

**Provisional Regulations Regarding Hygiene Management of Export Foods.** Promulgated by the State Administration of Inspection of Import and Export Commodities 7/16/84. Effective 1/1/85.

**Circular on Nationwide Antismoking Campaign.** Issued by the Central Patriotic Health Campaign Committee and the Ministry of Public Health 4/1/85.

**Joint Circular on Soft Drink Manufacture.** Issued by the SBOS, the Ministry of Public Health, the SAIC, and four other units 5/2/85.

**PRC Pharmaceuticals Control Law.** Approved by the Seventh Session of the Sixth NPC Standing Committee 9/20/84. Effective 7/1/85.

## INSURANCE

(See also Labor)

**Provisional Rules for General Average Adjustment of the CCPIT.** Promulgated 1/1/75.

**Regulations of the PRC on Contracts of Property Insurance.** Promulgated by the SC 9/1/83.

**Provisional Regulations on Management of Insurance Businesses.** Promulgated by the SC 4/1/85.

## INTELLECTUAL PROPERTY AND TECHNOLOGY TRANSFER

(See also Contracts, Enterprise Taxation, SEZs)

**Provisional Regulations on the Guarantee of Invention Rights and Patent Rights.** Approved by the 45th Gov't Administrative Meeting of the Gov't Admin Council 8/11/50.

**Regulations on Awards for Quality Products of the PRC.** Promulgated by the SEC 6/30/79. **Supplementary Implementing Regulations.** Issued by the SEC 2/28/81.

**CCPIT Rules for Foreign Enterprises Applying for Trademark Registration in China.** Revised 12/12/80.

**The Trademark Law of the PRC.** Adopted at the 24th Session of the Standing Committee of the Fifth NPC 8/23/82. Effective 3/1/83. Abrogated 1963 **Trademark Law.** See *The CBR* 3-4/83, p. 28. **Implementing Regulations.** Promulgated 3/10/83. Abrogated 1963 **Trademark Law Implementing Regulations.**

**Circular Revising Provisions on Cash Awards.** Issued by the SC and announced 5/12/84. Effective 1/1/84.

**Patent Law of the PRC.** Adopted at the Fourth Session of the Standing Committee at the Sixth NPC 3/12/84. See *The CBR* 1-2/85 p. 50. **Implementing Regulations.** Promulgated by the China Patent Office 1/19/85. Effective 4/1/85.

**Regulations on Rewards for Inventions.** Promulgated as a circular by the SC 12/28/78. Effective 1/16/79. Amended 4/25/84.

**Regulations Governing PRC's Natural Science Prizes.** Promulgated by the SC 12/7/79. Amended 4/25/84.

**Circular Concerning the Establishment of a Patent Office in the Country.** Issued jointly by the SEC, the State Scientific and Technological Commission, the Ministry of Labor and Personnel, and the China Patent Office 9/1/84.

**Regulations of the PRC for Promotion of Scientific and Technological Advances.** Promulgated by the SC 9/84.

**Interim Regulations Concerning Technology Transfer.** Promulgated by the SC 1/10/85.

**Implementing Regulations for the Reduction or Postponement of Payment for Patents by Individual Applicants.** Promulgated by the China Patent Office 2/4/85.

**Circular on Rules for People's Courts in All Localities to Follow in Trying Cases Involving Patent Rights.** Issued by the Supreme People's Court 3/85.

**Provisional Regulations on Claims of the**

**Right of Priority with Respect to Applications for the Registration on Trademarks.** Approved by the SC and promulgated by the SAIC 3/15/85. Effective 3/19/85.

**Circular on the Use of Unregistered Trademarks.** Jointly issued by the SEC, MOFERT, and the Ministry of Agriculture, Animal Husbandry, and Fisheries 4/29/85.

**Regulations Concerning Administration of Technology Import Contracts.** Promulgated by the SC 5/14/85.

**Regulations of the PRC on Controlling Technology Import Contracts.** Promulgated by the SC 5/24/85. See *The CBR* 11-12/85.

## JOINT VENTURES

(See also Customs, Foreign Enterprise Registration, Foreign Exchange Control)

**The Law of the PRC on JVs Using Chinese and Foreign Investment.** Adopted at the Second Session of the Fifth NPC 7/1/79. Promulgated 7/8/79. See *The CBR* 7-8/79, p. 46; *The CBR* 11-12/82, p. 23. **Implementing Regulations.** Promulgated by the SC 9/20/83. See *The CBR* 11-12/83, p. 44 (text); *The CBR* 9-10/84 p. 22.

**Regulations of the PRC on the Registration of JVs Using Chinese and Foreign Investment.** Promulgated by the SC 7/26/80. See *The CBR* 11-12/80, p. 41; *The CBR* 3-4/83, p. 29.

**Regulations of the PRC on Labor Management in JVs Using Chinese and Foreign Investment.** Promulgated by the SC 7/26/80. See *The CBR* 11-12/80, p. 43; *The CBR* 5-6/84, p. 18. **Implementing Regulations.** Issued by the Ministry of Labor and Personnel. Effective 1/19/84.

**Provisional Regulations Concerning the Use of Land for Construction by JVs Using Chinese and Foreign Investment.** Issued by the SC 7/26/80.

**The Income Tax Law of the PRC Concerning JVs with Chinese and Foreign Investment.** Promulgated by the Fifth NPC 9/10/80. See *The CBR* 11-12/80, pp. 36, 39. **Detailed Implementing Rules and Regulations.** Promulgated by the MOF 12/14/80. Effective 9/10/80. See *The CBR* 3-4/81 p. 53.

**Provisional Regulations for Providing Loans to JVs of Chinese and Foreign Ownership by the BOC.** Promulgated by the BOC 3/13/81. See *The CBR* 11-12/81, p. 53.

**Provisional Regulations of the SAIC of the PRC on the Standards of Registration Fees to be Paid by JVs Using Chinese and Foreign Investment.** Approved by the SC. Promulgated by the SAIC 2/2/82.

**Announcement of the SC on Taxation of JVs and Cooperative Operations with Chinese-Foreign Investment.** Issued 9/21/82.

**JV Tax Concessions.** Announced 4/8/83.

**Decision of the NPC Standing Committee on the Revision of the Income Tax Law for Chinese-Foreign JVs.** Approved and promulgated by the Second Session of the Sixth NPC Standing Committee 9/2/83.

**Interim Measures of Shanghai on Preferential Treatment of Chinese-Foreign JVs.** Announced 10/83.

**Circular of Guangdong Prohibiting JV or Cooperative Commodity Sales and Import and Export Enterprises.** Issued by the Guangdong Provincial Foreign Economic and Trade Commission on 11/21/83.

**Guangdong Tax Concessions for Chinese-Foreign JVs.** Announced 11/27/83.



**Implementing Measures for the Regulations of the Shanghai Municipality on the Conduct of Talks and the Procedures of Examination and Approval Regarding the Establishment of Chinese-Foreign JVs and the Acceptance of Self-Run Enterprises Being Invested in and Established by Foreign Business (For Trial Implementation).** Promulgated by the Shanghai Municipal Commission of Foreign Economic Relations and Trade 9/84.

**Regulations of Shanghai on the Implementation of Labor Management in JVs Using Chinese and Foreign Investments (For Trial Implementation).** Issued by the Shanghai Municipal People's Gov't. Effective 11/1/84.

**Provisional Regulations of Shanghai Municipality for the Supply and Distribution of Goods and Materials and the Control of Prices for Chinese-Foreign JVs.** Issued by the Shanghai Municipal Gov't. Effective 12/20/84.

**The Accounting Regulations of the PRC for the JVs Using Chinese and Foreign Investment.** Promulgated by the MOF 3/4/85. Effective 7/1/85.

## **JUSTICE**

**The Law on the Organization of the People's Courts of the PRC.** Adopted by the Fifth NPC 7/1/79.

**The Law on Criminal Procedure of the PRC.** Adopted by the Fifth NPC 7/1/79.

**Provisional Regulations on Lawyers of the PRC.** Adopted by the Fifth NPC 8/16/80. Effective 1/1/82. See *The CBR* 5-6/82, p. 39.

**The Law on Civil Procedure of the PRC (for Trial Implementation).** Adopted by the Fifth NPC 3/8/82. See *The CBR* 5-6/82, p. 39.

**Constitution of the PRC.** Adopted by the Fifth Session of the fifth NPC and promulgated 12/4/82.

## **LABOR**

(See also *Enterprise Taxation, Joint Ventures, SEZs*)

**The Trade Union Law of the PRC.** Adopted at the Eighth Session of the CPG Council 6/28/50. See *The CBR* 5-6/84, p. 22.

**Labor Insurance Regulations of the PRC.** First promulgated by the Admin Council 2/26/51. Promulgated as amended 1/2/53. See *The CBR* 5-6/84, p. 20.

**Regulations on Factory Safety and Sanitation.** Adopted by the 29th Plenary Session of the SC 5/25/56.

**Provisional Regulations of the SC Concerning the Granting of Home Leave to Workers and Staff Members and Wages to Them on Such Leave.** Adopted as amended by the SC 2/6/58.

**Provisional Regulations of the SC Concerning the Retirement of Workers and Staff Members.** Amended and adopted 2/6/58.

**Interim Provisions for the Living Hardship Subsidies to Surviving Family Members of Deceased Working Personnel of State Organs and Institutions.** Issued 2/13/80.

**Notice of the State Bureau of Labor and the MOF Concerning the Request of Staff Members and Workers of State Enterprises for Marital, Funeral, or Journey Leave.** Issued 2/20/80.

**Provisional Regulations Concerning Piece-Rate Wages in State-Owned Enterprises (Draft).** Issued by the SPC, the SEC, and the Ministry of Labor and Personnel 4/1/80.

**Notice of the All-China Federation of Trade Unions, the PBOC, and the MOF Concerning the Allotment of Trade Union Outlays in Strict Accordance with the Provisions of the "Law of Trade Unions."** Issued 12/31/80.

**Provisions of the MOF for Traveling Expenses for Home Visits of Staff Members and Workers.** Issued 4/8/81.

**Interim Provisions for the Administration of Staff and Workers Educational Funds and their Expenditure Limits.** Promulgated by the MOF 5/8/81.

**Provisional Regulations Concerning Congresses of Workers and Staff Members in State-Owned Industrial Enterprises.** Approved and promulgated by the Central Committee of the Communist Party of China and the SC. Issued 6/15/81.

**Regulations Governing Awards for Rationalization Proposals and Technical Renovations.** Promulgated by the SC 3/16/82.

**Notice of the SC to Rigorously Curtail Abusive Payments of Overtime Wages by Enterprises.** Issued 4/8/82.

**Regulations on Rewards and Penalties for Enterprise Workers and Staff Members.** Adopted by the Standing Committee of the SC 3/12/82. Promulgated 4/10/82. See *The CBR* 5-6/84, p. 23.

**Work Regulations for Staff and Workers of Power Supply Departments.** Promulgated 9/18/81.

**Regulations on Cooperative Operations by Urban Laborers.** Promulgated by the SC 4/13/83.

**The Constitution of the Chinese Trade Unions.** Adopted by the 10th Chinese Trade Union Congress 10/23/83.

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**Yunnan Regulations on the Labor Contract System.** Issued by the Provincial People's Gov't 7/84.

## **MARITIME**

**Procedures of the Customs of the PRC for the Supervision and Control Over Vessels Engaged in Int'l Navigation and the Cargo They Carry.** Published on notification by MinComm and the MOFT 12/31/58.

**Regulations Governing Collection of Port Dues and Charges on Ocean-Going Vessels Engaged in Int'l Trade and on Imported or Exported Foreign Cargoes.** Issued by MinComm 10/1/78.

**Charges and Rates of China Ocean Shipping Agency.** Approved by MinComm. Effective 10/1/78.

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**Regulations for Collecting Charges for Firefighting on Ongoing Vessels in Chinese Ports.** Issued by MinComm 1/1/80.

**Regulations for the Management of Loading and Unloading of Foreign Trade Vessels in Port.** Issued by MinComm 4/80.

**Provisional Rules Governing Collection of Port Dues and Charges on Containerized Imported and Exported Foreign Cargoes.** Issued by MinComm 6/15/80.

**Regulations for Collecting Tallying Fees by the China Ocean Shipping Tally Company.** Approved by MinComm. Effective 7/1/80.

**Provisional Regulations for Survey of Damaged Cargo Imported through Maritime Transportation.** Effective 4/81.

**Regulations Concerning Calculation of Dispatch Money/Demurrage for Vessels Loading/Discharging at the Port of Dalian.** Issued by Dalian Harbor Administration Bureau in 1982. See *The CBR* 1-2/83.

**Regulations Governing Business Activities of the China Ocean Shipping Tally Company.** Approved by MinComm. Effective 3/1/82.

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**Regulations Governing Supervision and Control of Vessels of Foreign Registry Sailing in the Yangzi River.** Promulgated by MinComm 4/20/83.

**Law of the PRC on the Safety of Maritime Traffic.** Approved by the Sixth NPC and promulgated 9/2/83. Effective 1/1/84.

**Provisional Regulations on Goods Dispersion and Management at Shanghai Port.** Approved by the Eighth Session of the Standing Committee of the People's Congress of Shanghai. Effective 6/1/84.

**Decision of the NPC Standing Committee on the Establishment of Maritime Courts in Port Cities.** Promulgated by the President of the PRC 1/26/85.

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(See also *Enterprise Regulations, Environmental Protection, Joint Ventures*)

**Regulations of the PRC on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises.** Promulgated by the SC 1/30/81.

**Rules Concerning the Levy and Exemption of Customs Duties and Consolidated Industrial and Commercial Tax on Imports and Exports for the Chinese-Foreign Cooperative Exploitation of Offshore Petroleum.** Promulgated by the GCA and the MOF 4/1/82.

**Customs Regulations Concerning the Import of Personal Luggage and Articles by the Staff of Foreign Oil Companies Upon Entry Into China to Participate in the Cooperative Exploitation of Offshore Petroleum.** Promulgated by the GCA on 4/1/82.

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**Circular on Sino-Foreign Cooperative Oil Exploration.** Issued by the SC 4/85.

## **POWER**

**Regulations on Water Conservancy, Hydropower Project Management.** Issued by

the Ministry of Water Resources and Electric Power 4/20/83.

**SC Provisional Regulations on Unified Distribution of Electric Power to Guarantee Electricity for Important Plants.** Issued on 1/18/84.

## **SPECIAL ECONOMIC ZONES AND OPEN CITIES**

(See also *Enterprise Taxation, Foreign Enterprise Registration, Maritime*)

**Regulations of the PRC on SEZs in Guangdong Province.** Approved by the Fifth NPC 8/26/80. Effective after adoption by Guangdong Provincial People's Congress and after approval of the Standing Committee of the NPC. See *The CBR* 9-10/80, p. 54; *The CBR* 11-12/81, p. 56.

**Excerpts from Investor's Handbook (Revised and Enlarged Edition) China Merchants Shekou Industrial Zone in Shenzhen SEZ of Guangdong Province.** Issued by the China Merchants Steam Navigation Co., Ltd., 9/81.

**Resolution of the Standing Committee of the NPC Concerning the Authorization of the People's Congresses and their Standing Committees of Guangdong Province and Fujian Province to Formulate Specific Economic Regulations for their Respective SEZs.** Adopted at the 21st Session of the Standing Committee of the Fifth NPC 11/26/81.

**Provisional Regulations on Registration of Enterprises in SEZs of Guangdong Province.** Adopted at the 13th Session of the Standing Committee of the Fifth Guangdong Provincial People's Congress. Promulgated 12/24/81. Effective 1/1/82. See *The CBR* 3-4/82, p. 46.

**Provincial Provisions on Land Control in Shenzhen SEZ.** Promulgated 12/24/82 by Fifth Guangdong Provincial People's Congress. Effective 1/1/82. See *The CBR* 3-4/82, p. 44.

**Provisional Entry/Exit Rules for the SEZs in Guangdong Province.** Promulgated 12/24/81 by the Fifth Guangdong Provincial People's Congress. Effective 1/1/82. See *The CBR* 3-4/82, p. 41.

**Provincial Provisions on Wages in the Enterprises in SEZs in Guangdong Province.** Promulgated 12/24/81 by the Fifth Guangdong Provincial People's Congress. Effective 1/1/82. See *The CBR* 3-4/82, p. 42.

**Provisional Measures of Shenzhen Municipality Governing Urban Construction.** Adopted by the Shenzhen Municipality People's Gov't 7/1/82.

**Guidelines for Investment and Plant Construction in Shantou SEZ, Guangdong.** Published by the Shantou SEZ Trust and Investment Company 3/29/83.

**Regulations on the Development of Hainan Island.** Issued by the Central Committee of the Communist Party of China and the SC 5/21/83.

**Resolution of the Standing Committee of the Guangdong Provincial People's Congress on Approving the "Regulations Concerning the Management of Commodity House Property in the Shenzhen SEZ."** Adopted by the Sixth People's Congress of Guangdong Province 11/15/83.

**Rules for the Shenzhen SEZ on Property Management.** Promulgated by the Guangdong Provincial People's Congress 1/23/84.

**Provisions of the Shenzhen SEZ on Economic Contracts Involving Foreign Interests.** Promulgated by the People's Gov't of Guangdong Province 2/7/84. See *The CBR* 9-10/84, p. 16.

**Provisional Regulations of the Shenzhen SEZ Concerning Technology Imports.** Promulgated by the People's Gov't of Guangdong Province 2/8/84.

**Rules for the Implementation of the Interim Provisions for the Registration and Administration of Enterprises in the Shenzhen SEZ.** Promulgated by the Shenzhen Municipal People's Gov't 2/9/84.

**Procedures on How to Set Up and Manage Wholly Owned Foreign Enterprises in Shenzhen SEZ.** Published 6/4/84.

**Preferential Measures for Investment in Enterprises by Overseas Investors.** Issued by the Guangzhou Municipal People's Gov't 9/84.

**Circular: Relatives of Overseas Chinese and Compatriots in Hong Kong and Macau May Accept Imported Means of Production Under ¥20,000 Offered by Their Kin.** Issued by the Office of the Guangdong Provincial People's Gov't 9/9/84.

**Provisions for Preferential Treatment in Dalian ETDZ.** Promulgated by the Municipal People's Gov't of Dalian 10/15/84.

**Interim Provisions of the SC of the PRC on Reduction in or Exemption from Enterprise Income Tax and the Consolidated Industrial and Commercial Tax for SEZs and the 14 Coastal Cities.** Published in *China Daily* 11/30/83. Income tax provisions effective 1984. Industrial and commercial tax provisions effective 12/1/84.

**Interim Procedures of the Shenzhen SEZ for the Nonbanking State-Owned Financial Institutions.** Approved by the PBOC. Effective 1/21/85.

**Interim Procedures for Banks' Mortgage Loans.** Approved by the PBOC. Effective 1/21/85.

On 2/24/85, the Standing Committee of the Fujian Provincial People's Congress promulgated the following four sets of regulations:

**Regulations on the Registration of Enterprises in the Xiamen SEZ.**

**Regulations on the Use of Land in the Xiamen SEZ.**

**Regulations on Labor Management in the Xiamen SEZ.**

**Regulations on Economic Association Between the Xiamen SEZ and Other Parts of China.**

**Regulations Governing Foreign Banks and Joint Chinese-Foreign Banks in SEZs of the PRC.** Promulgated by the SC 4/2/85.

On 4/9/85, the Guangzhou Municipal People's Gov't formulated the following six sets of regulations:

**Interim Regulations on the Guangzhou ETDZ.**

**Interim Regulations of the Guangzhou ETDZ Concerning the Introduction of Technology.**

**Tentative Procedures of the Guangzhou ETDZ for Land Management.**

**Provisional Procedures for the Implementation of the Industrial and Commercial Taxes in the Guangzhou ETDZ.**

**Interim Provisions on Certain Matters Relating to Inland Associated Enterprises (or Undertakings) in the Guangzhou ETDZ.**

**Provisional Procedures for the Registration and Administration of Enterprises in the Guangzhou ETDZ.**

**Trade Union Rules of the SEZs.** Approved by the Guangdong People's Congress. Effective 5/25/85.

On 7/20/85, the 10th People's Congress of Tianjin Municipality adopted the following four sets of regulations:

**Regulations on the Tianjin ETDZ.**

**Regulations on the Registration and Administration of Enterprises in the Tianjin ETDZ.**

**Provisions of the Tianjin ETDZ on Land Management.**

**Provisions of the Tianjin ETDZ on Labor Management.**

## **TRANSPORTATION**

(See also *Maritime*)

**Regulations on Improving Highway Transportation.** Promulgated by the SEC 6/11/82.

**Surcharges Levied on Motor Vehicles for Highway Construction.** Effective 5/1/85.

**MinComm Circular on Care of Freight.** Issued 6/28/85.

## **TRAVEL AND TOURISM**

**Regulations Controlling the Entry, Exit, Transit, Residence, and Travel of Foreign Nationals.** Approved by the Second NPC 3/13/64. Effective 4/13/64.

**Law of the PRC Concerning Travel and Tourism.** Drafted by the Law Research Institute of the Chinese Academy for Social Sciences. Promulgated in 1984.

**SC Circular on the Approval and Circulation of State Travel and Tourism Bureau Request on the Popularization of Beijing's Jianguo Hotel's Management Methods.** Issued 7/24/84.

## **MISCELLANEOUS**

**Provisional Notarial Regulations of the PRC.** Promulgated by the SC 3/4/82.

**Decision of the Standing Committee of the Fifth NPC Concerning the Exercise of the Power of Approval of the Former Foreign Investment Control Commission by MOFERT.** Adopted at the Fifth NPC 3/5/83.

**Provisional Regulations on Intensification of Control over Foreign-Oriented Processing and Assembling Industry.** Promulgated by the Guangzhou Provincial People's Gov't 5/13/83.

**The Statistics Law of the PRC.** Adopted by Sixth NPC 12/8/83.

**Decree on Unifying the Official Measurement Units in Our Country.** Promulgated by the SC 2/27/84.

**SEC Report on Speeding Adoption of Int'l Standards.** Issued by the SC 2/28/84.

**Regulations on Production Licenses for Industrial Products Under Trial Implementation.** Promulgated by the SC 4/7/84.

**Fire Prevention Law.** Promulgated by the SC 5/13/84. Effective 10/1/84.

**SC Circular on Commodity Prices.** Issued 3/13/85. Effective after approval by provincial people's govts.

**Regulations of the PRC on the Administration of Standardization.** Promulgated by the SBOS 3/15/85.

**Quality Control Regulations.** Promulgated by the SBOS 3/15/85.



# China's Private Entrepreneurs

*Small-scale private business prospers under socialism*

Thomas B. Gold

Recent visitors to China note with amazement the rapid revival of market activities in spite of 35 years of determined socialist transformation. One notable trend in many parts of the country is the growing number of privately owned and operated enterprises. The individuals and families who start their own businesses are known as *getihu*, which translates roughly as "individual operators."

Like China's economic reform program itself, the recent resurgence of private enterprise began first in the countryside. When peasants began to operate successfully as individual productive units, China's reformist leaders decided to expand the program to the cities. Whereas peasants are still tied in part to State plans and quotas, urban entrepreneurs operate outside them, relying on market signals and their own ability to procure needed supplies and sell finished goods. In many sectors they compete with State and collective enterprises, ideally acting as a spur to greater efficiency throughout the economy. They also provide much needed services that are often otherwise unavailable.

Encouragement of individual enterprises is designed to alleviate some pressing problems: strong demand on State funds; the State's admitted inability to manage all aspects of the economy; unbalanced regional and sectoral development; severe unemployment, especially of urban youth; and widespread discontent at the low material standard of living and the low availability of services.

But the new policy is not without its detractors. Continuing reports of harassment of *getihu* demonstrate that opponents are not reconciled to letting them become a permanent

feature of Chinese city life. Moreover, the new encouragement of private enterprise is often little more than a legitimization of the underground economy active in China and most other socialist societies.

Nonetheless, evidence from officially published materials, personal observations, and interviews demonstrates convincingly that China's private sector is important and expanding, in spite of uncertainties over how long it will last.

## **A calculated risk**

Privately owned enterprises never completely vanished in China, despite numerous attacks since 1949. In 1953 some 9 million citizens—about 10 percent of the urban population—worked in individual enterprises in China's cities and towns. By the end of 1956, the socialist transformation of industry and commerce had reduced their ranks to 160,000. But the economic debacle of the radical Great Leap Forward in the late 1950s created the need to loosen controls on private businesses in the 1960s, and by 1965 the number of private entrepreneurs was back above 1 million. The Cultural Revolution that followed brought severe repression of these businesses, and they almost completely disappeared.

The post-Mao era has seen yet another turnaround. In March 1978, when the First Session of the Fifth National People's Congress reiterated constitutional protection of

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individual enterprises, officials counted approximately 140,000 workers in about 100,000 private enterprises. By mid-1980, the number of such enterprises had increased to 400,000. By the end of 1984, the city of Guangzhou alone counted 100,000 private businesses, and the inland city of Wuhan 50,000. The most recent data on *getihu* are presented in the chart on page 48.

Fifty-five percent of the individual enterprises engage in commerce. Retail sales by private businesses now account for 14 percent of China's total, a share that is rising fast. Many private enterprises are in service trades such as repairs, carpentry, photography, eateries, and catering. Transport, especially between country and city, is a popular undertaking for entrepreneurs. Jiangsu Province reportedly had 280,000 transport enterprises in June 1985, compared to 700 only a few years back. Industrial enterprises under private ownership include tailors, furniture makers, and handicrafts.

In deciding to take the lid off the long-stifled entrepreneurial energy of some of its citizens, the current leadership took a cue from the success of small enterprises in other Chinese societies—Taiwan, Hong Kong, and Singapore. With little capital or government assistance, Chinese elsewhere set up industrial, commercial, and service enterprises, taking a burden off the State, generating revenues, filling economic and social needs, absorbing labor, and working such long hours that they had little time for political troublemaking.

These economic and social reasons for giving a green light to the individual economy may seem convincing enough. Already individual operators have made a healthy dent in the unemployment problem. But China's

reformers have also had to marshal ideological arguments to counter the views of those who believe that creating a good business climate for entrepreneurs is the first step toward a return to capitalist exploitation.

The advocates argue that China's radical leftists tried to nationalize the economy prematurely, imposing socialist relations of production on an underdeveloped economic base. Instead of boosting production, State ownership and class struggle hindered it. Furthermore, they insist that the State-owned and collective sectors will remain overwhelmingly dominant and that the State plan will continue to govern most of the nation's production. Therefore the tiny private sector could never undermine socialism and restore capitalism. It merely supplements the State and collective sectors and, through competition, compels them to improve efficiency and the quality of goods.

### **The State protects . . . and taxes**

Although this explanation has not satisfied everyone, the reformers are continuing to make life more bearable for *getihu*, and the rapid expansion of the individual economy suggests they've been quite successful. City authorities have designated certain areas as commercial centers where entrepreneurs may set up a stall, table, wok, sewing machine, or whatever else they need. Enterprises are also scattered throughout residential areas to serve customers. The presence of a State or collective firm in the same trade does not prevent establishment of a private one nearby.

Other incentives the Chinese government has offered in the past few years to improve the climate for the private sector include:

- Access to loans from the Industrial and Commercial Bank of China. In 1984 the ICBC reportedly lent ¥250 million to self-employed business people, averaging ¥1,000 per loan.
- Higher interest rates paid on business deposits at the ICBC.
- Tax holidays for some enterprises.
- Generous targets for the number of business licenses issued.
- Legal protection from predatory officials and highly publicized punishment of offenders.
- The right to inherit the means of production, to hire other laborers, and to import tools and equipment.

■ Theoretically equal access to goods and materials with State and collective units.

■ Removal of prohibitions against long-distance trade. This was formerly considered speculation and subject to punishment. *Getihu* can now get special permits to travel anywhere in China to procure commodities, including the normally off-limits special economic zones.

■ State-run technical training programs.

■ Inspirational articles about successful entrepreneurs and tips to keep aspiring entrepreneurs abreast of market trends.

■ A special pension plan for those who work in collectives and private businesses, and thus will not receive State retirement benefits. First offered by the People's Insurance Company of China this year, the plan is available to any citizen over 16.

If the State cultivates small-scale private enterprise, it also lays claim to part of the harvest. Indeed, the ability to tax *getihu* represents one of the strongest arguments for tolerating them. Taxes collected on private business transactions have brought revenues into the State's coffers that might otherwise have been lost in the underground economy. Aspiring entrepreneurs must apply for a license from their municipal or county industrial and commercial bureau, a fact that helps authorities keep track of *getihu* at tax time.

Private enterprises are subject to 11 categories of business taxes, ranging from 3 percent for retail sales, transport, taxis, and recreation, to 10 percent for various kinds of services. Each individual business theoretically pays only one type of business tax even if it is involved in more than one activity.

Each province, municipality, or autonomous region can also set its own additional industrial and commercial income tax, calculated from annual net income. In Guizhou, for instance, this tax starts at 7 percent for income below ¥180 and tops off at 50 percent for income in excess of ¥5,000.

Finally, there are administrative fees and miscellaneous taxes that often appear to be set at the whim of local officials. It is in this area that theory and practice concerning legal protection of private business operators diverge most conspicuously.

### **Tales of the *getihu*: a varied lot**

Who are China's new entrepreneurs, why have they entered the private sector, and how have they done it? Given China's frequent policy reversals, taking the private road might seem a terribly incautious move.

Ironically, the entrepreneurial renaissance is not being led by the older generation, although many elders had considerable experience with capitalism prior to 1949. Instead, most of the entrepreneurs are young people from their teens to their 30s who grew up under the Red flag. They are quick to perceive opportunities for economic gain, to gather the necessary resources, and to take risks. Some are not currently employed and thus have little to lose. But a close look at the various types of *getihu* reveals that a growing number of them are leaving established positions to join the private sector.

Perhaps the largest category of *getihu* consists of the "youths awaiting job assignment" (*daiye qingnian*). They have, on their own or via labor service companies, entered the private sector only temporarily, until assigned to the more secure State or

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collective sectors. Recently though, as many of these private enterprises prosper, the youths have become choosier about State jobs and declined certain undesirable assignments. This theoretically does not disqualify them from future assignments. The best examples of this category are the numerous so-called "educated youth companies" in China's cities and towns. In Chengguan Township, Shanxi Province, a sundry store, beverage shop, barber shop, and transport service company of this genre all line the town's main street. Workers invest their own funds and receive State financial assistance and a one to three year tax holiday to get started.

Other youths voluntarily enter the private sphere with no intention of eventually taking an assigned job. Typical are the youths of the atypical

Fujian town of Shishi. Provincial Party Secretary Xiang Nan boasts that no other place in China has taken the *getihu* lifestyle as far as Shishi. "There's no family that doesn't have a factory or shop, no one who doesn't work—even the children!"

Though Shishi comprises only a few streets and alleys, its size is exaggerated by the blare from stereo tape recorders used to lure shoppers; firecrackers heralding the opening of a new shop (selling clothes, pirated Taiwan and Hong Kong rock-and-roll cassettes, cigarettes, or Japanese sandals); the numerous vans shuttling to Fuzhou, Xiamen, and Shenzhen; and the endless stream of commodity-laden vehicles. The city has been able to go beyond what the locals could have achieved with their own funds because many Philippine over-

seas Chinese originally from Shishi have sent money back to their hometown.

One young proprietor boasts of turning down a State job assignment. "In a factory you can make only ¥50 to ¥60 a month. I average ¥1,000 to ¥2,000!" He copies music cassettes himself and sells them for about ¥2.50. The clothes he sells are made in peasant-owned collective factories and include pirated versions of garments made for export in Shenzhen. The owner started with less than ¥100. Business has been good enough for him to buy a 90cc Honda motorcycle that he drives to pick up his goods. All the shops in Shishi pay a flat fee of ¥100 a month. There are no taxes per se, but "fees" for street cleaning, sanitation, and urban beautification come to another ¥70 or so.

A third category of *getihu* includes the so-called "returned youths" who were sent to rural or mountainous areas during the Cultural Revolution but have made their way back to the cities. Most have only a limited education and are too old to be assigned jobs. They parlay skills they acquired into individual enterprises such as carpentry, cooking, electrical repairs, and clothesmaking.

A fellow renting a tiny space on the main street of Quanzhou, Fujian, fits this category. He and his partners invested several hundred yuan of their own money in their business. They repair fountain pens and sell cigarettes, liquor, and sundries. The shop is small and strapped for funds, limiting what they can sell. The fellow was selling 1.25-liter plastic bottles of Shenzhen-made Pepsi. He pays around ¥4.30 a bottle, depending on how many hands it has passed through, and sells it for ¥4.80. In Shenzhen, the same bottle sells for ¥2.50 in foreign exchange certificates.

Some older people have also embarked on the *getihu* road, leaving jobs in the State or collective sectors. One method is called "stop salary but keep job" (*tingxin liuzhi*) and is not permitted in some cities, including Shanghai. One man taking advantage of this opportunity is a cab driver in a central Chinese city. He couldn't support his three children and his blind mother on his State salary and his wife's ¥40 a month as a clerk in a furniture store. So he now pays about ¥40 a month to his old work unit to

Photo by Thomas B. Gold



*Despite their relative freedom, getihu are still limited to tiny if visible nooks and crannies of the Chinese economy. They exist at the sufferance of a Party undergoing difficult internal reforms and readjusting its relations with society, but nonetheless dedicated to the eventual realization of Communism.*

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maintain his benefits and seniority, and drives a decrepit Shanghai model automobile for which he paid ¥17,000. He received a ¥10,000 bank loan at 5 to 6 percent interest and pays 11 percent income tax. Although he earns more than before, he also works much harder.

Four members of a family selling homemade and purchased clothes at a stall in Kunming, Yunnan, followed a similar tack. Free to travel anywhere in the country to procure merchandise, they could offer straw hats from Hunan and shirts from Shanghai in addition to garish purple polyester women's suits of their own make, which the female workers model on the job. Salaries are comparable to State jobs, and they pay ¥10–¥20 a month to their former work units for benefits and to keep accumulating seniority. They pay ¥0.50 a day for a spot assigned by the government and a 6 percent tax on their gross sales.

A 40-year-old photographer from western Yunnan abandoned his job in a State store to set up a studio and photographic supplies store with two other partners. They used ¥15,000 from his father who lives abroad, and claim to enjoy a generous credit line with the bank at floating rates. They pay a flat 3 percent tax and an additional tax on profits over ¥3,000. Their operating license cost ¥10.

Yet another type of *getihu* is a moonlighter. This category includes intellectuals who can take on consulting or other work after hours and many State workers who enter the private sector to earn extra cash on the side. These moonlighters are not counted among the ranks of official private entrepreneurs.

There are also numerous family-run enterprises. A Quanzhou man, for example, left his job in a State-run barbershop five years ago to

open his own hair salon in his house. His three sons and one of his daughters-in-law also work there. They all work seven days a week from 6:30 am until at least 9 pm. Income is pooled and individual "wages" are comparable to a State wage. As a service enterprise, they pay a fee of ¥5 a month (it would be ¥10 if they were in sales), and a 5 percent income tax. Everyone is very conscientious, and the mood relaxed. There's a pleasant banter with customers, and the barbers take turns eating dinner.

A very clean, family-owned restaurant in Guiyang, the ramshackle capital of Guizhou Province, started three years ago as a snack shop and a year later began serving full meals. More than 10 family members bustle about with a clear division of labor. They buy their food at the free market where goods are fresher than in State markets but prices comparable. Meals cost about the same as State restaurant fare, and certainly less than in a hotel. Their monthly gross is more than ¥10,000, and they pay a 3 percent monthly income tax. Their license cost over ¥10, and they also pay a sanitation tax and a fee for twice-monthly health inspections. Salaries range from ¥200–¥300. The younger family members never took or applied for job assignments.

A stall selling women's clothes in a Hunan city is run by a fortyish man who works for the State by day, and his wife, who turned down the State jobs offered her. She and their 18-year-old daughter (a high school graduate waiting for a job assignment) mind the stall's two cots and a rack all day, closing at 9 pm. The initial investment three years ago was ¥20,000 of their own savings. Their house doesn't face a street, so they must do business at this State-assigned spot.

The husband takes off from work

periodically and travels to Xiamen, Shanghai, Guangzhou, and Zhuhai to buy merchandise. Their tee shirts, with romanized Japanese nonwords on them, are slipped out the back door of a foreign-owned factory. He pays ¥8.50 a piece and sells them for ¥11.50. They pay ¥30 a month "administrative fee" and a fixed tax of ¥90 plus a percentage of their profits over ¥2,000. They clear about ¥300 a month. They can keep any foreign exchange certificates they receive, allowing them to buy restricted items in the SEZs or friendship stores that can then be resold to consumers without such privileged access.

Other types of *getihu* include housewives and retired workers and shopkeepers. Some of the latter are craftsmen skilled in a particular trade—making Western clothes, dentistry, massage, or traditional arts and crafts. They maintain their art and pass it on to younger workers, often their own children. In fact, a Guiyang newspaper recently editorialized in support of more such shops run by and catering to the city's elderly, who are less interested in the lurid ties, miniskirts, and rock-and-roll music that proliferate in the youth-run emporia.

Finally, there is a category of small-scale private businesses called "suitcase companies" (*pibao gongsi*). These are usually set up by cadres with no assets other than their name cards. Many probably perform an honest go-between function in setting up deals. But given the degree of local influence cadres wield, a name card is sometimes enough to divert materials away from planned projects or arrange rigged deals for friends. Suitcase companies operate on the borderline between legitimate and illegitimate business practice in China, a line blurry enough to induce many to run the inherent risks. While suitcase companies are not proper



*getihu* and generally are not registered as such, their shadier practices provide ammunition for opponents of the type of private business revival the *getihu* represent. The government has taken steps to crack down on these companies this year.

### **Should your daughter marry one?**

In 1982, many *getihu* were unhappy about their low social status, and complained of harassment by officials. Running your own enterprise revealed you as a failure—unable to gain admission to university or to get a State job.

But by 1985 the mood had changed. *Getihu* unanimously agreed that they had no trouble getting licenses. When asked why they took up individual enterprise, they answered, "freedom!" Other than obtaining licenses and paying fees and taxes, they have little regular contact with authority.

Most *getihu* now feel that they have high social status and are not discriminated against. With incomes often far superior to those in State or collective units, they boast that they make very desirable marriage matches. Being young, the absence of welfare or insurance benefits does not bother them much. They also be-

lieve that the current policy will not soon change so they can continue to expand their operations. *Getihu* are being recruited into the Communist Youth League and Party, and elected to people's congresses. They are organizing trade associations and holding large seminars: a national conference on private business held in Beijing last year attracted over 300 participants.

The bravado of young entrepreneurs contrasts with the view of their parents, their prospective in-laws (the parents of youths in other sectors), and older *getihu*. Many Chinese are still wary of anyone in the private sector, even though they enjoy the convenience and quality of their goods and services. They feel the political line is likely to hit with a backlash against these "tails of capitalism."

In autumn 1984, the Chinese media were full of praise for *getihu* and their contribution to society. Since early this year, however, the press has criticized the "eyes on money" immorality of many youths. In language as much Confucian as it is Communist, parvenu entrepreneurs are now urged to consider society at large and to assist those less wealthy. Their image problem is compounded by the

fact that many returned youth turned *getihu* are former Red Guards who often drink and disturb the peace, giving their more decorous colleagues a bad name. Some engage in criminal activities, including black marketing and illegal currency dealings. The media carry exposés of *getihu* gouging, cheating, and even assaulting customers, detailing a litany of crimes similar to the "five poisons" attacked in the viciously anti-capitalist "Five-Anti" campaign of 1951-52. "Letters to the Editor" and editorials call for more regulation of the private sector. In the face of recent price hikes, some wage earners resent the lifestyle of *getihu* and use them as scapegoats.

Despite their relative freedom, *getihu* are still limited to tiny if visible nooks and crannies of the Chinese economy. Giving freer rein to the private sector performs an important role in soothing nervous brethren in Hong Kong and Taiwan—but unlike their compatriots in those avowedly capitalist societies, mainland entrepreneurs cannot expand their scope of operations and become captains of industry. Few are in "industry" at all. The activities of many of them amount to little more than petty hustling and smuggling. Unlike State and cooperative ventures, there is also little chance for their small firms to enter into direct business relations with foreign companies. They exist at the sufferance of a Party undergoing difficult internal reforms and readjusting its relations with society, but nonetheless dedicated to the eventual realization of Communism.

The *getihu* provide an appropriate symbol of China's economy and society in a period of delicate transition. In the reformers' view, *getihu* perform valuable services during this phase: generating revenue, absorbing labor, filling gaps in the consumer and service sectors, and channeling energies away from less desirable activities.

The *getihu* themselves reveal the hallmarks of entrepreneurs everywhere, seeking out new opportunities, goods, markets, and ways of doing things. As long as they continue to pose little challenge to China's socialist macrostructure and objectives, *getihu* are likely to remain a small but significant expression of the country's economic liberalization. 完

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# The Spirit of Competition

*China discovers that sports make good PR, and business*

Keith W. Strandberg

China is gradually moving into its rightful place in the international sporting world. After a 23-year hiatus, mainland Chinese athletes returned to the summer Olympic Games in Los Angeles last year and finished tied for sixth place in total medals. In 1990 Beijing will host the 11th Asian Games, and China is already bidding hard to host the Olympics in 2000. Standing tall in world-class sports plays well at home: the Chinese, millions of whom watched the Olympics on television, have adopted the modern habit of treating sports stars as national heroes, and are taking up numerous sports outside such traditional specialties as table tennis and acrobatics. Trade in sporting goods is expanding rapidly, and China is looking at Western firms for help in building the modern facilities that will be needed to sustain the current sports craze.

The impetus for this new prominence in sports comes both from above and below. From above, China's impressive return to the Olympics helped officials realize that the country can boost its international image through world-class sporting events. From below, economic development is increasing people's disposable incomes and leisure time—and one thing the Chinese are choosing to spend them on is sports. Indeed, they are playing and watching more sports than ever before.

## **Better facilities needed**

The foreigner who gets his head handed to him on a platter by a five-year-old Chinese table tennis player derives—in addition to an acute sense of humility—an idea of China's tremendous prospects as a sporting nation. That promise, however, is already running up against serious

constraints in terms of outdated playing and training facilities. Considerable progress has been made since 1949, when the whole country had only 13 stadiums and the same number of gymnasiums. Today, although the country has 4,000 such facilities, far more are needed.

In a sense, China's successful emergence onto the international sporting scene is all the more striking given the state of its facilities. A walk into a training school or a "modern" stadium can still be a shock. In many countries the best sporting facilities are found at local colleges. Not so in China. Most universities have the most primitive of facilities, if any. Often there's nothing more than a dirt field ringed by a cinder track.

Better sports facilities for the average citizen are needed as well—a topic regularly covered in the country's sports publications and newspapers. One letter to the editor said people get little chance to participate in sports because of the lack of small and medium-sized stadiums and gymnasiums. Another reader complained, "The few existing stadiums are used only for international and national sports events." The reader suggested that, "each urban district should be provided with a stadium and, whenever possible, a sports park should be built with a swimming pool included."

China's big cities offer the best sports facilities—led by Beijing and followed by Shanghai and Guangzhou. But even Beijing lacks anything approximating a "sports complex," although it has several large stadiums and gymnasiums, most built during

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*Keith W. Strandberg is a Lancaster, Pennsylvania-based free-lance writer and consultant for companies doing business in the PRC.*

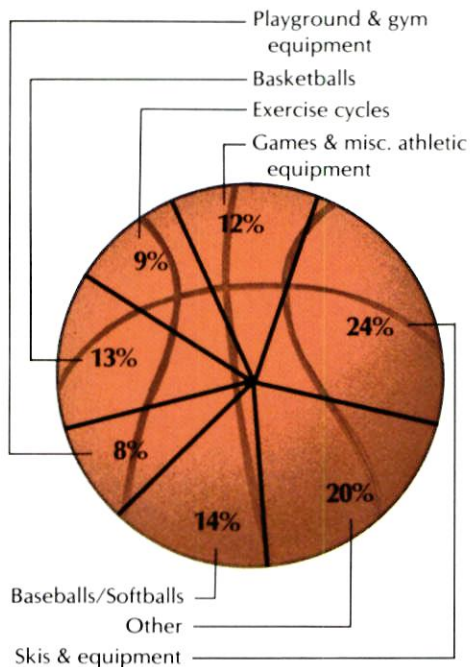
the 1950s. Plans are in motion to construct a new national sports center in preparation for the 1990 Asian Games, the biggest international sporting event ever to be held in China. And if China wins its bid to host the 2000 Olympics, it plans to design an entire Olympic Village near Beihai Park, according to the Chinese Olympic Committee.

Meanwhile, proposals for the renovation and new construction of sports facilities in other cities are included in China's Seventh Five-Year Plan (1986–1990). A major effort is underway in Guangdong Province to build a set of stadiums, one in Guangzhou targeted for completion in October 1987 and nine satellite facilities in surrounding areas. If these stadiums meet Olympic standards, they will provide a model for building others around the country. Even China's most remote areas are included in the sports drive. In July 1985 workers completed a 3,000-seat gymnasium in Lhasa, Tibet, equipped with air conditioning, an oxygen supply system, computer-controlled scoreboards, and a movable stage.

Officials in Beijing recognize that the central government can only contribute so much to these efforts. One method being used to encourage localities to upgrade their sports facilities is a competitive bidding system for national sports events. To date, sports events have been clustered in the large cities with the best facilities. But under a new bidding system introduced last August, localities can compete to host some 173 annual sports competitions. Theoretically, any area with the right climate, facilities, and transport should be able to host one of these events. Localities would get an estimated 25 percent of the revenue with the remainder going to the central government. How-



## US Imports 1984 \$8,119,000



SOURCE: US Customs Service, TSUSA Classification

## US Imports of Sporting Goods from China

	thousands of dollars Customs value						
	1978	1979	1980	1981	1982	1983	1984
Fishing tackle	0	50	57	265	230	333	293
Bicycles	0	0	24	176	1,842	999	174
Table tennis	85	79	157	260	283	400	386
Badminton	5	2	6	12	4	3	18
Baseballs	0	0	34	1,071	1,236	644	1,150
Footballs	0	0	1	12	6	45	60
Soccer/Polo	1	22	22	65	136	73	175
Golf	0	0	0	0	0	0	22
Skiing eqpt.	0	0	244	20	301	597	2,004
Basketballs	0	0	21	26	602	1,079	1,087
Volleyballs	0	0	0	71	143	83	19
Other balls	0	1	0	30	241	61	102
Exercycles	0	0	0	0	0	0	775
Playground/gym eqpt.	0	1	109	408	339	367	689
Games, athletic eqpt.	0	3	4	15	7	1,015	1,017
Other	0	0	3	36	20	39	148
<b>TOTAL</b>	<b>91</b>	<b>158</b>	<b>682</b>	<b>2,467</b>	<b>5,390</b>	<b>5,738</b>	<b>8,119</b>

SOURCE: US Customs Service  
Compiled by Valerie J. Chang.

ever, the city would also earn additional revenues from the influx of spectators who take rooms in hotels and buy products at local stores.

Every province, municipality, and autonomous region has been invited to participate in the bidding process. So far Jiangsu Province has submitted the most bids, 56, and the sports that received the most interest were basketball, soccer, *wu shu* (martial arts), wrestling, and judo. Three events didn't receive any bids: motorcycling, sailing, and modern pentathlon. Officials will sift through the bids and determine which areas are best suited for each event. It remains to be seen if this new process will help distribute the events and money more equitably or not.

Another incentive for localities to spruce up sports facilities is the chance to host China's National Games. The first four National Games were in Beijing, but in 1983 they were held in Shanghai and the 1987 games will be in Guangzhou and 13 other cities in Guangdong.

### Training Olympic athletes

China is also taking steps to upgrade its training institutions, which lack the "luxuries" of scientific sports testing and other modern equipment used in more advanced facilities. There is a limit to how far the enthusiasm of the country's coaches and trainees can make up for the lack of equipment and facilities. One press report notes that, "though Chinese athletes have made rapid

progress, Chinese sports have developed very unevenly. . . . Of the 22 Chinese athletes taking part in track and field competitions, high jumper Zhu Jianhua alone took a medal, and none of the 14 contestants reached the finals in the swimming contests."

Thus the Chinese are encouraging public participation in Olympic sports such as soccer, basketball, swimming and diving, weightlifting, volleyball, track and field, tennis, boxing, and baseball. To prepare athletes for international competition, China has begun to change the rules of competition at home to conform to international practice.

Another way of developing Olympic athletes is to provide more and better sports training at an earlier age. Most students receive their physical education at school, during two training periods each week. Activities include track and field, gymnastics, ball games, and other sports. Calisthenic exercises are done daily to open and close the school day. China also has more than 3,000 part-time sports schools that hold sessions after regular school, so that promising athletes can get specialized training without disrupting their studies. These schools currently enroll about 230,000 youths. If a student shows extraordinary potential, he or she will be assigned to one of the more than 200 full-time "key" sports schools now open. These split the day between studying and sports training. The nation's best athletes will probably train at one of China's 13

Compiled by Valerie J. Chang  
Artwork by John Yanson



physical culture institutes in large cities. Nine out of 10 of the country's Olympic athletes belong to one of these institutes.

All this stress on competing at the games the rest of the world plays is taking a toll on China's traditional sports. There is still an effort to keep these sports alive, but it's not coordinated on the national level yet. For example, though a martial arts school has been set up in Henan to maintain the famous Shaolin Temple's *wu shu* tradition, there is no formal network to help such athletes advance.

In contrast, the "modern" sports training program is highly organized and enjoys a reputation for efficiency that helps compensate for the outdated facilities. The All-China Sports Federation runs this training program. It also builds stadiums, buys sports equipment (business people take note), administers sports facilities, hires coaches, assigns athletes, and arranges competitions. The federation reports to a ministry-level body called the Physical Culture and Sports Commission that sets sports policy for all of China.

### ***Western business enters the arena***

Many businessmen think China's plans to improve playing and training facilities will lead it to foreign companies for help. Larry Brown, president of International Fitness Associates, Ltd., has been helping establish fitness centers and sporting facilities in Asia for the past decade, and has recently moved into China on a small scale. "Even though I go into China to sell our management services and sporting equipment to sporting clubs, I am constantly asked to refer companies that can build sporting facilities," he says.

The Chinese know how to build stadiums, but lack the advanced engineering and construction technology to build international class facilities. Hank Julicher, whose construction engineering firm specializes in sports complexes, is bullish on the China market: "We have the expertise; they have the need, the raw materials, and the labor." Julicher says his company has declared its interest in the entire range of the sports facility market in China, but the Chinese have expressed the most interest in the smaller facilities.

Alec Forbes, of the international trade consulting firm of Forbes, Akerson & Associates, concurs.

"There is prestige and visibility in building the big stadiums," he says, "but the money and volume are in the smaller, private stadiums all around the country." Forbes believes most of the sports construction will be focused in the south, but says rumors have also been circulating concerning new facilities in Shandong, Henan, and other northern provinces.

The All-China Sports Federation is also responsible for approving sports projects involving foreign companies throughout the country. Negotiations in Beijing are often conducted by the Chinese Olympic Committee's Investment Bureau, which works on preparation of project proposals. But projects in Beijing must still be approved by the Sports Federation as well as Beijing municipality, which owns the land.

China is also shopping for sports equipment. George Otott handled the \$700,000 sale of weight machines to China's Olympic training facilities when he worked for Universal Fitness Products. Now with Bally Fitness Products, Otott says he has had to start over almost from scratch. Bally, the world's largest owner of health clubs (400), would love to be involved in the first modern health club in China. But Otott is biding his time: "Right now, we've just put a few bicycle ergometers in the hotels, and we placed a full-page ad in *China Sports* magazine to get our name around. I think the money exists for the larger facilities, but equipment like ours is down the road a bit yet."

Other firms think now is the time to invest in China's sports industry. Oregon-based Nike has contracts with factories in Guangzhou, Fuzhou, and Quanzhou to manufacture its tennis and running shoes. Another plant in Shanghai is to start producing the familiar US brand in December. By the middle of 1986, Nike hopes its partners will be making 450,000 pairs per month, all for export. White Plains, New York-based AMF Inc. has a 10-year compensation trade agreement with the Shanghai No. 3 Rubber Goods Factory. AMF supplied production equipment to make sports balls and takes at least 45,000 footballs, basketballs, volleyballs, and rugby balls per month in exchange. These products are also exported.

The Japan Golf Association Company and the Changping County For-

eign Economic Relations and Trade Corporation are cooperating to build the Beijing International Golf Course, which they expect to be complete in May 1986. Located on grounds that are part of the Ming Tombs, the golf course will also include a clubhouse, reception hall, and guest house. The Asian affiliate of Club Corporation of America has signed preliminary agreements it hopes will lead to construction of two golf and country clubs in Shanghai and one in Beijing. The agreements call for the firm to invest \$20 million on the clubs, which would be run as joint ventures with Chinese partners.

China too is aware that sport makes good business. The country's sports industry is responding to the growing popular demand for sporting goods. Sales of sporting goods to individuals in the first half of this year reportedly reached ¥72 million, twice the level for the same period last year. In 1982, China had 120 State-owned and collective sporting goods enterprises producing everything from athletic shoes to skis to gymnasium equipment.

Sporting goods exports are also growing, as part of the drive to push successful domestic industries to generate foreign exchange. The United States alone bought over \$8 million worth of Chinese-made sports products last year (see chart). An April 1985 Chinese press report noted that tents, sports shoes, and weight sets are the country's fastest growing sports exports. Nine Chinese-made sports items are authorized for use in international matches, including various brands of ping pong balls and paddles, soccer balls, basketballs, and volleyballs.

### ***Sights set on the big leagues***

"The Chinese know they are behind, and they are committed to doing something about it," says Bally's Otott. With the upgrading of facilities to Olympic standards and the push to train Chinese athletes for Olympic competition, China may ultimately challenge the sports supremacy of the United States and the Soviet Union. Successfully hosting such events as the 1990 Asian Games will bring in much-needed foreign capital and enhance the country's international sports image. Most important, it will help China leave the sidelines of international sports behind—you can bet on it. 完





**Chinese Trademarks: A Specially Commissioned Report**, edited by David R. Shannon. Hong Kong: Xieneng (division of China Phone Book Co., Ltd., GPO Box 11581), 1985. 136 pp. \$110 including postage.

This book is a unique guide to trademark usage and law in the People's Republic of China, Hong Kong, and Taiwan. Written in a readable format for marketing professionals as well as trademark attorneys, it includes chapters on translation problems, registration, licensing and assignment, and infringement of Chinese-language trademarks. A useful executive summary covers the main points of trademark selection, protection, and use. Appendices contain trademark laws and regulations for each country, classification lists, and application forms. Contributors to this publication are all partners or associates from Baker & McKenzie, an international law firm based in Chicago.

**China's Chemicals & Petrochemicals Directory**. Hong Kong: China Phone Book Co., Ltd., (GPO Box 11581), 1985. 338 pp. \$100 including postage.

*China's Chemicals & Petrochemicals Directory* is the third volume in the China Phone Book Co.'s China Industrial Directory series. It follows the previously published *China's Electronics & Electrical Products* and *China's Instruments & Meters*. This bilingual directory is arranged in four sections. The first introduces factories in 23 general product categories such as artificial resins, detergents, fertilizers, and petroleum products. Each factory's major products and their SITC codes are listed, as well as the factory's address, telephone, and cable numbers. Section two lists companies and corporations that produce and trade chemicals and petrochemicals. Research institutions form the third section, and

the fourth section contains four factory indexes: by province, alphabetical order, SITC code, and Chinese stroke order.



**The New York Beijing Directory 1985**. New York: The New York/Beijing Friendship City Committee, 1985. 140 pp. \$16 including postage. (To order, send check made out to the Sister City Program of the City of New York, Inc. and mail c/o the NYC Commission for the U.N. & Consular Corps, 2 U.N. Plaza, 27th Floor, New York, NY 10017).

This is the second edition of a guide to New York City organizations maintaining active relationships with Beijing. First published in 1983, it lists firms and institutions involved in business and commerce, communications, culture, education, and government. Entries contain address, telephone, and telex numbers, as well as the name of the primary China staff person and a brief description of the organization's Beijing activities. Because of New York City's important role in US-China business and cultural exchanges, the listings should prove useful to many outside the city, including job seekers in the China field. Appendices include US and Chinese business facilitation organizations, Chinese trade organizations that handle advertising, and specialized foreign trade corporations.



**A New English-Chinese Dictionary, Second Revised Edition**. Hong Kong: Commercial Press Ltd., 1984. Distributed in the United States by John Wiley & Sons, Inc. 1,613 pp. \$34.95

*Books and business guides submitted for possible review in The China Business Review should be sent to the National Council's book editor, Jennifer Little.*

softcover; \$54.95 hardcover.

This dictionary is a welcome sight on the shelf of English-Chinese dictionaries. An update of a 1957 edition, it boasts a total of some 120,000 entries, including compounds and their derivatives. Although it does not include as many terms as some frequently used English dictionaries (the *Webster's New World Dictionary*, second college edition, has 158,000 terms), it surpasses other English-Chinese dictionaries of its class by a wide margin. The inclusion of many new terms shows that the contributors have done their homework, consulting 14 popular dictionaries. Compilation of the dictionary began in 1981, with revisions added throughout the typesetting process to keep entries current.

This dictionary is not for the beginning student of Chinese. Chinese speakers will find this dictionary very handy, but native English speakers will need an advanced Chinese-language capability to use it. There is no *pinyin* romanization used in any part of the dictionary, and the preface and guide to using the dictionary are only in Chinese. Definitions and examples are given in both English and simplified Chinese characters.

The dictionary includes a generous selection of technical terms, giving it wide appeal. Also, definitions no longer reflect the politics of the Cultural Revolution, as is the case with many earlier dictionaries from China. For instance, "imperialism" is now simply defined with its Chinese equivalent, instead of adding that this means "the monopoly stage of capitalism."

Curiously, the dictionary lacks any kind of appendix. At the minimum, a table of comparative weights and measures would have been useful, especially considering that the American, British, and Chinese systems are all different.

—BL & ICC

**China: The Health Sector**, by Dean T. Jamison and others. Washington, DC: The World Bank (P.O. Box

37525, Washington, DC 20013), 1984. 190 pp. plus maps. \$10.00.

This study is based on the findings of a four-week World Bank rural health and medical education mission to China in 1982. The report reviews achievements in population control, health status, and nutrition, and details China's present health care policies and financing.

Other influences on health care are also discussed: nutrition, access to clean water, waste disposal, and fertility reduction. Major problems facing the health sector are covered, such as prevention of chronic disorders and extending care to remote areas where mortality rates remain high. Charts, tables, and maps accompany the report, providing useful information on health status, population, and the organization of the health care system.

**Contemporary Chinese Education**, edited by Ruth Hayhoe. Armonk, NY: M.E. Sharpe (80 Business Park Drive, Armonk, NY 10504), 1984. 287 pp. \$17.95 softcover. \$35.00 hardcover.

*Contemporary Chinese Education* reviews education during the years 1976 through 1982 and also provides a historical background. A compilation of articles by different authors, this volume includes chapters on comparative education; the evolution of Chinese educational institutions; primary, secondary, adult, and higher education; teacher education; and Chinese-Western scholarly exchange. The book includes statistics on student enrollment, a glossary of education terms in *pinyin* and Chinese characters, and an index.

**China Briefing, 1984**, edited by Steven M. Goldstein. Boulder, CO:

Westview Press in cooperation with the China Council of the Asia Society, 1985. 125 pp. \$22.00 hardcover; \$12.50 paperback.

This is the fourth time since 1980 that the China Council has put together a collection of essays on contemporary China. The first three editions were written as background briefings for journalists. In contrast, the latest articles were specially commissioned for this volume and aim at the general interested public. The six essays by well known academics focus on events in 1984: "Domestic Politics," by Thomas P. Bernstein; "Culture," by Merle Goldman; "Society," by Martin King Whyte; "Foreign Policy," by Steven M. Goldstein; "Economic Reform," by Dorothy J. Solinger; and "Economic Performance," by Christine Wong. The essays are followed by a chronology of events in China in 1984.—MCR



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**Judith S. Taylor**  
Research Assistant

The following tables contain recent press reports of business contracts and negotiations exclusive of those listed in previous issues. Joint ventures, licensing arrangements, and other forms of business arrangements are included if classified as such in Chinese and foreign media reports. For the most part, the accuracy of these reports is not independently confirmed by *The CBR*.

National Council members can contact the library to obtain a copy of news sources and other available background information concerning the business arrangements appearing below. Moreover, member firms whose sales and other business arrangements with China do not normally appear in press reports may have them published in *The CBR* by sending the information to the attention of Judith S. Taylor.

<div style="border: 1px solid black; padding: 2px; display: inline-block;">           中外 貿易         </div> CHINA'S IMPORTS THROUGH SEPTEMBER 30	
Foreign Party/ Chinese Party	Product/Value/ Date Reported
<b>Agricultural Commodities</b>	
(Australia)	600,000 tons of wheat. 4/16/85.
(US)/Shenzhen	209 breeding swine under a 1984 livestock export agreement. 7/22/85.
Asiatic and Pacific Trading Co. (Canada)/Heilongjiang	Will ship 3,000 head of beef cattle in 1986. 8/85.
The New Zealand Apple and Pear Board/Shenzhen Fruit and Vegetable Trading Corp.	Shipped 83 tons of apples. 8/85.
(India)/China National Native Produce and Animal By-Products Import and Export Corp.	Has contracted to buy 1 million kg of loose tea. 8/15/85.
Northwest Timber Exports (US)/CHINATUHSU	Shipped approximately 2 million board feet of timber. 8/20/85.
(Australia)	Signed contract for 800,000 tons of wheat. 8/30/85.
<b>Agricultural Technology</b>	
John Deere International Ltd. (W. Germany)/Heilongjiang Land Reclamation	Combine harvesters. \$5,323,779. 5/2/85.
Jacuzzi (US)	Signed a memorandum of understanding for solar-powered water pumping equipment for irrigation and water supply systems. 6/85.
Transavia (Australia)	Signed a contract for four PL-12 Airtruck (Skyfarmer T-300) aircraft. 7/85.
AMF Legg (UK)	CT: Will supply technology and training in exchange for purchase of tobacco cutting machines and other equipment. \$16.62 million. (£12 million). 8/2/85.

NA = Not available.

NOTES: Contracts denominated in foreign currencies are converted into US dollars at the most recent monthly average rate quoted in *International Financial Statistics (IMF)*. Contracts concluded over two months ago are also included if they were not reported in the last issue of *The CBR*. Leasing (LEAS), Licensing (LIC), Compensation (CT), and Assembling (ASSEM) deals are now included in the "China's Imports" section.

Spot Image (France)	Will provide direct reception and distribution of satellite vegetation monitoring. 8/5/85.
General Robotics Corporation (US)/CNTIC	Awarded a World Bank tender to supply computer systems to be used as educational tools in researching agricultural applications. \$1.3 million. 8/22/85.

#### Chemicals and Chemical and Petrochemical Plants and Equipment

Adhesives Consultants Corp. (US)/CNTIC and Shanghai	Will provide technology and equipment for a solvent- and water-based adhesives facility with an annual production capacity of 2,500 metric tons. 3/25/85.
Interbras (Brazil)	CT: Will ship 60,000 metric tons of petrochemicals, mostly thermoplastics, in exchange for 50,000 bbl/day of crude oil. 5/15/85.
Phillips Petroleum Co. (US)/Gansu	Will help build a resin unit, a styrene unit, a polypropylene unit, and a plastics processing production, and research center. 6/13/85.
Eltech Systems Corp. (US)/Beijing	Announced a technology-transfer agreement for the production of chlorine, caustic soda, and potassium hydroxide. \$2 million. 7/85.
Marubeni and JGC Corp. (Japan)/CNTIC	Will supply one NGL and three LPG plants to Liaohe and Shengli oilfields. 7/85.
Marubeni and Toyo Engineering Co. (Japan)/CNTIC and Shanghai Investment Trust Corp.	Signed contract for SAN plant for the Gaoqiao Petrochemical Plant. \$2.95 million (¥700 million). 7/85.
Kawasaki Heavy Industries Ltd. (Japan)/Lanzhou Petrochemical Plant, Gansu	Has an order for an ethylene furnace. \$7.6 million (¥1.8 billion). 7/3/85.
Lummus Crest Inc., subsidiary of Combustion Engineering Inc. and Monsanto (US)/CNTIC and Yanshan United Foreign Trade Co.	Signed two contracts for technology for new 60,000 metric tons per year styrene monomer plants. 7/27/85.
Sohio Chemical Co. (US)/Nanjing Trust & Consultancy Corp.	LEAS: Signed contract to import glass epoxy continuous production unit. \$1.64 million. 8/12/85.
Montedison Group (Italy)/Tianjin	Negotiating to sell technology for disperse dyestuff production. 8/14/85.
M. W. Kellogg Co. (US)/Shanxi	Signed an agreement to build a coal gasification plant. \$25 million. 8/27/85.

#### Construction Materials and Equipment

J. T. Thorpe and Son Ltd. (UK)/Chinese Academy of Sciences, Beijing	Will supply tables, benches, and service spines for carrying gas and electricity in laboratories. \$208,000. (£150,000). 1/29/85.
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Kobe Steel, Ltd. (Japan)/CNTIC	Will furnish cement calcination technology. \$1.48 million. (¥350 million). 7/9/85.
Fuller Co. (US) and Moller and Lurgi Co.s (W. Germany)/China Building Material Equipment Development & Service Corp.	Signed several contracts to assist in the cement industry including manufacture of grate coolers, bucket conveyors, and electric precipitators. 8/7/85.
Edwards of Enfield Ltd. (UK)/Liming Machinery Plant	Will sell an aluminum extrusion handling plant, to be used in the production of windows and doors. 8/8/85.
NA (Spain)/Liaoning	Signed a contract for a cement factory. 9/16/85.

### Consumer Goods

Sanyo Electric/Yingkou City Refrigerator Factory, China Light Industry Economic-Technical Cooperation Corp.	Construction of a factory for the manufacture of 200-liter-class refrigerators, technical assistance, and delivery of parts. \$2.66 million. (¥630 million). 7/85.
Glen Dimplex Group (UK)	Completed order for fan heaters. \$138,530. (£100,000). 7/4/85.
Fedders International Business Development Co. (US)/Shanghai Air Conditioning Factory	Will sell room air conditioners. 8/23/85.

### Electronics and Electrical Equipment

Gould (US)/Ministry of Education	LIC: Signed 10-year agreement for programmable controllers. 7/84.
John Fluke Mfg. Co., Inc. (US)/CEIEC, Qian Feng Radio Instruments Factory	Signed contract for technology transfer and production of signal generators. 11/84.
Cambex Corp. (US)	Will ship 40 IBM-compatible mainframe computers with peripherals and assorted spare parts. \$10 million. 2/85.
Sun Hung Kai Ltd. (HK)/Polytechnic and TV University and Ministry of Education	Will supply educational computer equipment. \$1,043,680. 3/29/85.
Marubeni Corp. (Japan)/Polytechnic and TV University and Ministry of Education	Signed contract for video recording system. \$1,260,000. 3/31/85.
3M Far East Ltd./Polytechnic and TV University and Ministry of Education	Will supply video cassette tapes. \$1,213,884. 4/22/85.
Louis Berger International (US)/Beijing	Installed and put into operation a computer-aided design center. 5/85.
Dataprep (HK)	Will distribute Wicat computer and training systems in China. \$1.3 million. 5/20/85.
Sekonic (Japan)/China National Electronics Industry Ministry Adm. and San-yi Electronic Computer Corp., Taiyuan	Technical assistance for manufacture of automatic coordinate-plotting drafting machines, including parts and assembly facilities. \$1.26 million. (¥300 million). 7/85.
Toppan-Moore (Japan)/Tianjin No. 2 Machine Industry Bureau	Established a sales company for IBM computers. 7/85.
Toshiba (Japan)	Received order for two computerized systems for electrification and doubling of rail line between Zhengzhou, Henan, and Baoji, Shanxi. \$4.64 million. (¥1.1 billion). 7/10/85.
Konishiroku Photo Industry Co. (Japan)/Han Guang Machine Factory, Handan, Hebei	Will deliver photocopier plant with annual production capacity of 15,000 units. \$92.7 million. (¥22 billion). 7/11/85.
Stearns Catalytic Corp. (US)/Luoyang, Henan	Will do preliminary design engineering for a silicon materials plant to produce polysilicon, polished wafers, and epitaxial wafers. \$25 million. 7/22/85.

Everbright Industrial Corp. (HK) and Burroughs Corp (US)/Yunnan Electronic Equipment Plant

Concluded a contract to produce B-20 microcomputers. 7/29/85.

Accugraph Corp. (Canada)/Dalian

Sold two computer-aided drafting systems. 8/85.

Gerber Scientific Instrument Co. (US)/China Institute of Computing Technology

Will supply a PC800, Model 8533 printed circuit board design and artwork generating system. \$400,000. 8/85.

Honeywell Inc. (US)/Chinese People's University

Finalized contract for 56 mainframe computers, 120 microcomputer systems, and 200 matrix printers. \$21 million. 8/5/85.

SORD Computer Corp. (Japan)/State Council Overseas Chinese Affairs Office

Sold mini-computer network system. 8/7/85.

Olivetti (Italy)/Yunnan Electronic Equipment Factory, Kunming

Sold production line with related equipment and technology to assemble M24 personal computers. 8/9/85.

Soundout Laboratories (UK)/Fenn Lee Radio, Shenzhen and Beijing concert halls.

Sold music mixing consoles. 8/9/85.

Frye Copysystems Inc., a unit of The Signal Companies (US)

Signed a letter of intent for equipment and technology used in making computer printing ribbons. 8/15/85.

Nixdorf Computer Ltd., subsidiary of Nixdorf Computer AG (W. Germany)/Nan Tung and Tai Fung Banks (Macau)

Signed letters of intent to use 118 Nixdorf workstation computers. \$115,000. (HK\$900,000). 8/19/85.

Gerber Systems Technology Inc. (US)/Shanghai Metallurgical & Mining Machinery Co.

Received export license to ship four SABRE-5000 systems. \$500,000. 8/22/85.

BASF (W. Germany)/Shanghai Computer Corp.

LIC: Will supply equipment, technical know-how, and staff training for the production of 5¼" half-height fixed disk drives. 8/23/85.

BASF (W. Germany)/Shanghai Electric Meter Factory

Will supply testing equipment for floppy disk drive manufacturing. 8/23/85.

Japax Co. (Japan)/MACHIMPEX

Will transfer technology of D X Cnc. Electronic Machine Centre. 8/29/85.

GEC Measurements (UK)

Received order for protection relays to distribute electricity to rural areas. 8/29/85.

Prime Computer Ltd. (HK)/Ministry of Railways

Sold computer system to assist in network design and bridge construction. \$500,000. 8/30/85.

Computer Oriented Design Engineering Systems Inc. (US)/Shanghai and Zhejiang

Will produce automatic controls for the manufacture of insecticides, computerization of analytical testing equipment, and process control systems for application of dye to fabrics. 9/4/85.

General Electric (US)/China National Coal Development Corp.

Will supply electrical and electronic controls for a new surface coal mine. \$3.6 million. 9/9/85.

Ricoh Co. (Japan)/MMBI and Long Hua Copying Machine Industry Corp.

Will export copier-producing plant facilities. \$211 million. (¥50 billion). 9/21/85.

### Electronics (Consumer)

Matsushita Electric Industrial Co. (Japan)/Guangzhou Electric Rice Cooker Factory

Transfer of technology for manufacturing electric rice cookers and export of inspection equipment. 7/85.

Zenith Electronics Corp. (US)/Shanghai Instrumentation and Electronics Corp.

Will sell projection television monitors for educational and entertainment purposes. \$3 million. 8/85.

Owens-Illinois (US)

LIC: Technology in manufacture of glass for color tube production. 8/26/85.



Japan Victor Co./Shanghai Broadcasting & TV Industry Co.

Will ship parts to produce compact disk players. 9/7/85.

### Engineering and Construction

Process Evaluation and Development Corp., subsidiary of W. R. Grace & Co. (US)/Ganjiang Paper Mill

Will provide engineering services and technical advice for renovation. 3/85.

Ingersoll Engineers Inc. (US)/Shanghai Machine Tool Corp.

Will plan a major improvement and modernization program for 12 factories and a research institute. 5/27/85.

Kumagai Gumi (Japan)/Gansu

Will construct a large-scale irrigation tunnel. \$23.44 million. (¥5,560 million). 8/27/85.

### Finance

Overseas Chinese Banking Corp., United Overseas Bank and Overseas United Bank (Singapore)/Shanghai

Will lead-manage a syndicated loan to finance a luxury hotel. \$40 million. 9/4/85.

### Food Processing

C. M. Kemp Manufacturing Co. (US)

Signed letters of intent to sell nitrogen generators and drying equipment for food processing and general manufacturing. \$500,000. 9/84.

Delaware North (US)

Will open flight kitchens and terminal operations in Beijing and Shanghai plus on- and off-shore support services for oilfields in the China Sea. 7/10/85.

Tyler Refrigeration Corp., subsidiary of American Standard Inc. (US)/Luoyang Refrigeration Machinery Factory, Henan, CNTIC

LIC: Technology to manufacture refrigerated display cases, walk-in coolers and freezers, refrigerated systems, condensers, and unit coolers. 7/22/85.

Process Systems, Inc. (US)/Tianjin Cigarette & Wine Corp.

Will design a 20 million gallon per year neutral spirits plant to produce 192-proof alcohol for industrial and beverage usage. 8/85.

Unibra Co. (Belgium)/Beijing Five-Star Brewery

Will supply beer production technology and equipment to increase production capacity from 35,000 to 55,000 tons per year. 8/12/85.

NA (Spain)/Zhejiang

Signed contract for a tangerine and orange-processing factory. 9/16/85.

### Machine Tools and Machinery

Esab (Sweden)

Completed two agreements on delivery of welding equipment and technology for two electrode factories. \$4.94 million. (41 million kronor). 9/29/84.

Tokyo Aircraft Instrument (Japan)/Yingkou City Duplicator Factory

Transfer of technology for manufacture of small offset printing machines. 7/85.

Bailey Controls (US)/MACHIMPEX and China-Xi'an Instrument and Machine Tool Plant

Will supply prototypes for AC pneumatic control drive and instrument and control panel for boiler turbine generators. 8/85.

Surface Combustion, division of Midland-Ross Corp. (US)/CNTIC and Nankou Rolling Stock Machinery Works, Beijing

Finalized contract to design and construct new heat treat line. 8/85.

Pertron Controls Corp. (US)/CATIC

Will supply PWC-300 and Paragon 2000 resistance welding controls. \$130,000. 8/85.

Neepsend (UK)/Shenyang Heavy Machinery Plant, Liaoning

Will sell used vacuum molding plant. \$208,000. (£150,000). 8/8/85.

Atlas Copco MCT (US)/Tianshui Pneumatic Tools Factory, Gansu

Signed technology transfer agreement for production of mechanized bench drilling equipment. 8/16/85.

### Medical Equipment

Nihon Kohden Corp. (Japan)/Shanghai Medical Electronic Instrument Factory

Will transfer technology for manufacture of electrocardiograph equipment and delivery of parts for KD production. 7/85.

### Metals, Minerals & Processing Technology

Amspec Chemical Corp. (US)/MINMETALS

Reached an agreement for the supply of antimony oxides and metal with equipment and technology to enable them to size and grade finished antimony. 5/84.

Lurgi Gesellschaften (W. Germany)

Signed a preliminary agreement to build a commercial lead smelter using Queneau-Schuman-Lurgi process. 4/85.

Austria Metall

Concluded agreement for sales of rolled aluminum products. \$7.65 million. (Sch150 million). 4/4/85.

Tecnotrade (Italy)/Southwest China Energy Resources Corp.

Signed contract for a series of projects involved in the development of the Liu Pan Shui Mining area. \$500 million. 5/85.

Altos Hornos Zapla (Argentina) (Venezuela)

Won export order for sale of 50,000 tons of special steels. 5/8/85.

Cia Siderurgica de Tubarao (Brazil)

Started shipment of a trial order of 50,000 tons of steel slabs. 6/4/85.

(Poland)

Signed five-year trade agreement which includes the export of copper. 6/11/85.

Centrifugal Casting Machine Co. (US)/Norinco and Fengler Machine Plant

Signed contracts for pipe. \$1.4 million. 6/13/85.

(Argentina)

Negotiating 1 million ton per year steel product deal. \$200-400 million per year. 6/18/85.

J. L. Aliperti (Brazil)

Signed contract for the sale of 20,200 tons of steel bars. \$4 million. 6/25/85.

Hitachi Zosen Corp. (Japan)/CNTIC

Export of two continuous casting facilities for Baoshan Steel Plant, Shanghai; technical assistance for design and manufacture; long-term technical licensing. \$253 million. (¥60,000 million). 4/7/85.

Universal Machinery & Equipment Co. (US)/CITIC and Jiangxi Steelworks

Will supply two rebuilt 25-ton electric arc furnaces and transformers. 7/5/85.

NA (Europe)

Concluded pricing talks for second half delivery of 20,000 tons chrome ore. 7/5/85.

C-E Refractories, a unit of Combustion Engineering Inc. (US)/Guiyang, Guizhou

Will provide technology, equipment, and operator training for plant which will manufacture ceramic fiber refractories, and lightweight insulating materials used in the steel, refinery, and other high temperature processing industries. 7/29/85.

C-E Refractories, a unit of Combustion Engineering Inc. (US)/CNTIC, Liaoning

Will provide technology, equipment, and operator training for plant which will produce alumina-zirconia-silica refractories used in the manufacture of glass. 7/29/85.

Southwire Co., Morgan Construction Co., and Ajax Magnethermic (US)/China International Non-Ferrous Metals Leasing Co. Ltd.

LEAS: Will furnish technology, casting machine, fluid system, startup training, rolling mill, coiling equipment, and an induction furnace to melt copper for copper rod production at the Yunnan Smelter near Kunming. 8/85.

Italimpianti (Italy)/Tianjin

Negotiating an agreement for construction of steel tube plant with a capacity of 500,000 tons per year. \$800 million. 8/9/85.

Technomin Australia NL/China National Nonferrous Metals Industry Corp., Guangdong

Will explore and develop two areas near the Fankou silver, lead, and zinc mine north of Shaoguan City. 8/9/85.

Herr-Voss Corp. (US)/Wuhan Iron & Steel Co.

Negotiating contract to supply a line of color-coated strips to be used in the production of construction equipment, home appliances, and transportation equipment. 8/11/85.

Continuus-Properzi (Italy)/Wuhu Smelter, Anhui	Signed contract for complete supply of a Properzi CCR line for copper rod production. 8/13/85.	Fisher Controls International, Inc. (Canada)/SINOPEC	Agreed to establish a technical sales and service center in Beijing. 7/25/85.
Davy-McKee (UK)	Will supply spring machines. \$2.77 million. (£2 million). 8/14/85.	Geophysical Service Inc., subsidiary of Texas Instruments (US)/Ministry of Petroleum Industry and Seismograph Subfactory of Xi'an General Petrochemical Works	LIC: Manufacture of digital seismic recording system. \$50 million. 7/29/85.
Bonifica, Snia-Techint, and Geoexpert International (Italy)/Chinese Academy of Sciences	Will analyze precious metal resources in Shandong and plan a pilot hydrometallurgical gold extraction plant. 8/16/85.	Royal Dutch Shell (Netherlands UK)/Japan China Oil Development Corp.	Will give technical advice on offshore oilfield development in the Gulf of Bohai. 8/6/85.
Salzgitter (W. Germany)/MACHIMPEX, Baoji Tube Plant, Shaanxi	Sold tube welding mill. \$29 million. 8/16/85.	Applied Automation Inc., subsidiary of Phillips Petroleum Co. (US)	Shipped OPSEIS seismic data gathering equipment to help geologists search for oil. 8/12/85.
Showa Aluminum (Japan)/CNTIC	Will export technology for construction of a prebake 100,000 tonne/yr aluminum smelter. 8/16/85.	Dyer Equipment Inc. (Canada)/Daqing	Supplying 19 truck mounted fracturing units. \$5.16 million. (C\$7 million). 8/19/85.
Capricorn Coal Management Pty Ltd. (Australia)/Shanghai	Won a contract to supply 125,000 tons of coking coal. \$6 million. 8/28/85.	Dyer Equipment Inc. (Canada)/Karamay	Will supply truck mounted fracturing units. \$7.74 million. (C\$10.5 million). 8/19/85.
Plating Engineering (UK)	Signed contract to supply plating plant to plate shock absorber strut rods with nickel and hard chrome. 8/30/85.	Shell, Chevron, and Esso (US)/CNODC	Planning a joint exploration project covering 10 provinces. 9/2/85.
Bechtel Group, Inc. (US)/Antaibao Mine, Shanxi	Will train open-pit mine workers for Island Creek of China Coal Co., a subsidiary of Occidental Petroleum Corp. 9/4/85.	NA (Spain)/Fujian	Signed contract to build oil refinery. \$300 million. 9/16/85.
Nippon Steel Corp., Nippon Kokan K.K., Kawasaki Steel Corp., Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd. and Nisshin Steel Co. (Japan)/MINMETALS	Received order for 426,000 tons of steel products. 9/14/85.	NA (UK)/CNOOC	Received order for a one million pound modular diving support system. 9/16/85.
(Australia)	Negotiating increased sales of high-grade western Australian iron ore. 9/20/85.	<b>Ports</b>	
<b>Military Equipment</b>		Krupp (W. Germany)/Ministry of Communications	Signed contract for container crane. \$1.68 million. 3/27/85.
General Electric (US)/China Shipbuilding Trading Co. Ltd.	Signed contract to supply two shipsets totaling four LM2500, 25,000 horsepower gas turbine engines, one spare engine, and miscellaneous parts. 8/2/85.	Maunsell (UK)/Da Peng Wan, Shenzhen	Will perform feasibility study and detailed designs for a new major deep water harbor. 8/8/85.
<b>Mining Equipment</b>		Felixstowe, Posford Pavry & Partners (UK)/Tianjin, Shanghai, and Huangpu	Have been assisting in the preparation of tenders for container handling equipment for ports. 8/8/85.
Boliden (Sweden)	Signed contract to introduce technology for cut-and-fill mining with artificial roof in China's largest nickel deposit. 1985.	<b>Power Plants &amp; Equipment</b>	
Gullick International (UK)/China National Coal Import Export Corp.	Received contract for the manufacture of two diesel-powered ballasting machines. 7/12/85.	Allen-Sherman-Hoff (US)/MACHIMPEX	LIC: Was awarded contract to design and supply ash handling systems for two coal-fired generating stations with a combined capacity of 1,200 MW and eight-year contract for technology transfer and licensing. 12/84.
Daniels Co. (US)	Received order for eight of its Dense Media System coarse coal vessels to be installed in a large coal preparation plant. 8/85.	Kvaerner Brug (Norway)	Signed first portion of contract to deliver and jointly produce four 150 mw turbines for hydroelectric plant. \$17 million. (140 million kroner). 2/28/85.
Mine Safety Appliances Inc. (US)/Wuhan Iron & Steel Co.	Signed contract to supply a fire extinguishing system. 8/11/85.	Ifo-Electric, subsidiary of Eurokoncern (Sweden)/Xi'an	LIC: Will establish production line for pressing of high-voltage insulators. 3/1/85.
<b>Petroleum, Natural Gas &amp; Related Equipment</b>		Rolls Royce (UK)	Will supply refinery power generating plant. \$10.3 million. 4/19/85.
Natco, a unit of Combustion Engineering Inc. (US)	Will design, fabricate, and install equipment onshore and offshore. 9/84.	Rolls Royce (UK)/CATIC and Zepu Petroleum and Chemical Factory	Signed contract for supply of three 12,000-KW gas turbine electrical co-generation systems. \$18.6 million. 4/19/85.
Technical Oil Tool Corp. (US)/Ministry of Petroleum Industry	Sold mobile drilling rig monitoring systems. 1/85.	Gibbs & Hill and Quadrex Corp. (US)/Sunan, Jiangsu	Will assist in choosing a vendor for two 900-MW pressurized water reactors. 5/85.
Reading & Bates Construction Co. (US)/MACHIMPEX	Signed a contract to sell a horizontal drilling rig and construction services. 4/85.	Hydroservice (Brazil)/MWREP	Will assist in finalizing the design of a concrete-faced dam to be used for generating hydropower. \$100,000. 6/85.
Geograph Pioneer Co. (US)/Ministry of Petroleum Industry	Will furnish electronic instrumentation for oil fields. 6/13/85.	Metallgesellschaft (W. Germany)	CT: Signed a letter of intent involving delivery of four nuclear power plants in return for non-ferrous metals and ores. \$1.5 billion. 6/14/85.
Halliburton Services (US)	Signed contracts for offshore drilling equipment and technology. 6/13/85.	Mitsui & Co. Ltd., Toshiba Corp., and Ishikawajima-Harima Heavy Industries Co. Ltd. (Japan)/Hopewell Power Ltd.	Will provide two 350-MW coal-fired power plants. \$480 million. 8/85.
Parker Drilling Co. (US)/China National Oil Co. and Shengli Field	Signed agreement to provide specialized equipment and technical services for directional drilling and development program. 6/13/85.	General Electric (US)/CNTIC and Daqing Petroleum Administration	Awarded contract to supply gas turbines for a 36-MW cogeneration project to supply oil refinery power and steam. \$13.9 million. 8/12/85.
Tubesonics International (US)	Sold high-technology oil field system. 6/13/85.		
NA (US)/MACHIMPEX	Shipped five custom designed rigs (three land and two mobile). 7/85.		



Japan Atomic Energy Research Institute	Will research the disposal of low-level radioactive wastes. 8/12/85.	Fujitsu Ltd. (Japan)/Ministry of Posts and Telecommunications	Was awarded a contract for FETEX-150 digital switching systems to be used in 14 provinces. 8/85.
Combustion Engineering Simcon, Inc. (US)/MOFERT and North China Institute of Electric Power	Signed contract to supply full-scope power plant training simulator. 8/14/85.	Universal Satellite Corp. (US)	Will supply and install VideoMate projectors to provide global teleconferencing services. \$5 million. 8/85.
Skoda Export Prague (Czechoslovakia)/CNTIC and Shentou No. 2 Power Plant, Shanxi	Signed contract to supply two 500-MW power plants. 8/22/85.	NEC Corp. (Japan)	Received an order for four microwave communications systems. 8/5/85.
Alstom (France)/Guangzhou Economic and Technology Development District Construction Import Export Corp.	Sold two 9,500-KW diesel generating sets. 8/24/85.	Nippon Telegraph and Telephone (Japan)/Technology Transfer Corp.	Will provide consultation and training for the construction of full-scale optical cable line servicing 285 miles of railway north of Beijing. 8/7/85.
Ebasco Services Inc. (US)/Zhejiang Provincial Electric Power Bureau	Will consult on the Beilungang Project, two 600-mw coal-fired generating stations near Ningbo. 8/26/85.	Total Audio Concepts (UK)	Received order for public address mixing consoles. \$346,325. (£250,000). 8/9/85.
Electric Power Development Co. and Nippon Koei Co. (Japan)	Will provide design and construction supervision of a 1,300-MW power station on the border between Guizhou and Guangxi. 9/11/85.	Plessey Radio Systems (UK)	Won contract to supply equipment to monitor international news broadcasts. \$692,650. (£500,000). 8/15/85.
<b>Property Development</b>		LM Ericsson (Sweden)/Liaoning	Will supply 10 or more digital telephone exchanges. \$28 million. 8/27/85.
Sobel/Roth, division of Emery Roth & Sons (US)/China Economic and Trade Consultants Corp.	Will be design architects for China's World Trade Center in Beijing. \$1 million. 5/6/85.	NKF Waddinveen and AT&T & Philips Telecommunications (Netherlands)/Ministry of Post & Telecommunications	Signed agreements for supply of glass fibers, fiber cable, transmission equipment, and technology. \$8.7 million. 9/1/85.
Bechtel International Corp. (US)/Shenzhen	Won a contract to manage construction of a 637-room hotel. 8/7/85.	Standard Elektrik Lorenz AG (W. Germany)/Fujian	Negotiating to set up two facilities to produce cable and telephone equipment. 9/11/85.
Kumagai Gumi (Japan)/Bank of China	Won an order to construct "Haikou International Financial Center" on Hainan Island. \$15.94 million. (¥3,780 million). 8/27/85.	<b>Textiles</b>	
<b>Scientific Instruments</b>		Allied Fibers and Mills (US)	Sold fabrics for eight hotel projects. 7/29/85.
Monitor Labs Inc. (US)	Signed contract to provide pollution monitoring equipment. \$2.5 million. 3/4/85.	<b>Transportation Equipment</b>	
Infospec Computers (UK)	Received order to provide computer-aided system for dating samples of material taken from under the earth's surface. \$41,559. (£30,000). 6/8/85.	Nordam (US)	Received orders for 150 aircraft interiors. \$20-\$25 million. 1/85.
Fisher Controls (HK and Singapore)/Guangzhou Petrochemical Works	Received contracts for total range of control valve, measurement, and control room instrumentation products. \$1 million. 8/85.	H. F. Henderson Industries (US)/Ta Chung Hua Rubber Tire Plant	Designed and manufactured tire control consoles. 6/85.
Technicare Corp. (US)/State Scientific and Technology Commission and Ritan Hospital, Beijing	Will supply magnetic resonance imaging system. \$2 million. 8/9/85.	Citroen (France)	Sold 250 Citroen CX cars to be used by tourists in China. 7/10/85.
FONAR Corp. (US)	Sold FONAR Beta 3000, first permanent magnet NMR scanning system. 8/13/85.	De Havilland Aircraft (Canada)/Shenzhen Airline Corp.	Sold three Dash 7 aircraft. 7/24/85.
AccuRay Corp. (US)/Ministry of Light Industry and INSTRIMPEX	Ordered 10 1180 Micro paper machine measurement and control systems. \$4 million. 9/85.	MSAS (US)/Sinotrans	Will act as agent for Sinotrans in development of traffic between US and PRC. 8/85.
John Fluke Mfg. Co., Inc. (US)/CEIEC, BCIC, and Beijing Radio Research Institute	Signed contract for technology and equipment to produce 9010A Micro System Troubleshooter. \$1 million. 9/4/85.	Isuzu (Japan)	CT: Constructing truck plant in exchange for exports of 40,000 medium and large-size trucks. 8/5/85.
<b>Shipping</b>		Bell Helicopter Textron Inc. (US)/CAAC	Received order for six Jetranger III aircraft to be used for pilot training. 8/7/85.
Maru Shipping Co., Inc. (Liberia)	Sold motor bulk carrier, 26,981 dwt. 8/6/85.	Daihatsu Motor Co. (Japan)/Tianjin Automotive Industry Corp.	Negotiating technology transfer deal for production of 1,000 cc "Charade" car. 8/12/85.
Mount Pleasant Shipping Corp. (Liberia)	Sold motor bulk carrier, 15,373 dwt. 8/6/85.	Suzuki Motor Co. (Japan)	Signed contract to export 50,000 AP80 and 100 commuters per month. 8/14/85.
Sembawang Towing, subsidiary of Sembawang Shipyard Group (Singapore)/China Ocean Services	Will market COS activities in the Asia Pacific region. 8/19/85.	Livernois Engineering Co. (US)	Will design, make, and service machines used to make passenger car radiators and components for six radiator manufacturers. \$3 million. 8/19/85.
<b>Telecommunications</b>		Hong Kong Aircraft Engineering Co./CATIC	Modernized Y-7 and Y-12 aircraft to be used as prototypes for aircraft production. \$20 million. 8/22/85.
Nippon Telegraph & Telephone Corp. (Japan)/Tianjin, Shanghai, and Guangzhou	Will provide consulting on construction of 400-mile optical communications network. 7/22/85.	Komatsu Ltd. (Japan)/CNTIC	Will provide technology on large dump truck production. \$8.43 million. (¥2 billion). 8/27/85.
		Nissan Diesel Motor Co. (Japan)/China National Automotive Industry Import & Export Corp. and No. 2 Automobile Manufacturing Factory, Xianfan	Signed contract to supply truck-manufacturing technology to design plant capable of producing 20,000 eight-ton trucks a year by 1987. 8/29/85.
		Chrysler (US)	Negotiating to sell tooling for rear-wheel-drive on V-8 "Fifth Avenue" sedan. 9/85.

## Miscellaneous

Cluff Investments, subsidiary of Cluff Oil (UK)/Ningbo Sino-British Services Corp. subsidiary of Ningbo General Economic and Technological Development Corp., Zhejiang	Will act as exclusive representatives of Ningbo in all investments, joint-ventures, and trade from Britain. 3/19/85.
Harris Graphics (Australia)	LIC: Two models of heatset web offset presses to produce books, educational material, and technical publications. 6/85.
Ikegai-Goss (Japan)/Yang Cheng Wanbao, Guangzhou	Ordered a Metro-Offset press. 6/85.
Djuka Dinic (Yugoslavia)/Jiamusi, Heilongjiang	Will supply leather processing technology in exchange for semi-processed and processed leather and cash. \$1 million. 7/16/85.
Hell Chromacom (US)/Beijing Xinhua Printing Co.	Installed a page makeup and retouching system. 8/85.
Graham & Brown (UK)	Sold range of wallcoverings to redecorate Deng Xiaoping's office and VIP lounge. 8/9/85.

<div style="border: 1px solid black; padding: 5px; display: inline-block;">                 中 外 贸 易             </div>	<b>JOINT VENTURES AND DIRECT INVESTMENT THROUGH SEPTEMBER 30</b>
<b>Foreign Party/ Chinese Party</b>	<b>Arrangement/Value/ Date Reported</b>

## Agriculture

(Thailand)/Shanghai	Established Shanghai Dajiang Company Ltd. to produce feed and livestock. 7/10/85.
(Australia)	Invested in the China Eucalyptus Development Center. \$3.6 million (A\$5 million). 9/7/85.

## Agricultural Technology

Jacuzzi Inc. (US)	Signed a memorandum of understanding for analysis of economic feasibility of assembly and/or manufacture of solar-powered water pumping equipment for irrigation and water supply systems. 6/85.
Wladimir Talanczuk Aircraft Manufacturing Ltd. (Canada)/Beijing Changfeng Industry Corp.	Signed contract to produce ultra-light agricultural spray planes. \$480,000. (Can.:47%-PRC:53%). 8/12/85.

## Chemicals and Chemical and Petrochemical Plants & Equipment

NA (US)/Guiyang	Opened Jiashang Enterprise Co. to produce machine maintenance agent. 7/29/85.
H. B. Fuller Co. (US)/Guangdong Foreign Trade Corp. and Yue Shang Development Corp.	Signed agreement to build manufacturing facility to produce specialty chemicals, adhesives, and sealants. 8/17/85.
Goemar Laboratories (France)/Shandong	Signed agreement to build algae transformation unit for products for stimulating plant growth and cosmetic and dietetic applications. \$2.93 million. (Fr25 million). 8/29/85.

## Construction Materials

Multitech International Development Co. (HK)/Chengdu Aircraft Ltd. and Sichuan Corp. for International Economic and Technical Cooperation	Formed China Sichuan International Aluminum Engineering Co. Ltd. to produce mainly aluminum doors and windows. \$5 million. 7/85.
Standard Civil Engineering Corp. (HK)/Mudanjiang Building Material Industry Corp., Heilongjiang	Will produce granite for construction. \$6.2 million (¥18 million). 8/14/85.

## Electronics and Electrical Equipment

Hitachi Co. and Toei Shoko Co. Ltd. (Japan)/Mindong Motor Co. and Fujian Provincial Investment and Enterprises Co.	Will set up Mindong-Hitachi Electric Tools Co. Ltd. to produce electric hammers, saws, drills, and planes. \$3.5 million. (50-50). 12/26/84.
Business Computer Solutions, Inc. (US)/Chinese Academy of Sciences	Signed 15-year agreement to establish Science and Business Computer Corp. to introduce advanced technology and equipment. \$600,000. 7/15/85.
Intergraph (US)	Signed agreement to set up center to house systems used in mechanical and electronics design. 8/85.
Olivetti (US) and NA (HK)/Fujian Computer Corp.	Formed Bailing-Olivetti Computer Co. to manufacture 100,000 microcomputers a year. 8/9/85.
RMS Management Systems Inc. (Canada)/Tianjin Engineering Construction Corp.	Formed joint venture to distribute productivity control system for construction, manufacturing, and service operations. 8/19/85.
General Electric (US)/Wuxi Electric Cable Plant	Co-financing internal thermal cable production. 8/26/85.
IBM (US)/Ministry of Machine Building Industry	Co-financing a computer data training center. 8/26/85.
Yurugawa Electric Industrial Plant (Japan)/Xi'an Electric Cable Plant, Shaanxi	Co-financing fiber-optic cable production. 8/26/85.
OKI Industrial Corp. (Japan)/INSTRIMPEX, Beijing	Opened a repair service center for OKI facsimile machines. 8/28/85.
Industrial Automation Systems (US)	Negotiating for equity in wholly owned foreign computer company in exchange for providing technology and US market links. 9/11/85.

## Electronics (Consumer)

N. V. Philips (Netherlands)/Nanjing	Will supply production equipment and technology for color TV tube and deflection component manufacturing. (N:30%-PRC:70%). 8/19/85.
Sanyo (Japan)/Huaqiang Electronics Co., Shenzhen	ASSEM: Formed Huaqiang Sanyo Electronics Co. to produce video cassette recorders. 8/20/85.

## Engineering and Construction

Rang Shui Investment Co., Ltd. (Hong Kong)/Ningbo Travel and Navigation Co.	Signed contract to form Ningbo Huangang Co. Ltd. to build the Ningbo Huangang Grand Hotel. \$30 million. 11/24/84.
Brown and Root Engineering and Construction International (US)/China Nonferrous Metal Industry Foreign Engineering and Construction Corp.	Set up China Brown Root Engineering and Construction to perform project management, engineering, procurement, and construction services for land industries, public facilities, and other projects. 7/25/85.

## Finance, Leasing

NA (W. Germany)/Jiangxi	Established Jiangxi Sino-German Economic and Technical Consultation and Development Company to offer consultation, technical guidance, and low interest loans to navigation and highway construction projects in Jiangxi. \$194 million. (DM540 million). 9/15/84.
Mitsui Bank Ltd. (Japan) Trilease International Ltd. (Hong Kong)/Guangdong International Trust & Investment Corp.	Will establish China Unified International Leasing Co. \$5 million. (J:25%-HK:25%-PRC:50%). 8/17/85.
United Industrial Corp. Ltd. (Singapore)/CITIC	Inaugurated Citvic Investment Co., Ltd. to negotiate investments in tourism, construction, textiles, chemicals, and light industry. \$34.46 million. (¥100 million). (50-50). 8/24/85.



Nichimen Corp. (Japan) and Standard Chartered Bank (UK)/CNTIC, Dalian branch of Liaoning International Trust & Investment Corp.	Will establish joint leasing company. \$3 million. (J:25%-UK:15%-PRC:60%). 8/26/85.	Vickers Co. Ltd. (US)/Yuci Hydraulic Parts Plant, Shanxi	Will co-finance production of gear pumps. 8/26/85.
Societe Belge d'Investissement International (Belgium)/CITIC	Signed cooperation agreement involving the identification and joint financing of industrial ventures. 9/10/85.	Beloit Corp. (US)/Xi'an	Reached joint venture agreement to produce rubber rollers. 8/28/85.
Ernst and Whinney (US)/China Consultants of Accounting and Financial Management Inc.	Will establish CCAFME&W Management Services Ltd., based in Hong Kong, to provide specialized management consulting, accounting, taxation, secretarial, and other services. 9/26/85.	Computer Oriented Design Engineering Systems Inc. (US)/Jinan No. 1 Machine Tool Works	Will jointly develop and market computerized lathes. 9/4/85.
<b>Food Processing</b>			
Shaw Feng Zheng Trading Co. Ltd. (HK)/Qinghai Provincial Animal Husbandry Industry Trade Joint Enterprises Corp.	Will set up large lamb and veal processing plant. \$20 million. 9/11/84.	<b>Minerals &amp; Metals</b>	
Haase-Brauerei GmbH (W. Germany)/Chengdu Beer Co. Ltd.	Formed joint venture to produce beer. (G:25%-PRC:75%). 7/85.	Ryusho Steel Corp. (Japan)/Shenzhen	Will establish Chinese-Japanese Steel Tube Co. \$8.43 million. (¥2 billion). 7/5/85.
BSN Group, Banque Paribas, Malteries Franco-Belges and Kronenbourg (France)/CITIC, Zhejiang ITIC, Ningbo Light Industry Corp., and ZITIC's Ningbo branch	Set up Sino-French Drink Co. to produce beer and malt. \$35.19 million. (Fr300 million). (50-50). 7/12/85.	Crossland Industries (US)/Qinbao International Inc., Shaanxi	Will jointly mine, process, market, and export marble. \$2 million. 7/31/85.
Maxim's Caterers Ltd. (HK)/CAAC	Formed joint venture to expand the production capacity of Beijing Air Catering Co. \$10.34 million. (¥30 million). HK:40%-PRC:60%). 8/5/85.	Mitsubishi Heavy Industries Ltd. and Sumitomo Metal Industries Ltd. (Japan)/Baotou	Negotiating joint plant construction of a 100,000 tonne/yr pig iron plant that can recover niobium as a by-product. 8/16/85.
Companhia Cacique de Cafe Soluvel (Brazil)/Beijing Shuangqiao and CITIC	Formed Beijing Cacique Instant Coffee Co. to package instant coffee. 8/14/85.	Galactic Resources Ltd. (Canada)/Xinjiang Non-Ferrous Metals Corp.	Finalized letter of intent for equity joint venture in nonferrous and precious metals projects. 9/24/85.
Le GETAC (France)/Xinjiang	Signed agreements to make wine, and letters of intent on a wine joint venture. 8/31/85.	<b>Packaging</b>	
Harry Langerman (US)/Shenzhen	Will start first American-style fast food restaurant chain. \$300,000. (US:33%-PRC:67%). 9/3/85.	Ball Corp. (US) and MC Packaging Ltd. (HK)/Guangzhou	Formed MCP-Ball International Ltd. to build can plant. \$26.8 million. 8/85.
Malayan Breweries (Singapore)	Will cooperate in the production of Tiger Beer. 9/5/85.	Laboratoire Nationale d'Essaia (France)/China National Packaging Corp., Tianjin	Will establish a center for testing materials and technology used in packaging industry and aid government agencies develop new quality certification standards. 8/28/85.
Kentucky Fried Chicken, subsidiary of R. J. Reynolds Industries Inc. (US)/Beijing	Will open outlet in 1986. (50-50). 9/11/85.	<b>Petroleum, Natural Gas, and Related Equipment</b>	
<b>Machine Tools and Machinery</b>			
Beta-Crow International (US)/NORINCO.	Concluded partnership to manufacture industrial machinery, optical and electronic instruments. 6/25/85.	Bond, CSR, Broken Hill Proprietary, Basin Oil, and Base Resources (Australia)/CNODC, Hainan	Will jointly explore and develop oil and gas in the Qiongbai Basin. 5/28/85.
Kaidi Industrial Co. Ltd. (HK)/Shenzhen Aviation Standards Co. Ltd., Changchun Machinery Plant, Jinlin, and Yantai Machinery Industrial Bureau	Set up Yadong Standard Co. Ltd. in Yantai to manufacture various types of screws. \$1 million. 7/22/85.	Far East Levingston Shipbuilding (Singapore)/China Offshore Platform Engineering Corp.	Signed agreement to build offshore drilling rigs. 8/85.
Klasse Kompressors (Australia)	Signed letters of intent to establish joint ventures to manufacture rotary air compressors. \$5 million. 8/85.	PLT International, Inc. (US)/China Petroleum Engineering Construction Corp.	Will jointly pursue engineering, construction, and project management services. 8/85.
Intergraph Corp. (US)/MACHIMPEX and the Ministry of Machine Building's Research Institute of Automation	Signed an agreement to establish a technical center for mechanical and electronic design. 8/12/85.	Weir Pumps (UK)/Shenzhen	Set up maintenance, repair, and reconditioning service base for offshore drilling operations in the South China Sea. 8/15/85.
Arai Manufacturing Plant (Japan)/Beijing Sealed Parts Plant	Will co-finance production of machinery sealed parts. 8/26/85.	Atlantic Richfield Co. (US) and Santa Fe Minerals (Kuwait)/CNOOC	Will sign contract to develop a gas field off Hainan Island. \$500 million. 9/25/85.
Trans-American Delaval Co. (US)/Pinghu Water Pump Factory, Zhejiang	Will co-finance production of screw rod pump. 8/26/85.	<b>Pharmaceuticals</b>	
<b>Ports</b>			
		Yamanouchi Pharmaceutical Co. (Japan)/Chinese Academy of Sciences	Will jointly develop new drugs from herbal ingredients. 7/5/85.
		Keppel-Sembawang (Singapore)	Propose towing a multimillion-dollar floating ship-repair dock to Qingdao or Shanghai. 5/28/85.
		Mutual Oil of America Inc. (UK)/Nanhai Oil Shenzhen Development Service Corp.	Will build deepwater oil and general cargo port. \$200 million. 9/2/85.
		<b>Property Development</b>	
		Japanese Communication Commune for International Tourism Investment Corp./Guilin, Guangxi	Signed agreement to build No. 6 Building of Ronghu (Banyan Lake) Hotel. \$18 million. 7/3/85.
		Holiday Inn (US)/Yick Ho, Ltd. and China Travel Services, Beijing	Will renovate and expand the Lido Hotel. 7/5/85.

Shearson Lehman Brothers Inc. and Tishman Speyer Development Corp. (US)/Beijing First Commercial Bureau Friendship Corp.

Will develop, finance, and market a one million square-foot office and apartment complex. 7/22/85.

Kumagai Gumi (Japan)/Zhuhai, Shenzhen, and Guangzhou

Signed an agreement to construct a hotel, office, and exhibition complex in Beijing. \$100 million. 7/23/85.

Noble Chong Associates (Canada)/Beijing

Invested in construction of China Science and Technology Exchange Center. \$40 million. 8/5/85.

Hong Kong Transfer Technology International Ltd. and Towntech Ltd. (HK)/Jiangsu International Investment Corp. and Nanjing House Property Management Corp.

Signed construction contract for Nanjing Multifunctional Service Center for International Trade. \$90 million. 8/7/85.

Tokyo Corp. (Japan)/Beijing General Corporation of Agriculture, Industry, and Commerce

Formed Beijing Guangming Industry and Commerce Co. Ltd. to build a compound of 136 villas for foreign residents. \$29.4 million. (J:70%-PRC:30%). 8/8/85.

Active Group (Singapore)/Economic and Technology Development Corp., Changchun

Will build the Changxin International Hotel. 8/12/85.

Siracuth Imperial Trade Co. (US)/Fuzhou Real Estate Co.

Established Fuzhou-Siracuth International Economic Activities Center. \$59 million. 9/9/85.

Golden Lion Resources Ltd. (Canada)

Announced joint venture to construct 25 luxury hotels. 9/12/85.

### Shipping

Rang Shui Investment Co. Ltd. (Hong Kong)/Ningbo Navigation Co.

Formed Ningbo Huagang Co. Ltd. to manage high-speed passenger ships and related services and open up navigation lines between Ningbo, Shanghai, Hangzhou, and Putuoshan. \$3.45 million. (¥10 million). 11/25/84.

International Paint Corp. (UK)/Shanghai Shipbuilding Industry Corp.

Set up a bonded warehouse to provide paints for ships and technical and consultancy services. 8/5/85.

### Scientific Instruments

Yokokawa Kokushin (Japan)/Xi'an Meter Factory

Established a joint venture for design, manufacture, and sales of computerized instrumentation and control systems. 7/85.

(E. Germany)

Negotiating expanded cooperation in measuring instruments. 7/12/85.

### Telecommunications Equipment

K.K. Oyo Gijutsu Kenkyujo (Japan)/Shanghai Universal Development Corp.

Signed contract for joint production of microwave marine radio equipment. \$84.31 million. (¥20 billion). 7/85.

Standard Elektrik Lorenz AG (W. Germany)

Plans joint venture to build equipment for an extension of China's telephone network. 9/10/85.

Standard Electrica, subsidiary of ITT (Spain)/Shanghai Telecommunications Works

Signed letter of intent to produce business communication systems. \$12 million. 9/12/85.

### Textiles & Textile Plants & Equipment

Hymo Industrial Co. Ltd. (Japan)/Nantong Handicrafts, Garments, Headwear, and Footwear Co. and CITIC

Established Nantong-Hymo Co. Ltd. to produce synthetic lining. 6/10/85.

NA (HK)/Economic Development Corp., Tianjin and Jinghai

Began operation of lining cloth mill. \$2.7 million. (HK:40%-PRC:60%). 8/2/85.

Transworld Textile Co. (US)/Urumqi, Xinjiang

Signed joint venture contract creating Xinjiang Finetex Co. Ltd. to construct spinning and weaving mill. \$40 million. (US:40%-PRC:60%). 8/23/85.

Globe Textile Corp. (US)/Xinjiang Textile Industry Co. and CNIEC

Will begin construction on Xinjiang Long Staple Fiber Cotton Textile Ltd. \$40 million. (US:40%-PRC:60%). 9/14/85.

Sankei Co. and Scovill Japan Ltd. (Japan)/Chinatex Garment Accessories Import & Export Corp.

Negotiating establishment of garment accessories factory in Dalian. 9/21/85.

### Tourism

Panda Tours/China Tourism Audio-Visual Publication Company, National Tourism Administration

Formed China Media Services to represent and distribute in the US audio-visual products produced by the China Tourism Audio-Visual Publication Company. 7/30/85.

### Transportation & Transportation Equipment

AMC (US)/Beijing Jeep Corp.

Began assembly of Jeep Cherokees. 9/6/85.

Kokusai Trading (Japan)/Xiamen Special Economic Zone Construction Development Corp., Xiamen Bicycle Factory and Xiamen Light Industrial Corp.

Established Xiamen International Bicycle. (50-50). 7/85.

Peugeot (France)/Huangpu

ASSEM: Will build Peugeot 504 pickup trucks and station wagons. 7/85.

Chrysler (US) and Samsung (South Korea)/NA

Negotiating possible joint manufacture of four-cylinder engines and minivans. 8/85.

Mesbla-Comercio Internacional (Brazil)/Anhui Shuzhou Diesel Engine Factory

Will ship Agrale two-ton truck kits and transfer technology in return for a stake of between 20 and 30 percent in the factory. Dividends will be paid in the form of agricultural produce which Mesbla will export to the US. \$900 million. 8/85.

Ford (US)/CAIC, No. 2 Automobile Factory, Hubei

Planning to produce light vehicles. 8/5/85.

Heli-Air Inc. (US)/Changping

Entered into a joint venture agreement to provide helicopter service to the Great Wall and Ming Tombs and air-taxi operations. 9/85.

### Miscellaneous

Bill Stewart (US)/CITV

Will coproduce a dramatic film, "The Ring," inspired by Wagner. \$22 million. 6/17/85.

Panda Tours (US)/Zhejiang Foreign Trade Corp. and CITS, Hangzhou Branch

Will establish China Marketing Service for procurement for bids and investment and technology. (50-50). 8/5/85.

Asia System Media, Inc. (US)/Shanghai Publishers Assoc., Shanghai Advertising Corp. and Xinhua Bookstores

Will produce *The Official Guide—American Business & Industry—1986*, in Chinese. 8/6/85.

Corning Glass Works (US)/Shanghai Special Electronic Equipment Factory of China and China United Trading Corp.

Will provide equipment and services for use in the production of specialty glass. (50-50). 8/6/85.

Dancer Fitzgerald Sample (US)/China Central Television

Formed China/USA Communications to "tailor-make" programming packages. 8/12/85.

Dainippon Screen Mfg. Co. Ltd. (Japan)/China Printing Co.

Will establish a plate-making technology center. 8/14/85.

Burson-Marsteller (US)/China Media Development Inc., a subsidiary of Xinhua

Established China Global Public Relations to provide a commercial public relations service to corporations doing business with the PRC. 9/2/85.



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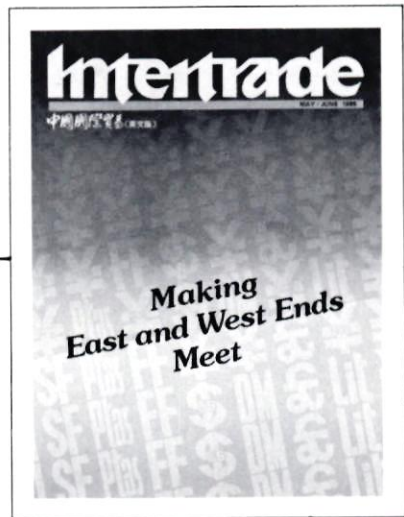
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Albert Keidel, President and Research Director, has personally traveled and worked in China on twelve separate occasions since 1979, most recently in May and September, 1985. His published articles on China include "China's Coal" in *China's Economy in the 1980's*, Joint Economic Committee of Congress (forthcoming). After a B.A.

from Princeton, Dr. Keidel received his doctorate in Economics from Harvard University and was a post-doctoral Research Fellow with the Economics Faculty of Tokyo National University. For three years Wharton EFA's Senior Economist for China, his professional language capabilities include Chinese, Japanese, Korean, German and French.

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