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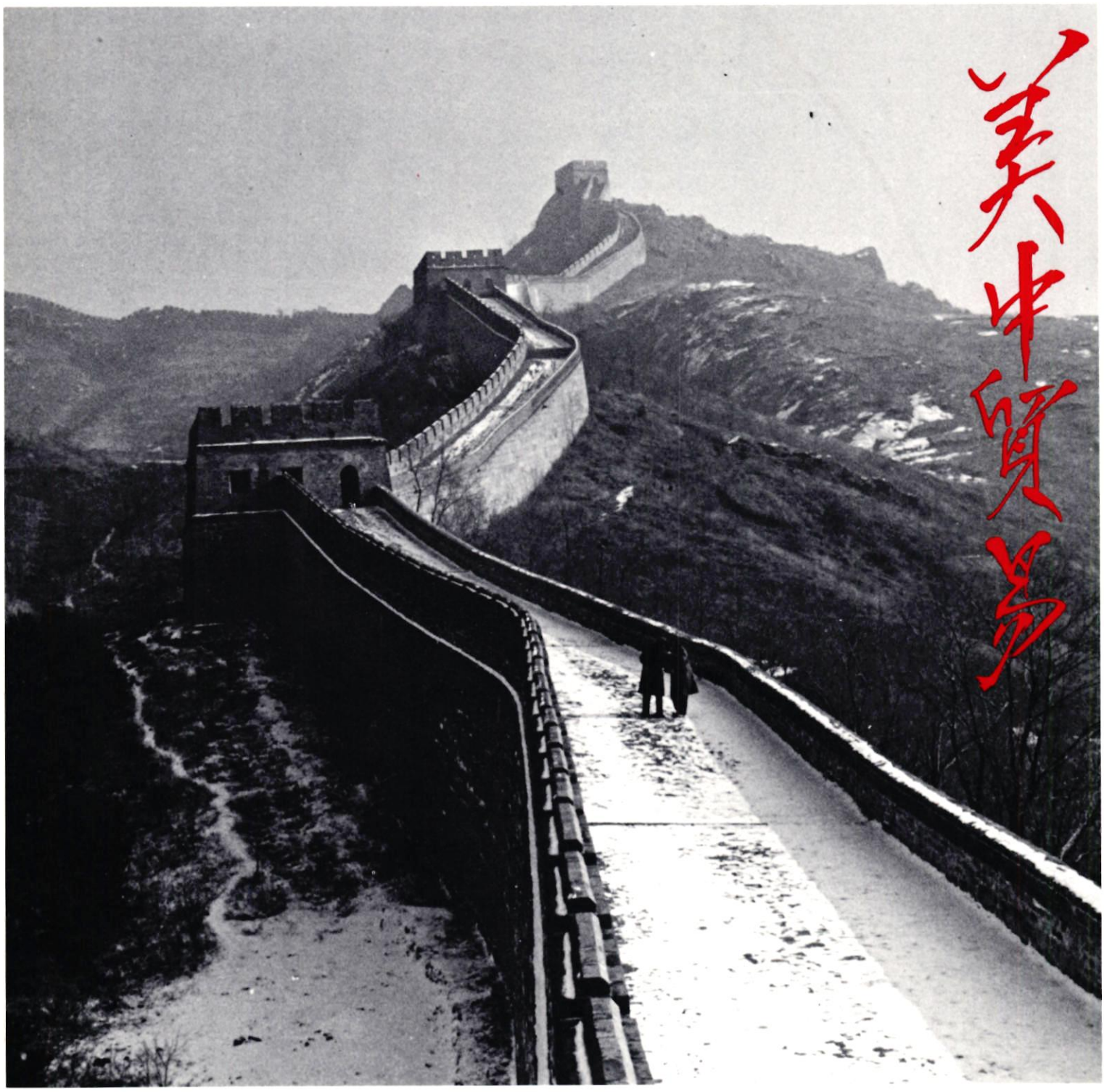

TRANSLATION SERVICES OF THE NATIONAL COUNCIL

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

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

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

Services Offered

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

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

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

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

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

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

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

Charges

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

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U.S. CHINA BUSINESS REVIEW™

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Front Cover: Early winter in China—The Great Wall with a sprinkling of snow, as seen by National Council representatives visiting Peking, November 1974.

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

COUNCIL CALENDAR

BOSTON, November 12

National Council President, Ambassador Christopher H. Phillips, and Counsel Walter Sterling Surrey, participated in a panel discussion on "Policies and Politics in China's Economic Life and Foreign Trade." The discussion was held at the World Affairs Council and sponsored by the National Committee on US-China Relations, the International Center of New England in cooperation with the Fletcher School of Law and Diplomacy, Tufts University.

KWANGCHOW, November 15

The 36th Chinese Export Commodities Fair in Kwangchow closed.

WASHINGTON, November 19-20

The National Council cooperated in a meeting on American-Asian trade organized by the School of Advanced International Studies at John Hopkins and the International Management Development Institute. Walter Sterling Surrey was luncheon speaker.

HONG KONG, November 20

The National Council cosponsored, with the American Chamber of Commerce of Hong Kong, a seminar on doing business with China. Mr. Theroux spoke.

TOKYO, November 22

Vice-President of the National Council, Eugene A. Theroux, addressed a luncheon of the American Chamber of Commerce in Japan at Tokyo's American Club of Japan, on the subject of Sino-US trade.

OXFORDSHIRE, ENGLAND, November 22-25

President Phillips participated in a Ditchley Foundation conference on social and economic reform in less developed countries, comparing experiences in China, India and Brazil.

WASHINGTON, D.C., December 4

The Board of Directors of the National Council will hold its semi-annual meeting.

NEW YORK, December 5

There will be a meeting of the Importers Committee of the National Council for US-China Trade.

NEW YORK, December 9

Walter Sterling Surrey, the Council's legal Counsel, and Eugene A. Theroux, will meet with American Arbitration officials to discuss dispute settlement in US-China trade.

NEW YORK, December 11

Eugene Theroux will talk about China trade at a World Trade Institute conference on freight and shipping in the Far East.

WASHINGTON, December 13-March 30

The Exhibition of Archaeological Finds of the People's Republic of China will open at the National Gallery of Art, Constitution Avenue and 6th Street, N.W.

1975

WASHINGTON, January 16

The National Council's Academic Advisory Board will have its first meeting. Speakers will address Washington representatives of member companies. (Tentative)

SEATTLE, February 27

The National Council will hold a seminar on US-China trade in conjunction with the Port of Seattle.

WASHINGTON, March 6

President Phillips will address the Washington Export Council at a luncheon meeting.

NEW YORK, March 6-7

The National Council will participate in staging a conference on China trade in New York. Council member, Julian Sobin of Sobin Chemicals, will coordinate the meeting, which will be held in conjunction with the World Trade Institute.

HOUSTON, April 17

President Phillips will address the First Annual Houston World Trade conference.

CHINESE TRADEMARKS in Hong Kong

Alan H. Smith

The People's Republic of China clearly recognizes the value of trademarks and, via bilateral agreements with a number of countries—not including the US to date, has made provisional arrangements for foreign enterprises to entrust the China Council of the Promotion of International Trade with the application for registration of trademarks in China.

It has also been active in promoting and protecting its own trademarks in Hong Kong, its nearest and perhaps most important market. Between 1953 (when records were first kept showing the countries of origin of proprietors of trademarks registered during the year) and 31st March, 1974, 310 such trademarks were registered. The years 1958-1961 (95 registrations) and 1971-1974 (111 registrations) were particularly active periods.

Most China-origin trademarks in Hong Kong are registered in the name of local Hong Kong agents, such as Hua Yuan Company, China Resources Company or Ng Fung Hong. Only 17 are registered in the name of the China National Cereals, Oil and Foodstuffs Import and Export Corporation compared with 191 in the name of Hua Yuan Company, 60 in the name of China Resources Company and 47 in the name of Ng Fung Hong.

The registrations are spread over thirty-two classes of goods ranging from foodstuffs to vehicles and the main categories are "paper and paper articles, stationery, office requisites, etc."; tissues (piecegoods); "bed and table covers, etc."; "small domestic utensils and containers (not of precious metal), glassware, etc." and "clothing, including boots, shoes and slippers."

Alan H. Smith specializes in the legal aspects of the China trade. In 1972 the International and Comparative Law Journal *(XXI No 1 pp 133-150), published his article on "Standard Contracts in the International Commercial Transactions of the People's Republic of China." Later the same year, Mr. Smith gave an extended presentation on the subject to the American Chamber of Commerce in Hong Kong. Previously a Lecturer in Law at Hong Kong University, Mr. Smith is now with Jardine Fleming & Co of Hong Kong.*

Foodstuffs make up the largest number of registrations, but these are broken down under various headings such as "coffee, tea, cocoa, sugar, rice, etc."; "meat, fish, poultry and game, meat extracts, etc."; "beer, ale and porter, mineral and aerated water, etc."; "wines, spirits and liquors."

Section 9(1)(d) of the Trade Marks Ordinance in Hong Kong prevents the registration of geographical names as trademarks because this would place difficulties in the way of other traders who carry on business in the area designated by the geographical name and who wished to describe the place of manufacture of their goods.

In the case of China, however, the Hong Kong Registrar of Trade Marks appears to have taken the sensible view that since private enterprise does not exist to any significant extent in the export trade of China, no harm would be done by permitting the registration of such marks as the "Pearl River Brand."

During the 1967 disturbances in Hong Kong China Resources Company applied to register a number of trademarks bearing quasi-political slogans. For example, Trade Mark No. 660 of 1968 (for cotton and woolen piece goods) consists of a label featuring a mountain range background, the Chinese characters and English translation "HSIN-AN KIANG," and the representations of a reservoir and dam on which appear the Chinese characters meaning "Long live the general line! Long live the Great Leap! Long live the people's commune!" and "Raise high the great red flag of Mao Tse-tung's thoughts and step forward fearlessly!"

After some consideration the Registrar of Trade Marks decided to permit the registration of this trademark, but with disclaimers as to the words "HSIN-AN KIANG" and all the Chinese characters. 完

"Pearl River Brand", a geographical mark registered in Hong Kong by the PRC.

Hospital in Kwangchow

MEDICAL CARE IN KWANGCHOW

George O. Driscoll

Migraine, toothache, exhaustion?—When you visit China on business you may wonder what kind of care to expect if you become ill or need medical attention. The trader at the twice-yearly Canton Fair often remains in China as much as two months out of every twelve—and this question is asked more frequently as more Americans attend.

The reassuring moral of the following story by George Driscoll is that one need not fear maladies in China. Far from it, one may obtain better hospital care for the money in China than in many other Asian countries. Such is the health treatment in Canton, indeed, that a number of fairgoers from the US have made the trip with express intent, beside that of business, to seek care, if not complete cure, for their ailments in the medical facilities of the city on the Pearl River.

The First Municipal People's Hospital of Kwangchow is anonymous enough to be unrecognized by a passing fairgoer intent on looking for other things. Most fairgoers out for an excursion do not ordinarily look for hospitals.

But led by more primal instincts, such as pain, others have sought out Kwangchow medical attention.

To their relief, they have found the hospitals convenient and comfortable. For those unfortunate enough to be stricken or incapacitated in some way at the Fair, the remedial procedure is simple. It involves notifying the Fair Liaison Office at the Tung Fang Hotel, where most Americans stay. The office then arranges for an interpreter to accompany the guest in a taxi to the Municipal Hospital, which is about two miles from the hotel.

Dentistry

Charles Abrams, a China trader from New York, lost a cap from his tooth in Kwangchow and was treated by the hospital dentist. Although given no anesthesia, he says he felt no pain when worked on with a high-speed drill. His two-hour treatment cost the equivalent of $2. He subsequently visited his New York dentist, who pronounced it a difficult job well done.

His wife, Nicole, was treated for exhaustion during the Fair. Her treatment consisted of daily trips to the hospital to take a hot potion made from a selection of medicinal herbs, with thorough medical examinations every five days. After a few days, her energy level returned to normal. Before leaving China, she was given ten packets of herbs with instructions for preparing the hot potion. Cost of treatment was $10.

"If ever you should break your specs, China is the place to have them repaired," says David Cookson of New York. After inquiring at the Hotel Liaison Office as to where he could have a lens in his glasses replaced, Mr. Cookson was accompanied to the hospital by a Chinese official.

He was given a thorough eye examination with equipment similar to that used in the United States; even the eye chart was in Roman numerals to facilitate communications. Given a prescription, he was instructed to go to an oculist on Peking Road, where two new lenses were placed in his old frame. Mr. Cookson claims to see "better than ever" and all at a cost of about $4.

Confinement

Should treatment also involve confinement, the patient is asked to fill out a simple admission form on arrival at the hospital. The form asks for name, address and nationality. Then follows an interview with a doctor on duty to obtain a medical history, and a thorough examination.

If confinement is necessary, one is told about how long it is likely to be, assigned a bedroom and provided with such items as slippers, toothbrush and razor blades.

The experience of this writer, who had acute intestinitis, began with a pathologist's examination involving blood samples and smears, followed by intravenous administration of glucose by two young nurses, lasting a day and a half. Temperature, pulse and blood pressure were checked five times a day.

The food at the hospital was quite satisfactory. There were three meals a day, with tea and cookies in the late afternoon, served on a metal tray covered by an embroidered napkin with western-style eating utensils. A genuine effort was made to help patients feel more at home by serving western-style food. Plenty of fruit was always available.

The doctors and nurses spoke some English so that communicating was not difficult. Communications with the hotel and other buildings in Kwangchow, via a telephone at the nurse's station, were not so easy since the operators on this local circuit understandably speak only Chinese. Direct dialing to the hotel room was not possible. Obtaining the number of the nurse's station and having a friend at the hotel call, or finding an English-speaking member of the staff to help, is recommended.

Perhaps the most pleasant and reassuring aspect of a stay in the Kwangchow Municipal Hospital was the friendly, personable and professional care. Each morning and evening the doctor came to examine patients and ask whether anything could be done to make them more comfortable. The nurses were pleasant and efficient. All of the hospital's staff give the impression of being genuinely concerned with the patient's welfare.

Receiving Special Treatment

For those who come to Kwangchow to receive special treatment, the hospitality is equally warm.

Among those who came to Kwangchow in Spring 1974 for acupuncture was Dorothy Rostov. Her husband Charles, obtained permission from the Chinese for such therapy several fairs ago, and this was his wife's third series of treatments for arthritis. Mrs. Rostov described the results of her treatment as "absolutely sensational," and at the equivalent of fifty cents per treatment, the price wasn't bad either.

Mrs. Rostov reports that needles were applied directly to the area of pain and stiffness and, at first, gently twirled by hand. A small electrical current was then introduced through the needles, producing a "slight tingling sensation," and kept in place for 15-20 minutes. Treatments were continued on a daily basis for over a two-week period.

Another Chinese arthritis remedy experienced by Mrs. Rostov involved bamboo suction cups. Flames were used to displace the air from inside cups that were 4 inches high and 1-1/2 inches in diameter; the cups were then quickly placed over the painful areas. She found this process less satisfactory than acupuncture, but more appealing than another arthritis treatment, called "moxibustion." In the latter treatment, needles are inserted and a small wad of herbs at the outer end ignited, heating the needles.

Mrs. Rostov gives the Chinese high marks not only for relief of her arthritis pain, but to the care and skill of medical aides—"they were wonderful," she reports.

Migraine

An American businesswoman from New York had acupuncture treatment for migraine headaches from which she had been suffering over ten years, requiring frequent shots to be able to function. She had received acupuncture treatment in New York that was largely unsuccessful. Attributing this to the practitioner's lack of experience, and citing the $50-$60 charge per treatment in New York, she sought treatment at the source.

In Kwangchow for the Spring Fair, she visited the hospital for fourteen daily sessions. Needles were placed in her temple, between her index fingers and thumbs, between the toes and at the elbows. A monitoring device was used to regulate the flow of electrical current through the needles. Since completing this series of treatments, she has experienced only one relatively mild attack. No post treatment instructions were given other than "try to slow down."

A regular fairgoer, she spoke very highly of her Chinese doctor, especially regarding his professional competence, his gentle manner and the concern he showed for her welfare. She intends to seek another series of treatments when she returns to the Fair this fall.

Impressions

Virtually all Americans who have received medical care in China appear to share the following impressions:

- Chinese medical people are competent and professional;
- Patients feel there is a genuine concern for their welfare;
- While in some instances medical equipment used in China seems dated by American standards, it appears adequate in all respects;
- Prices, by American standards, are low;
- A large percentage of the physicians are women;
- No doctor, male or female, has yet been reported to rush through a session with a patient in order to keep a golf date or consult with his stockbroker.

So, if you are going to China and are concerned about the possibility of becoming ill, relax: you'll be well cared for.

A ROOM WITH A VIEW

George Driscoll's experience in the Kwangchow First Municipal Hospital was a pleasant one, if only because of the surroundings. The room had a view like most rooms in the building, with a large balcony overlooking a garden enclosed by a high, whitewashed brick wall. Beyond the garden was a panoramic view of the city. Driscoll's report:

Foreign guests are housed on the fourth floor and segregated from other patients at the hospital. The view from the balcony therefore comprises one of the basic pleasures at the hospital. Below is a discreetly landscaped garden with semi-tropical foliage, principally palm trees interspersed among clusters of bamboo, whose stalks soar thirty-to-forty feet into the air. Occasional visits by a variety of birds, butterflies and even calico cats add a pleasant, homey touch.

Immediately beyond the garden walls are an alleyway, private homes, an elementary school and what appeared to be a hospital laboratory, where young chickens were being raised on the roof. Beyond these buildings is a view of Kwangchow, with the Tower of 900 Buddhas to the left, downtown Kwangchow directly ahead, dominated by the spires of an old Catholic church and the city's industrial center to the right. Quite varied architecture in soft, harmonious colors amidst numerous large trees can be seen from the balcony.

Dawn

The day starts early in China. At sunrise it is the roosters, and shortly thereafter a trumpet being practiced, martial music over loudspeakers and people soon bustling to and fro. There is a school nearby, and the children, six to ten years old, often march in groups, singing at their loudest.

The room is furnished more in the manner of a private home than in the commercially furnished style of many American hospitals, which made it seem more warm and comfortable. There were two arm chairs and a sidetable for visitors, a desk for working, a night table beside a large, heavy, brown wooden bed with a firm mattress and two pillows. There is a cord beside the bed to call the nurse.

The room has a private toilet, bath and shower. Lighted by a lone, bare bulb in the middle of the ceiling, the room combines green walls with dark brown trim, sky blue curtains and a white ceiling. A slight feeling of austerity is offset by visits not only from hospital staff, but from cheerful Chinese Fair liaison officers.

RECENT ARBITRATION DECISION

Eugene A. Theroux*

A recent Supreme Court decision has a potentially important bearing on US-China trade contracts.

China's FTCs still hold fast to the view that disputes arising under maritime or foreign trade contracts should be settled by "friendly discussion" if possible, and, if not, in formal arbitration.

The standard Chinese clauses call for arbitration to occur under rules promulgated by the China Council for the Promotion of International Trade, and before a Chinese arbitration tribunal in Peking. Some U.S. firms, exporting to China, have found Peking receptive to a clause providing for arbitration in Western Europe or Canada. (See the National Council's Special Report No. 4, *Arbitration and Dispute Settlement in Trade with China).*

In *Scherk v. Alberto Culver,* decided June 17, 1974, the Supreme Court had before it the question of enforceability of an arbitration clause in a contract between a U.S. firm and a German citizen.

The clause provided, in part, that "any controversy of claim [that] shall arise out of this agreement or the breach thereof" would be referred to arbitration before the International Chamber of Commerce in Paris, France, and that Illinois law would govern the agreement and its interpretation and performance. The Alberto-Culver Company sought to avoid arbitration in Paris and have exclusive recourse to U.S. courts, notwithstanding the clause.

The Court rejected Alberto-Culver's plea and, instead held that "the Agreement of the parties in this case to arbitrate any dispute arising out of their international commercial transaction is to be respected and enforced by the federal courts in accord with explicit provisions of the Arbitration Act."

The Arbitration Act of 1925, 9 U.S. Code §1, provides that an arbitration agreement of the type involved in the *Alberto-Culver* case "shall be valid, inevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract."

In the majority opinion, Mr. Justice Stewart said the Arbitration Act, "reversing centuries of judicial hostility to arbitration agreements, was designed to allow parties to avoid the costliness and delays of litigation."

The arbitration clauses of international agreements, in particular, were held deserving of enforcement:

> *A contractual provision specifying in advance the forum in which disputes shall be litigated and the law to be applied is, therefore, an almost indispensible precondition to achievement, of the orderliness and predictability essential to any international business transaction. Furthermore, such a provision obviates the danger that a dispute under the agreement might be submitted to a forum hostile to the interests of one of the parties or unfamiliar with the problem area involved."*

Citing with approval the Court's decision in an earlier case, *The Bremen v. Zapata Offshore Co.,* 407 U.S. 1, Justice Stewart concluded that to invalidate the arbitration agreement would reflect "a parochial concept that all disputes must be resolved under our laws and in our courts . . . We cannot have trade and commerce in world markets and international waters exclusively on our terms, governed by our laws, and resolved in our courts."

In reaching its decision, the Court had before it an *amicus curiae* brief filed by the American Arbitration Association (AAA) which urged "the fullest recognition possible to arbitral forums bargained for by parties to international agreements."

Not only is international arbitration desirable, and in some cases a superior method for dispute settlement between parties of different countries, argued the AAA in its brief but effect should be given where possible to U.S. policy, reflected in American adoption of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The United States acceded to the Convention in 1970 (3 U.S.T. 2517, T. I. A. S. No. 6997), and Congress gave it practical effect by amendment to the Arbitration Act (9 U.S. Code §§ 201 ff).

In a final footnote to the opinion in the *Alberto-Culver* case, the Court appeared to adopt the AAA view. It recalled that the goal of the Convention, to which this country subscribed, "was to encourage the recognition and enforcement of commercial arbitration agreements in international contracts and to unify the standards by which agreements to arbitrate are observed and arbital awards are enforced in the signatory countries."

The decision ought to be read and carefully weighed by counsel to U.S. firms doing business with China. It is a reminder that persuading the Chinese to accede to arbitration at a site outside of China is not alone enough, but that careful attention should be given to procedural and substantive law to govern any eventual arbitration in a third country. 完

*Mr. Theroux is a member of the Bar of the District of Columbia.

PLANT SALES TO CHINA—JANUARY–SEPTEMBER 1974

COMPANIES	TYPE OF PLANT Yearly Output Metric Tons * (Technology)	PRICE US$ ** (Local Currency)	CONTRACT DATE, (OR DATE REPORTED) TERMS, LOCATION
Teijin Ltd. Nissho-Iwai	Polyester, 13,200 staple, 2,640 filament (Teijin)	$16.7m (¥5b)	January 1974. Onstream mid-1976. 35% down payment; 65% over 5 years; payable in Yuan.
Toho Titanium C. Itoh & Co. Kosho Co.	Catalyst plant for polypropylene polymerisation. Output capacity 220 tons of titanium trichloride, for production of fibers, films, molded and extruded products. (Catalyst for a Mitsui polypropylene plant to go onstream 1976).	$4.7m (¥1.4b)	January 1974. Yuan basis. Near Peking
Friedrich Uhde GmbH (Farbwerke Hoechst AG)	Vinyl Chloride Monomer	$19.0m	January 1974. Onstream 1976.
Haldor Topsoe	Catalyzer plant for manufacture of hydrogen, ammonia and methanol (Haldor Topsoe)	NVG	February 1974.
Kuraray	Polyvinyl Alcohol	$19.0m	February 1974
Heurtey et Cie (Financiere de Paris et des Pays-Bas, G.A., Cie.)	Ammonia/Urea complexes (3) ammonia 330,000 each urea 561,000 (Haldor Topsoe; DSM-Stamicarbon)	$124.6m (F.Fr 600m)	February 19, 1974 start-up mid-1977. Five year deferred payments, at 6% after start-up. Nanking and southern China.
Demag AG Schloemann AF (Sub of Gutehoffnungshutte Aktienverein) Siemag Siegener Maschinenbau GMBH ACEC (Belgian sub of Westinghouse Electric of the US) Allgemeine Elektricitats-Gesselschaft en AEG-Telefunken August Thyssen-Hutte AG-Rasselstein AG Brown Boverie Cie AG (sub of AG Brown, Boverie & Cie of Switzerland) DSD Dillinger Stahlbau GmbH Gewerkschaft Kermachemie Hochtief AG Fur Hoch- Und Tiefbauten, Vorm. Gebr. Helfmann Otto Wolff AG Maschinenfabrik Sack GmbH Siemens AG Waagner-Biro AG (Austrian sub of Osterreichnische Landerbank AG) Ed. Zublin AG Bauunternehmung	Cold strip steel rolling mill 1,000,000	$198.2m (DM500m)	March 27, 1974 Onstream 1977. Bank of China to deposit 90% in Deutschemark into Deutschebank in Duisburg; 10% schebank in Dulsburg; 10% of this as down payment, 10% in January 1975, 70% over delivery period April 1975-January 1977, 5% and 5% in two payments on final operation. Wuhan. 190 Chinese technicians to train in Germany. 230 Germans to advise in China.
Toyo Engineering (TEC) Mitsui Toatsu	Ammonia 330,000 Urea 528,000	$42.0m	March 1974.
Nisso Petrochemical Ind. Nisso Engineering Toko Bussan Mitsui & Co.	Oxygen, Ethylene, Glycol	($15.0m?)	March 1974.
Friedrich Uhde GmbH (Farbwerke Hoechst AG)	High-density, low pressure Polyethylene	$15.7m (DM40m)	June 15, 1974. On stream 1975/76.
Nippon Steel Hitachi Ltd Ishikawajima-Harima Heavy Industries Mitsubishi Electric Corp.	Hot strip steel rolling mill (3,000,000) and silicon steel plating facility (70,000)	$227.7m (¥64.7b)	June 3, 1974. Shipping starts June 1975. On stream January and March 1977. Contract is denominated and payable in Yen. Additional ¥4.7 billion

PLANT SALES TO CHINA—JANUARY–SEPTEMBER 1974

COMPANIES	TYPE OF PLANT Yearly Output Metric Tons * (Technology)	PRICE US$ ** (Local Currency)	CONTRACT DATE, (OR DATE REPORTED TERMS, LOCATION
Mitsubishi Heavy Industries Tokyo Shibaura Electric Co. (Toshiba), Yashawa Electric Manufacturing and 11 others			worth of know-how. 10% down payment, 30% on shipment, 60% over 5 years on deferred payments basis. Wuhan. 360 Japanese technicians will advise on operation of plant over 10-year period. 300 Chinese will train in Japan.
Rhone-Poulenc Textile S.A.R.L. (Rhone-Poulenc S.A.) Ateliers Roannaid de Constructions Textiles	Nylon 66 Spinning Plant (Rhone Poulenc)	$10.4 (F.Fr. 50m)	June 1974. On stream 1978 60 miles south of Shenyang.
Demag AG (see above)	Continuous Casting Mill	$56.3m (DM150m)	August 1974, part of Demag/ Nippon complex to be constructed at Wuhan. Operational 1977.
A. G. Brown, Boverie & Cie	Electrical Equipment, for 28 MW steam turbines (6) for blast furnaces, and power generation equipment relating to Demag sale, petrochemical and fertilizer plants	$58.8m (DM 150m+)	(October 1974)
Kuraray	Polyvinyl alcohol plant. 45,000 tons	$18m (¥5.4b)	November 5. To be shipped in installments beginning July 1975 for completion April 1976. Payment in yuan on yuan basis. 15% down, remainder paid over 7-8 years at a 6.5% annual interest. Part of payment with financing from Ex-Im Bank of Japan.
TOTAL	24 UNITS +	$826.1m	

* Daily Output times 330 where applicable
** Converted at Month-end spot rates quoted by IMF

TECHNICAL PRESENTATIONS IN PEKING

The CCPIT has a department for arranging technical presentations in China. This department makes arrangements for

- presentations by foreign firms at exhibitions in Peking or elsewhere in China;
- individual presentations or seminars on specific topics by foreign firms in China;
- presentations in connection with the Kwangchow Fair.

Enquiries should be made to the Technical Exchange Dept., CCPIT, Peking, PRC, and to the appropriate FTC involved. US firms should be patient: even if there is considerable Chinese interest arrangements may take upto one-to-two years.

IF YOU'RE IN HONG KONG

If you would like to subscribe to this magazine and you live in Hong Kong, just write to the American Chamber of Commerce in Hong Kong. All you have to do is write

UCBR Subscriptions
AMCHAM
322 Edinburgh House
Hong Kong

and include details of where you want it sent.

If you want to be sure to start receiving the magazine immediately, include a bank draft in US dollars for $75, which is the overseas subscription price. Normally subscriptions are started only after receipt of payment. (If payment is not included, subscribers are billed later.) Back issues are $10 a copy plus postage.

If you have any questions, please call Amcham at H-234380.

NEW EXPORT CONTROLS

China Licenses May Move Faster Now

The new US export controls help streamline and clarify technology export procedures, put a three-month deadline on export license decision, and place considerable additional responsibility for reporting and analysis on the Office of Export Administration (OEA). But their overall effect on the approvals process is uncertain and it will be some time before results can be measured. The key features of the Export Administration Amendments of 1974 (PL 93-500, 93rd Congress S.3792) signed October 29, 1974, are as follows—

Deadlines

Ninety-day deadline. License applications must now be approved or disapproved not later than 90 days after submission. If additional time is required, the applicant will be told why extra time is needed, and an estimate of when a decision will be made.

Secretary of Defense has 30 Days to Respond to Applications coming under his purview, after which he shall recommend approval or disapproval to the President. If, within 30 days of receiving a recommendation from the Secretary, the President denies such license, no approval will be given.

President Overruling Secretary of Defense: If the President overrules or modifies a recommendation by the Secretary of Defense, the President must submit to Congress a statement of his decision along with the Secretary's recommendations.

Congress does not have the power, under those amendments, to overrule Presidential recommendations, thus superceding and liberalizing the provisions of the Military Procurement Act.

Clarification

Secretary of Defense to Determine Which Licensing Requests He Will Review. The Secretary of Defense may review any proposal for export of products or technology and disapprove applications for products that he determines "will significantly increase the military capability" of the importing country, but first determine which categories come under his jurisdiction.

Fuels and energy-related equipment exports to be monitored in consultation with the Federal Energy Administration, provided such controls are determined warranted.

Nuclear Review. The President has six months to present a review to Congress on all US laws and regulations governing the export and re-export of materials, supplies, articles, technical data or other information relating to the design, fabrication, development, supply, repair or replacement of any nuclear facility, relative to their adequacy to prevent the proliferation of nuclear capability for non-peaceful purposes.

Reporting and Analysis

Major responsibility for monitoring the contribution of exports and export contracts to domestic shortages or price increases is given to the Office of Export Administration (OEA). The law requires that weekly (or monthly) bulletins report the results of this maintaining by "actual and anticipated exports, destination by country, and the domestic and world-wide price, supply and demand."

Quarterly analysis is required of products monitored, including a separate report on agricultural commodities. This analysis is to cover the impact on the US economy and world trade of shortages and increased prices of items maintained, the worldwide supply of these products, and actions taken by other countries in response to such shortages or inflation.

Accountability. The Secretary of Commerce, no later than a year after the Act has been in effect, must report actions taken to expedite the processing of export license applications.

Other Provisions

Interagency assistance to the various technical advisory committees is slated with representation of the Departments of Commerce, Defense and State on each of the technical committees, to facilitate this work.

Notice to Restrict Exports. Interested parties will have two weeks (15 days) to provide written comments on the impact of quantitative restrictions placed on exports, published in the Federal Register.

Hardship Relief. Foreign firms traditionally sourcing from the US, affected by export controls, have the opportunity to obtain relief.

End Use Statements

The new law, which expires September 30, 1976, does not change the requirements for end-use statements normally required on forms DIB-626P (FC-842) or DIB-627P (FC-843). But US firms selling

to China should note that export administration regulations, as they now stand, are permissive of non-form end-use statements under Export Administration Regulations S.375.2 (b)(4) which reads—

> ". . . if, an applicant can show that he has made diligent efforts to obtain such statements and has been unable to get it, he may so advise the Office of Export Administration in a letter attached to his application, giving the reasons stated by the ultimate consignee or purchaser for failing or refusing to supply the statement. If satisfied by the evidence presented, the Office of Export Administration will consider the application for approval." (15 CFR § 375.2 (b)(4) at 258 January 1, 1974.)

Effect on the Approval Process and OEA

Monitoring short-supply items and reporting to exporters after 90 days are the main areas in which there is pressure on OEA's workload. At time of writing a full assessment had not been made as to manpower or resources to handle the new regulations. With its manpower and budget already tight, however, OEA needs either to improve its system or obtain more staff, though, once the work of establishing the new monitoring system is finished, maintaining the system will be relatively easy. Possibly the Bureau of Domestic Commerce will do the analysis required, since it has economists, where OEA does not.

What will affect the approval process is not so much the 90-day provision, which will add an extra chore to OEA's process without necessarily speeding it up, as the Defense Department and expediting provisions. Since the Military Procurement Act was passed, OEA has sent all applications to DOD, which was in effect twice as many as before. Now fewer applications will be going to Defense, and OEA's load will be lighter since the extra work of preparing applications for Defense is reduced by half. So far as China licenses are concerned, the process is likely to be beneficial since at both OEA and DOD it will take less time to deal with applications than previously.

The accountability provision in which Congress asks for a report, in a year's time, of steps taken to expedite matters, will also have an effect. By then, there must be more than just a plan for improvements: there must be a better system installed. China licenses will benefit from this eventuality.

As the Conference Report (93-1412) points out, among other things, ". . . quarterly reports have not been published in a timely manner and not within 45 days of the end of the calendar quarter, as specified in the Act. The conferees expect these situations to be promptly remedied."

Will It Work?

The question remains—will it work? Will there be a reduction in delays and a real streamlining of export control processes? Will it be any easier for those 40% of applications that, on average, take more than 90 days to handle? The answer is, we don't know yet, but the outlook is better than before.—NL. 完

Representatives of China's Techimport in conference at M. W. Kellogg, February 1974.

US TECHNICAL DATA AND PRODUCTS

Licensed for Export to China Jan.-Sept. 1974

This list represents a continuation of the tables published in Volume I, No. 2 of UCBR. As before, the products licensed suggest areas in which China has displayed a definite interest. The list, which is in general chronological order, indicates only US government approval and does not necessarily represent sales made by US firms.

Summary Totals 1971—September 1974

Item	Value ($)
Products Licensed for Export to China	$259,830,835
Products for Temporary Export to China	82,688,587
Technical Data Approvals for China	399,617,000+
Products Licensed for Reexport to China	773,128+
Products Licensed for Temporary Reexport to China	115,000
Total All Approvals	$734,007,550+

US Products Licensed for Export to China, January-September 1974

First Quarter

Optical Instruments—Gain Measurements	$ 25,999
Recording Equipment—Television	6,200
Ferrous Scrap	301,928
Heavy Melting Steel Scrap	128,800
Electronic Instrument-Research	27,885
Sub-total	**$490,812**

Second Quarter

Civil Aircraft Engine Parts—Repair of Aircraft Engine	$ 12,800
Bacteria-Research and Teaching	20
Electronic Equipment-Laboratory	2,645
Ammonium Bifluoride for use in Ammonia Plants	6,480
Navigation Equipment—Installation on Marine Survey Vessels	101,437*
Optical Instruments—Measurements of Light Sources	5,640
Optical Instruments—Measurements of Light Sources	11,595
Bacteria—Teaching	72
Laboratory Equipment—Basic Research	67,990
Flight Instrument Parts—Non-military Aircraft	584,496
Sub-total	**$ 793,895**

* Value later amended to 102,157; total reflects this.

Third Quarter

Civil Aviation Navigation Equipment	$ 321,390
Data Processing Equipment—Medical Diagnosis	10,000
Electronic Test Equipment—Medical Diagnosis	2,442
Organic Chemicals—Samples for Testing	6
Synthetic Yarn—Sample	30
Electronic Instruments—Satellite Stations	43,800
Data Processing Equipment—Medical Research	43,940
Electron Tubes—Education	4,108
Sub-total	**$ 425,716**
TOTAL	**$1,710,423**

US Technical Data Approvals for China, 1974

First Quarter

Data Relating to Heaters for Petroleum Processing	NVG
Data Relating to Production of Naphthalene	NVG

Second Quarter

Data Relating to Production of Ethylene	NVG
Data Relating to Frames for Diesel Engines	NVG

Third Quarter

Data Relating to Production of Normal Paraffin Hydrocarbons	NVG
TOTAL	**$9,017,000**

US Products for Temporary Export to China, 1974

Second Quarter

Data Processing Equipment	$ 42,000
TOTAL	**$ 42,000**

US Products Licensed for Reexport to China

Second Quarter

Sonar Navigation Equipment—Exploration for Oil and Gas	$ 66,928
Sub-total	**$ 66,928**

Third Quarter

Civil Aviation Navigation Equipment	$ 9,675
Civil Aviation Navigation Equipment	$ 171,408
Sub-total	**$ 181,083**
TOTAL	**$ 248,011**

Source: OEA

US TRADE WITH CHINA
JANUARY–SEPTEMBER 1974
Ten Leading Exports and Imports

US EXPORTS

Item	Amount $	Composition %
Wheat, including Spelt or Meslim, unmilled	215,396,561	28.2
Raw cotton, other than linters	180,113,676	23.6
Soybeans	140,482,996	18.4
Corn, unmilled	95,671,438	12.5
Aircraft	55,434,041	7.3
Engines and jet, gas turbines, etc.	16,180,390	2.1
Iron and steel scrap	12,492,065	1.6
Animal fats and oil, NES	7,538,854	1.0
Organic chemicals	3,977,092	0.5
Aircraft, NES, and parts	2,896,083	0.4
TOTAL TEN LEADING EXPORTS	**730,183,196**	**95.6**
TOTAL ALL EXPORTS	**762,788,590**	**100.0**

US IMPORTS

Item	Amount $	Composition %
Cotton fabrics, NES, woven, unbleached	20,533,954	23.4
Tin and tin alloys, unwrought	7,873,324	9.0
Materials of animal origin (primarily bristles)	6,685,984	7.6
Works of art, collectors pieces, antiques	5,889,238	6.7
Wood and rosin-based chemical products	5,307,816	6.0
Shellfish, except prepared or canned	4,894,264	5.6
Essential oils and resinoids	3,339,663	3.8
Tobacco, unmanufactured	2,639,218	3.0
Raw silk	2,013,454	2.3
Brooms, Brushes, Dusters	2,010,792	2.3
TOTAL TEN LEADING IMPORTS	**61,187,707**	**69.7**
TOTAL ALL IMPORTS	**87,748,237**	**100.0**
TOTAL TRADE	**850,536,827**	—

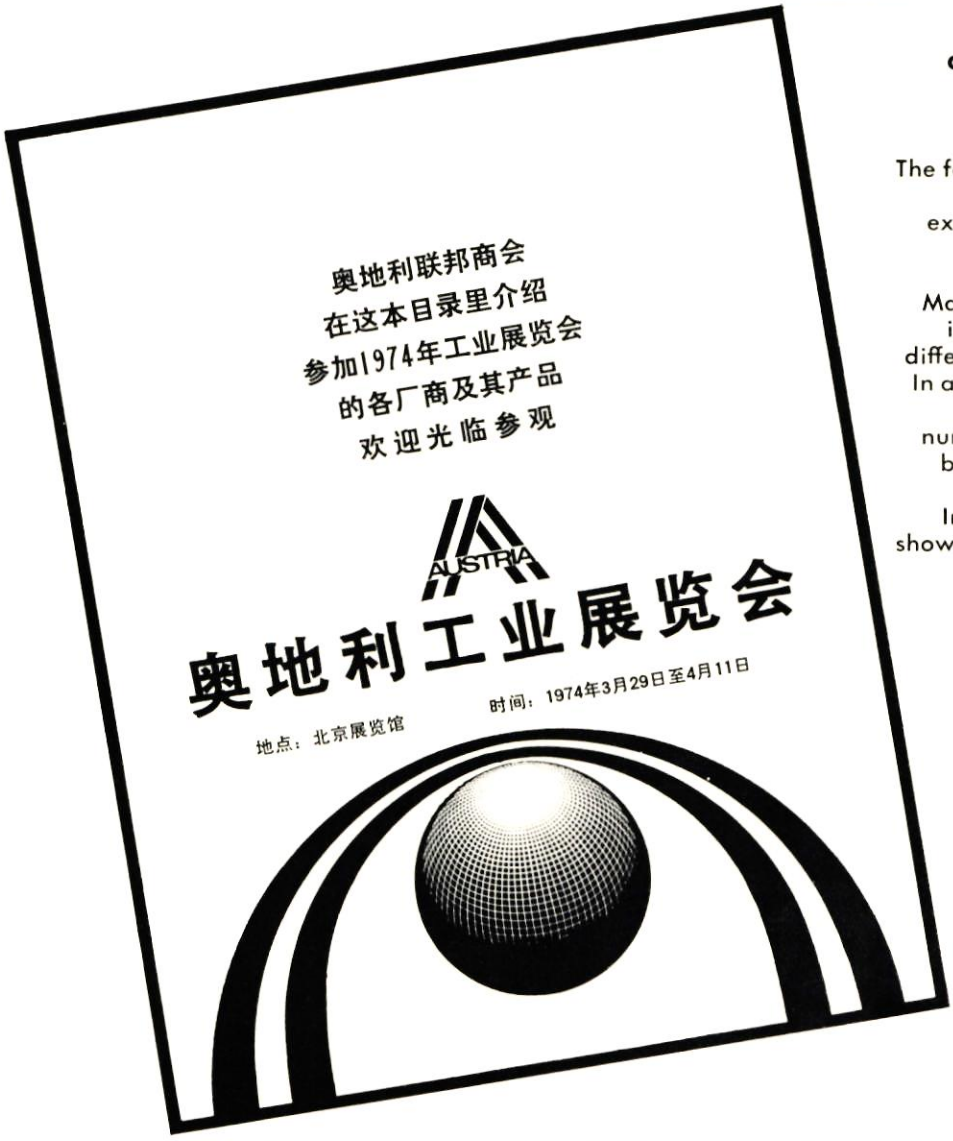
NES—Not Elsewhere Specified

Plans of Recent Exhibitions in China

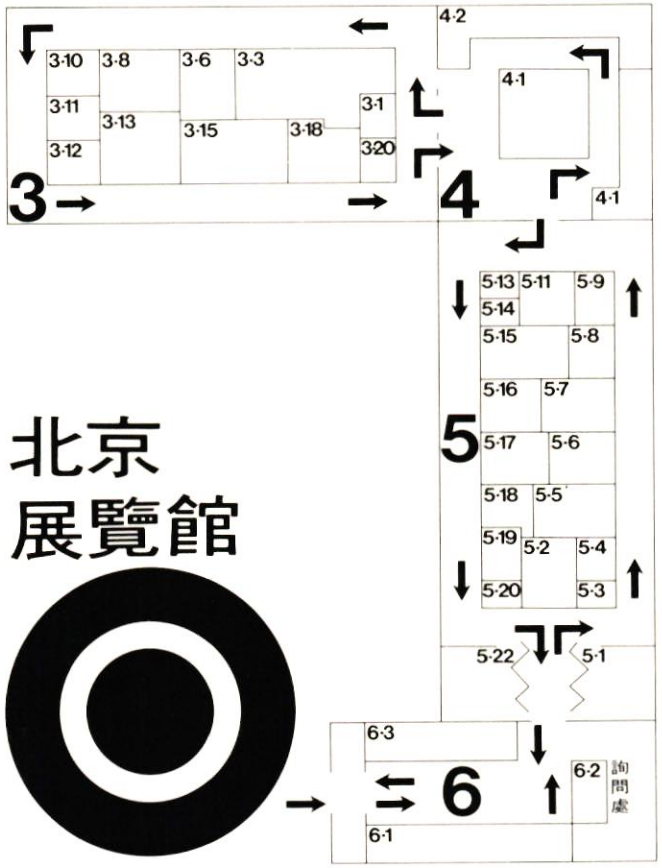
A glimpse of what other countries have put on show in Peking in the last two years.

The following six pages give details of different types of national exhibitions held in Peking during 1972 and 1973, including the largest so far, that of Britain in March-April 1973. Each show has individual characteristics and a different approach to presentation. In addition a plan of the Shanghai exhibition building, a site of a number of specialized exhibitions by foreign countries, is given on another page.

In all cases the plans and motifs shown are reproduced directly from the catalogues printed by exhibiting nations.



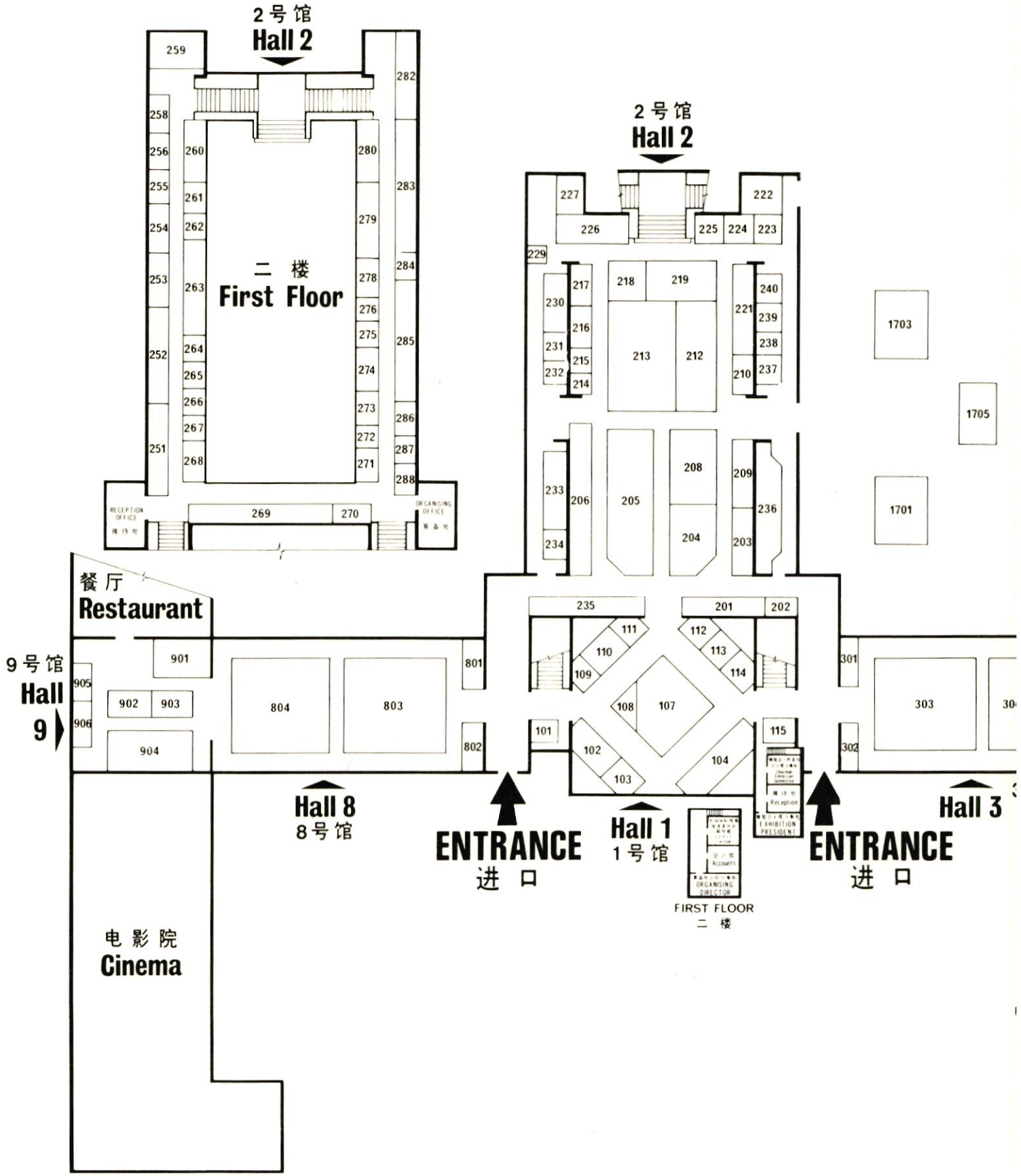
A Catalogue Printed in Peking for the recent 8,000 square meter Austrian Industrial Exhibition (March 29-April 11, 1974). Seventy-four Austrian firms were represented at this show, sponsored by the Austria Federal Chamber of Commerce. The 7¼ x 10⅛ catalogue, fifteen pages long, is unpretentious, listing participants alphabetically, with brief summaries of products and technologies associated with each firm, in Chinese—and in English. A much more sophisticated smaller catalogue, 160 pages long, 8¼ x 4⅛, with pictures of products and addresses of participating firms, plus a fold out two-color design plan, using the same design and motif, was prepared for the show and also printed in Peking. A restaurant and shopping guide was also printed in China.



Halls Three, Four, Five and Six of the Peking Exhibition Center were used by the Danish at their two-week exhibition in March 1972. Organized by the Danish Government Committee on Exhibitions Abroad and Department of Trade and Industry, forty-two firms presented their wares and gave over seventy technical presentations. A number, including Haldor Topsoe, made substantial sales of plant, equipment and technology in the two years following the show.
The catalogue for the exhibition, designed and printed in Denmark as a 4 x 8 hundred-page booklet, is visually attractive, with many full-color photographs of products and company facilities, but was criticized by the Chinese for use of standard old-style characters and inappropriate language. The roundel reproduced here is symbol used by Denmark for its show. Most countries exhibiting in China have used some kind of easily recognizable motif as an aid to identification. The small amount of accompanying text not in Chinese, in Denmark's brochure, is in English.

The Danish Exhibition in Peking 1972

6–1 DANISH GOVERNMENT COMMITTEE ON EXHIBITIONS ABROAD
6–2 INFORMATION
6–3 F. L. SMIDTH & CO. A/S
5–1 MASKINFABRIKEN IRON A/S
5–1 DDS-KRØYER A/S
5–1 DANISH TURNKEY DAIRIES LTD.
5–1 J. N. JENSEN & SØNNER A/S
5–2 DANFOSS A/S
5–3 OTICON A/S
5–4 NOPI A/S
5–5 A.M.C. MASKIN COMPAGNI A/S
5–6 HARTMANN BROTHERS LTD.
5–7 CRISPLANT A/S
5–8 NAKSKOV SHIPYARD LTD.
5–8 THRIGE-NAKSKOV MASKINFABRIKKER A/S
5–9 A/S N. FOSS ELECTRIC
5–11 TITAN TEXTILE MACHINES A/S
4–1 THE EAST ASIATIC COMPANY LTD.
4–2 BURMEISTER & WAIN ENGINEERING COMPANY LIMITED
4–2 BURMEISTER & WAIN'S SHIPYARD LIMITED
4–2 SØREN T. LYNGSØ A/S
3–1 SCANRAY SCANDINAVIAN X-RAY A/S
3–3 BRÜEL & KJÆR
3–6 DISA DISAMATIC DIVISION
3–8 DISA ELECTRONICS DIVISION
3–10 STORNO RADIOTELEPHONES
3–11 HALDOR TOPSØE
3–12 ANHYDRO A/S
3–13 RADIOMETER A/S
3–13 HETO
3–15 A/S NIRO ATOMIZER
3–18 DDMM DE DANSKE MEJERIERS MASKINFABRIK A.M.B.A.
3–20 STRUERS / SCIENTIFIC INSTRUMENTS
5–13 A/S BRDR. MICHAELSEN
5–14 DANISH FACTORY EXPORT GROUP
5–15 SABROE-ATLAS
5–16 A/S ATLAS
5–17 CHEMINOVA
5–18 A/S PAASCH & SILKEBORG MASKINFABRIKKER
5–19 SANOVO FOOD AND ENGINEERING LTD.
5–20 AMBU INTERNATIONAL
5–22 REX-ROTARY INTERNATIONAL CORPORATION A/S
5–22 VALD. HENRIKSEN A/S
5–22 O. G. HOYER A/S


2号馆
Hall 2
二 楼
First Floor
2号馆
Hall 2
餐厅
Restaurant
9号馆
Hall
9
电影院
Cinema
Hall 8
8号馆
ENTRANCE
进 口
Hall 1
1号馆
FIRST FLOOR
二 楼
ENTRANCE
进 口
Hall 3

The British Industrial Technology Exhibition 1973

Over 340 firms participated in Britain's impressive 14,000 square meter exhibition held March 26 through April 7, 1973, at the Peking Exhibition Center, with stands indicated in this plan from the British catalogue, taking up the entire space available. The plan identifies the different halls comprising the Center.

The show, open daily from 8:30 a.m. to noon, and from 2:00 p.m. to 5:30 p.m., was visited by about 250,000 Chinese, and resulted indirectly or directly in sales of $20 million or more. Heavily technically-oriented, over two hundred seminars were held during the exhibition by participating firms.

The show, the UK's sixth in China since 1963, was sponsored by Britain's Department of Trade and Industry in association with the Sino-British Trade Council and organized by Industrial and Trade Fairs International, Ltd., a London firm.

Under the Union Jack

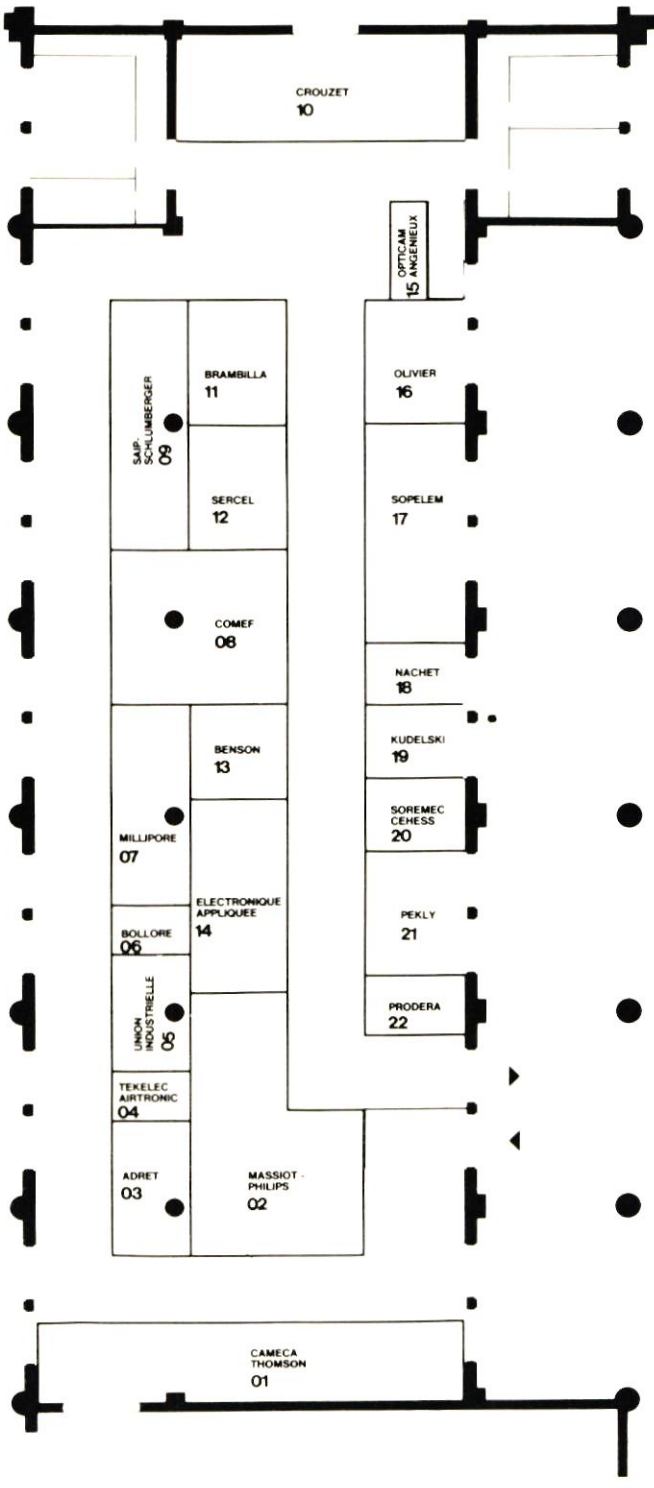
To ensure the success of the exhibition, color topographical maps of the British Isles with place names in Chinese, picture cards identifying major British technological achievements, and a 370 page, 7¼ x 10½ catalogue with full page illustrated descriptions of each exhibitor and text nearly all in modern simplified Chinese, were distributed at the exposition.

Britain's catalogue was prepared by China Translation and Printing Services (CTPS) of Hong Kong, and another, 310 pages long, with a four-color cover and illustrations, published by the SBTC, also via CTPS, to supplement the exhibition book. Cost of publishing these, 20-25,000 each, was in the region of $3-$4 a copy, including complete translation, typesetting and printing.

Individual firms also had their own brochures printed in simplified Chinese, from four to more than fifty pages long, to distribute at their stands and at technical discussions. Too, films and slide presentations were produced for company seminars.

Motif of the exhibition, reproduced below: the Union Jack.

A Specialized Exhibition in Peking



Exposition Francaise Mesure Et Instrumentation Scientifique Pekin 1973

The French Measuring and Scientific Instruments show in Peking last year (October 9-19, 1973) was held in Hall Number 7 at the Exhibition Center. (To identify this area, see the plan of the UK's exhibition.) Forty-nine firms, including a number of divisions of major corporations, were represented on twenty-two stands, with over three hundred items on display. About fifty technical presentations were given, and about 20,000 people, including scientific and technical workers, visited the exhibition.

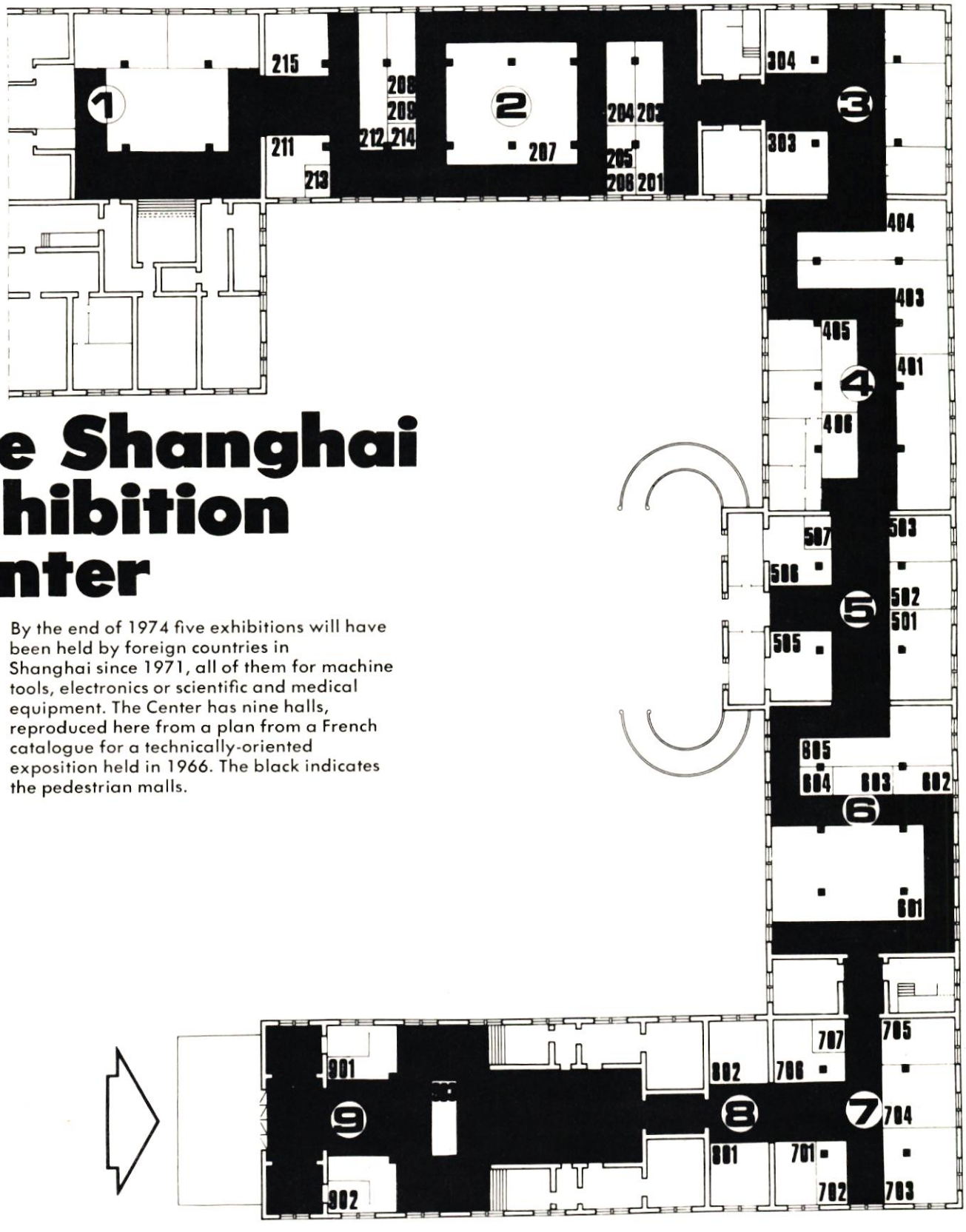
Prepared for the show was a hundred-page, black and white catalogue, with a single red, white and black cover, 7 ¼ x 10 ¼, ten thousand of which were printed at a unit-cost of $1-$2 each, by China Translation and Printing Services in Hong Kong. The text, set almost entirely in modern simplified Chinese, was illustrated by photographs of products.

馆号:7

HALL NO.: 7

展览馆平面图

PLAN DU HALL DE L'EXPOSITION



The Shanghai Exhibition Center

By the end of 1974 five exhibitions will have been held by foreign countries in Shanghai since 1971, all of them for machine tools, electronics or scientific and medical equipment. The Center has nine halls, reproduced here from a plan from a French catalogue for a technically-oriented exposition held in 1966. The black indicates the pedestrian malls.

The Bank of China Building in Hong Kong

THE BANK OF CHINA'S EXPANDING ROLE IN INTERNATIONAL FINANCE

Dick Wilson

Dick Wilson is the Executive Editor of the China Quarterly, *published by the Contemporary China Institute of the School of Oriental and African Studies, London University. Mr. Wilson has written extensively on Chinese and Asian affairs, including a number of pieces on matters relating to Chinese banking. Among his books are* Anatomy of China, Asia Awakes, *and* The Long March. *The views in this article do not necessarily represent those of the National Council for US—China Trade.*

The Bank of China, which boosted its total assets last year by some 80 per cent to reach almost $8.9 billion,* is quietly and without publicity preparing the ground for China's greater participation in the world of international finance. The Bank has maintained its reputation for a pragmatic, well-informed and clear-headed approach to China's international financial challenge.

The Communist Party mistrust of being indebted to foreigners was reinforced by the Soviet pull-out of 1960, and its ideology makes any dependence on Western capitalism quite repugnant. 'We are not in a position to float loans on the international monetary market,' a senior trade official (Li Hsi-fu) has explained, 'because we are a socialist society.'

Yet any impartial view of China's economic prospects would surely differ. As Jean Esmein of Credit Lyonnais has commented on China in the London financial press: 'If the country aims for a higher rate of growth it will probably be forced to import capital.' The debate between the fast growth lobby and the pure ideology doctrine in Peking continues, and meanwhile we can observe the compromises which have been reached in it.

Once the Bank of China was given the green light, in 1973, its creditworthiness persuaded leading banks in Western Europe and Japan to lend it substantial sums of foreign currency, in individual transactions up to about $10 million at a time, for periods usually of 3 to 6 months but in at least one case of a year—at current market rates of interest. The aggregate total is kept jealously secret, but a *Financial Times* report in July speculated that about $250 million was out on loan by the various British banks, which would suggest a global total of at least $500 million.

Meanwhile the Minister for Foreign Trade, Mr. Li Chiang, continues to insist—in, for example, the first issue this year of *China's Foreign Trade*—that China will never seek foreign loans, foreign capital or joint natural resources ventures with foreign enterprises. The Bank of China accepts deposits made by Western banks for their own advantage, fully balanced off by Bank of China deposits in Western banks. 'It is a two-way affair,' a source close to the Bank of China insists, 'a very large operation, but well balanced.'

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* All US dollar figures are converted at the RMB 2.0202.$1 rate effective December 31, 1973

The Bank of China's head office is in Peking, and it has about seventeen domestic branches in China. Its Chairman and General Manager is Ch'iao Pei-hsin, and its two Deputy General Managers are Keng Tao-ming and Tsui Ping.

Overseas Branches

The Bank of China is still, however, impeded from carrying out a genuine world-wide operations by its surprising paucity of overseas branches—of which, for example, there is none in the US or even in the Western hemisphere as a whole.

The Bank's international work is still conducted, as has been the case for the past quarter-century, by three branches: in Hong Kong, London and Singapore—the only surviving foreign branches of the pre-1949 network which opted to follow Peking. Peking also inherited eleven other branches in Burma, Cambodia, India, Indonesia, Malaysia and Pakistan, but all these have either been closed or else handed over to the local government.

In London the Bank runs, under Acting Manager Feng Tien-shun, a multi-storied building in Cannon Street with a staff of about 130 which used to be the major handler of sterling from third sites such as Hong Kong, Japan and Australia until the new regulations in Hong Kong made it more advantageous for the Bank's local branch there to retain its substantial sterling income.

But the London branch has to bear the principal burden of the Bank's need for information about and frequent contacts with European, American, Arab, and African banks and also the Eurodollar market, in which it was at one time said to be interested. Despite rumors for many years there is still no branch in Switzerland, France or Germany, and the visit to Beirut in the summer of 1973 by Deputy General Manager Keng Tao-ming, following a proposal by Lebanese businessmen in Peking that the Bank open a branch there, has not yet led to anything.

In view of expanding Chinese trade, the US and Japan are obvious expansion sites for the bank, but there it runs into problems. These include the fact that the Tokyo, Osaka, New York, Sydney, Saigon and Bangkok branches of the pre-1949 network did not subsequently retain ties with Peking.

The Hong Kong branch of the BOC under Acting Manager Chang Chi has a formidable building and plays a semi-diplomatic role in the absence of any official representative of the Chinese government. The Singapore branch (with three sub-branches) under Chang Chi-hsien is in the peculiar situation of being isolated from its head office. Singapore has never allowed China to send officials to inspect the books or take up posts in the Singapore branch, an anomaly which will doubtless be put right when the countries accord each other the courtesies of diplomatic recognition (as neighboring Malaysia has already done).

Ready to Expand

It is believed in some Western banking circles that the BOC is now ready to expand. A mission led by Deputy General Manager Keng Tao-ming spent several weeks in London last spring. This was really a three-pronged mission. Mr. Keng is also General Manager of the People' Insurance Company of China, and brought a team of four officials from that enterprise. Mr. Yang Pin-chao, General Manager of the China Modern Printing Corporation which prints Peking's banknotes, was also tucked into the team, and spent some time with Delarue and the Bank of England.

More recently Mr. Keng led, in October, a People's Insurance Company mission to Japan, but it is difficult to believe that his discussions with Japanese authorities were confined to insurance.

China's Currency

The Renminbi, of which the Bank is the international supporter, custodian and advocate, is beginning to cut a figure in world currency centres. It is, as a former Director of the Schweizerische Bankgesellschaft has commented, a unique currency—'neither fully convertible, nor partially convertible (convertible abroad), nor inconvertible. It occupies a peculiar position of its own.' It has no official parity with gold or another base currency, not even with the US dollar or pound sterling, and all that has been quoted until August 1974 have been single rates of exchange against leading foreign currencies. Now bid and offer rates are available.

Until the 1967 devaluation of the pound, the unofficial base currency was obviously sterling. Since then the Swiss franc and Deutschmark have apparently been adopted as the main anchor points for the Renminbi, although Mr. Strebel of the Schweizerische Bankgesellschaft contended at an international conference this year that 'indirectly, and admittedly with certain qualifications, the RMB follows the development of the dollar rate in relation to European currencies.' Speculation along similar lines in Japan, to the effect that the Renminbi 'follows the leader' at any given time, is regarded in London as probably sound.

Understandably, the chief popularity of the Renminbi is among the overseas Chinese outside China itself. The Bank of China has been running TV advertisements in Hong Kong vaunting the stability of the Renminbi by comparison with other currencies, and its other advantages for the

Hong Kong depositor, including secrecy. Ironically, a new law which became effective in ultra-capitalist Hong Kong early last year, empowers the Hong Kong Supreme Court to attach personal deposits. RMB accounts with the Peking head office of the Bank of China are, by contrast, immune from this.

The Bank also tells potential depositors in Hong Kong that they can reconvert their holdings into Hong Kong dollars at any time, even if the money markets are closed, and that the interest earned (ranging from 4.5 percent a year for 6 months to 6.75 percent for 3 years) is tax-free, the accounts being effectively outside the net of the Hong Kong inland revenue. Depositors can even choose their rate of conversion—either that prevailing at the time of original deposit or that prevailing at the time of withdrawal.

As a result of all this salesmanship something in the region of RMB 400 million or so was attracted into the Bank's books from Hong Kong depositors in the first three years of the new and more outward-looking policy (May 1970 to May 1973), and there is no reason to suppose that the pace has slackened. The cumulative total shot up by some 25 percent in the spring of 1973, largely because of the stock market slump in Hong Kong at that time.

One can speculate, with the French banker Jean Esmein, that it would be but a short step from this to 'imagine the Bank of China issuing loans through its Hong Kong branch or other banks it controls, which would be managed by friendly banks and placed principally with the rich Chinese living abroad' (*Euromoney*, May 1973).

The Bank of China and China's Foreign Trade

But the Bank's chief pre-occupation is trade. Its latest annual report issued in Peking in April, shows a quadrupling last year of customers' liabilities under letters of credit and guarantee, from RMB1.622 billion at the end of 1972 to RMB6.515 billion at the close of 1973. This means a level of about $3.225 billion and speaks volumes for the growth of Chinese trade with the US, Japan and other Western countries since 1972. Imports of cereals, cotton and other primary commodities were particularly high from the US last year, and imports of equipment, including jet aircraft, also help account for this high figure.

Customer's liabilities is now the largest single item in the Bank's balance-sheet, overshadowing the

It was reported in the London *Financial Times* (11.5.1974) that the Bank of China in Hong Kong has recently upped its rates on RMB deposits to bring them more into line with world and local Hong Kong levels. The new rates are 7.0 per cent for six-months, and 8.0 per cent for 12-months, more than two percentage points higher than the earlier rates. For two- and three-year deposit rates are now respectively 8.25 and 8.5 per cent. Local Hong Kong dollar deposit rates, however, at 9.75 per cent for six- and 12-months, remain higher than those available through RMB.

A NOTE ON THE BANK OF CHINA AND THE US

The Bank of China, as noted in the text of this article, does not have a branch in the US at the moment. There is every good reason why the BOC should have a US branch, with trade volume between the US and China likely to be nearly $1 billion dollars this year and prospects for substantial trade in future years.

There is a particular problem in China's banking relations with the US, however, namely the claims settlement, in which about $196 million worth of US private claims in China and about $80 million worth of Chinese claims in the US must be resolved. Final settlement of this matter has not yet been reached.

When it is reached, the way will be open for normal correspondent relations between US banks and the Bank of China, the foreign exchange arm of Peking's massive People's Bank of China (PBOC). The PBOC has something like 32,000 branches throughout the PRC, and is the world's most extensive banking institution.

When correspondent relationships with the US begin, the BOC will probably establish correspondent relationships, involving mutual accounts, with a selected number of major US banking institutions, as has been the case with other countries such as the UK and Japan.

Many US banks are eager to establish working relations direct with the Bank of China. Apart from the claims settlement problem, it makes good sense for the Bank of China to establish an office in the US as other foreign banks have done—presumably in New York, the nation's financial center.

When and if the Bank of China decides to take this step, it can be sure that it will receive a warm welcome from US banks. And in the spirit of equality and mutual benefit in which the Shanghai Communique was signed, US banks look forward to a reciprocal arrangement by which they will be permitted to open offices in Peking when the BOC opens its doors in the US.—Ed.

中國銀行總管理處營業部

Bank of China

FIVE-YEAR BALANCE-SHEET 1969–73

RMB—Yuan thousands

Assets	As at 31 December								
	1969	1970	% change	1971	% change	1972	% change	1973	% change
Cash	22,845	23,987	5.0	24,966	4.1	28,711	15.0	31,563	9.9
Due from Banks	2,606,764	2,900,154	11.3	3,321,160	14.5	4,147,053	24.9	5,276,331	27.2
Bills discounted & remittances bought	701,312	759,522	8.4	897,221	18.0	1,023,551	14.0	1,289,736	26.0
Loans and overdrafts	1,411,195	1,540,576	9.2	1,870,249	21.3	2,168,293	15.9	2,840,109	40.0
Securities & investments	14,156	15,115	6.7	16,773	10.9	17,638	5.2	27,811	57.7
Land, buildings, furniture & equipment	43,457	45,665	5.1	50,676	11.0	55,321	9.2	63,168	14.2
Sundry accounts receivable & accounts receivable under forward contracts	307,236	324,678	5.7	377,404	16.2	421,288	11.6	501,621	19.1
Other assets	51,714	54,411	5.2	58,707	7.9	66,531	13.3	78,507	18.0
Collections receivable for customers	180,733	197,081	9.1	223,569	13.4	263,781	18.0	303,143	14.9
Customers' liabilities under letters of credit & guarantee	1,108,418	1,241,553	12.1	1,350,250	8.7	1,622,015	20.1	6,515,074	301.7
Trust assets	178,444	188,354	5.6	195,788	4.3	259,349	32.1	986,736	281.1
TOTAL ASSETS	6,626,277	7,291,103	10.0	8,386,768	15.0	10,073,536	20.1	17,913,804	77.8

PROFIT AND LOSS STATEMENT FOR YEAR

General Expenses	28,291	30,647	8.1	32,905	7.5	39,474	20.1	49,686	26.1
Depreciation & Amortization	10,820	11,573	7.4	12,499	7.8	15,126	20.8	18,000	19.2
Net Profit	8,793	9,507	8.0	9,882	4.2	12,850	30.3	16,855	31.0
TOTAL	47,906	51,728	7.9	55,287	7.0	67,451	22.1	84,541	25.2

Note: The official RMB rate on December 31, 1973 was 2.0202 to the US dollar; on December 31, 1972, RMB 2.2401; December 31, 1971, RMB 2.267; and in previous years, via Sterling, RMB 2.46. Sources: Picks, Chartered Bank.

HOME AND OVERSEAS BRANCHES OF THE BANK OF CHINA: Peking, Amoy, Changchum, Changsha, Chanchiang, Chaoching, Chengtu, Chinhuangtao, Chunchou, Foochow, Foshan, Hangchow, Hankou, Harbin, Haikou, Hokou, Kunming, Kwangchow, London, Nanking, Nanning, Paihai, Pinghsiang, Shanghai, Shenyang, Shumchun, Swatow, Talien Tantung, Tientsin, Tsingtao, Tunghsing, Wanting, Wuchou, Yentai, Hongkong, and Singapore.

Source: Wilson/NCUSCT-Registrar General's Dept., HK.

中國銀行總管理處營業部

Bank of China

FIVE-YEAR BALANCE-SHEET 1969–73

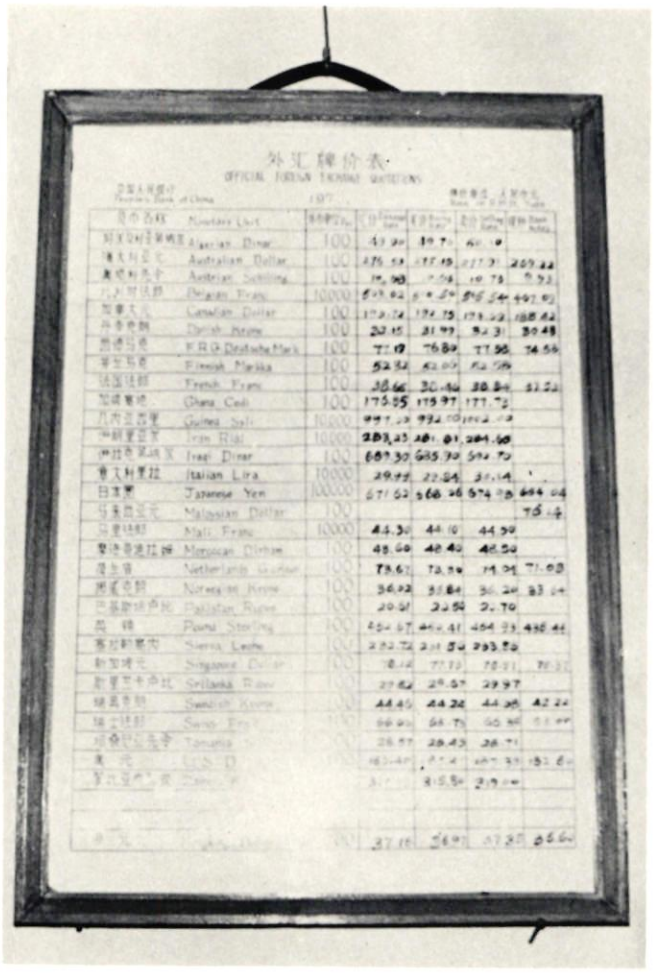
RMB—Yuan thousands

Liabilities	As at 31 December								
	1969	1970	% change	1971	% change	1972	% change	1973	% change
Due to banks	2,178,517	2,417,329	10.9	2,794,407	15.6	3,323,813	19.0	4,286,537	29.0
Deposits	2,470,375	2,707,565	9.6	3,227,736	19.2	3,951,379	22.4	5,056,372	28.0
Remittances & draft outstanding	36,412	38,289	5.2	40,580	6.0	41,023	1.0	49,218	20.0
Sundry accounts payable & accounts payable under forward contracts	235,561	247,754	5.1	284,150	14.5	314,411	10.6	383,810	22.3
Other liabilities	74,768	77,573	3.7	81,254	4.7	85,228	4.8	92,049	7.9
Collections for customers	180,733	197,081	8.8	223,569	13.7	263,781	17.9	303,144	14.8
Letters of credit and guarantee	1,108,418	1,241,553	12.1	1,350,250	8.7	1,622,051	20.1	6,515,074	301.7
Trust liabilities	178,444	188,354	5.6	195,788	4.3	259,349	32.1	986,737	281.1
TOTAL LIABILITIES	6,463,230	7,115,503	10.1	8,197,737	15.2	9,861,002	20.3	77,974	7.5
NET WORTH									
Capital	19,800	19,800	—	19,800	—	19,800	—	19,800	—
Surplus	59,536	64,482	8.4	67,094	4.0	72,358	7.9	77,974	7.5
Reserves	74,917	81,809	9.2	92,254	12.8	107,523	16.5	126,236	17.4
Net profit current year	8,793	9,507	8.2	9,882	4.0	12,850	13.1	16,855	31.0
Total net worth	163,047	175,599	8.0	189,031	7.4	212,533	12.7	240,864	13.1
TOTAL LIABILITIES & NET WORTH	6,626,277	7,291,103	10.0	8,386,768	15.0	10,073,536	20.1	17,913,804	77.8

PROFIT AND LOSS STATEMENT FOR YEAR

INCOME									
Interest Commissions & other income	47,906	51,728	7.9	55,287	7.0	67,451	22.1	84,541	25.2
TOTAL	47,906	51,728	7.9	55,287	7.0	67,451	22.1	84,541	25.2

Source: Wilson/NCUSCT-Registrar General's Dept., HK.



The People's Bank of China began posting China's official foreign exchange quotations at the start of the Spring 1974 Kwangchow Fair.

RMB5.276 billion ($2.612 billion) recorded as due from other banks. This entry presumably reflects the international accounts which the Bank of China holds in foreign currency in Switzerland, Japan and elsewhere. It has doubled over the past five years, expanding by 27 percent last year alone.

The third and fourth entries on the assets side of the balance-sheet—bills discounted and remittances bought, and loans and overdrafts—must indicate the business handled by the Bank's branches overseas, especially in Hong Kong, including the facilities it extends to China Resources Ltd., the Chinese government's chief trading entity in Hong Kong. These too have doubled over the past five years, with loan overdrafts up by 40 percent during 1973 alone.

Observers are intrigued by the small entry under assets headed 'securities and investments.' This amounted to only RMB28 million ($13.86 million), but in view of the ideological repugnance of equity investment to the Chinese government even that is interesting. The Bank of China is not known to have entered the equity market in Hong Kong or elsewhere, but it may hold shares in the communist banks registered in Hong Kong—or indeed in other communist-affiliated enterprises there.

On the liabilities side of the Bank's balance-sheet, the picture is harder to recognize. The largest entry (after the duplicated contingent liability of RMB6.515 billion under letters of credit and guarantee) is for deposits, which have more than doubled in the past five years, rising in 1973 by 28 percent to reach a record RMB5.056 billion, or $2.502 billion. These are presumed to constitute a very considerable part of the funds which the Chinese authorities maintain in foreign currencies, together with the much smaller amount of customer balances of the Bank of China branches. The Bank's own deposit base in Hong Kong, the chief source of such balances, is thought not to exceed HK$500 million, or US$100 million.

There is another large entry under 'due to banks,' which reached RMB4.287 billion by the end of last year. It might be argued that China's foreign currency reserves should be here, since they might be held through the Bank of China on account of the People's Bank of China and might be said therefore to be 'due to other banks.' But this entry must also include the balances of the other communist banks in Hong Kong, and these are thought to be in the region of the equivalent of RMB1 billion. This would leave only RMB3 billion or so for foreign currency reserves, which is so much smaller than the other evidence suggests that one is led to infer that they are tucked away in another column— namely deposits.

The accounts of the Bank exude prudence and orthodoxy. The ratio of shareholders' funds to deposit liabilities, for example, would be envied by the Bank of England or the Federal Reserve Bank. The profit, only RMB17 million ($8.42 million) last year, is, on the contrary, one of which no capitalist enterprise would be proud.

In theory, at least, the Bank is one-third privately owned, that being its status in 1949 and the present administration not having altered it. Its new articles of association define it as 'a state and private jointly-owned corporation with limited liability.' The annual dividend payable is fixed by Article 35 at 7 percent. But nothing is ever heard of its private shareholders. 完

TRAVELERS' CHECKS IN CHINA

In addition to the travelers' checks mentioned on page 48 of UCBR Vol. 1, No. 1, those of Thomas Cook have long been fully acceptable in China.

1974 RMB-DOLLAR RATES

Date		RMB: $	US/¢RMB	% Change
January 8		2.0406	49.0052	−1.01
February 5		2.0202	49.5000	+1.01
February 23		1.9940	50.1505	+1.31
February 26		2.0080	49.8008	−0.70
March 12		1.9980	50.0500	+0.50
March 21		1.9780	50.5561	+1.01
March 26		1.9582	51.0673	+1.01
March 28		1.9680	50.8130	−0.50
March 29		1.9523	51.2216	+1.01
April 4		1.9621	50.9658	−0.50
April 10		1.9719	50.7125	−0.50
April 11		1.9818	50.4592	−0.50
April 12		1.9739	50.6611	+1.00
April 18		1.9640	50.9165	+1.01
April 23		1.9503	51.2742	+1.01
April 24		1.9308	51.7920	+1.01
April 27		1.9211	52.0535	+1.01
April 30		1.9019	52.5790	+1.01
May 3		1.9114	52.3177	−0.50
May 7		1.8923	52.8457	+1.01
May 9		1.8828	53.1124	+1.02
May 14		1.8640	53.6481	+1.01
May 16		1.9013	52.5956	−2.00
May 21		1.9146	52.2302	−0.70
May 23		1.9031	52.5458	+1.01
May 29		1.9259	51.9238	−1.20
May 30		1.9413	51.5119	−0.80
June 6		1.9316	51.7706	+1.01
June 21		1.9413	51.5119	−0.05
June 25		1.9646	50.9009	−1.20
June 26		1.9548	51.1561	+1.01
July 4		1.9470	51.5084	+0.05
July 10		1.9528	51.2085	−0.02
July 18		1.9430	51.4668	+1.01
July 25		1.9275	51.8807	+1.01
July 26		1.9371	51.6236	−0.50
July 31		1.9468	51.3663	−0.50
August 8		1.9546	51.1614	−0.40
August 9		1.9624	50.9580	−0.40
August 12	Bid	1.9673	50.8311	
	Offer	1.9575	51.0856	
	Median	1.9624	50.9583	0.00
August 14	Bid	1.9791	50.5280	
	Offer	1.9693	50.7795	
	Median	1.9742	50.6534	−0.60
August 20	Bid	1.9989	50.0275	
	Offer	1.9889	50.2790	
	Median	1.9939	50.1530	−1.00
August 28	Bid	2.0069	49.8280	
	Offer	1.9969	50.0776	
	Median	2.0019	49.9525	−0.40
November 6	Bid	1.9453	51.4059	
	Offer	1.9355	51.6662	
	Median	1.9404	51.5357	+3.17
November 12	Bid	1.9531	51.2006	
	Offer	1.9433	51.4588	
	Median	1.9482	51.3294	−0.40
November 15	Bid	1.9374	51.6155	
	Offer	1.9278	51.8726	
	Median	1.9326	51.7437	+0.80
November 16	Bid	1.9297	51.8215	
	Offer	1.9201	52.0806	
	Median	1.9249	51.9507	+1.00

Source: NCUSCT based on data supplied by the Chartered Bank

John Prater, general foreman of Diesel Engine Assembly, at GM's Detroit Diesel, explaining plant operation to Ambassador Huang Chen (left) and PRCLO Third Secretary, Hsu Shang-wei. In the background is First Secretary Tien Yu.

National Council Escorts Huang Chen, Chinese Chief of Mission on Historic First US Tour

November 2 through 10, 1974, the National Council had the honor of sponsoring the first extended US tour made by His Excellency Huang Chen, Chief of Mission, People's Republic of China Liaison Office in Washington, D.C. (PRCLO). Accompanying Ambassador Huang were his wife, Chu Lin, PRCLO First Secretary Tien Yu, his wife Hsiung Ching, PRCLO Third Secretary Hsu Shang-wei, as well as Yin Hsiu-peng and Liu Ching-tsai, Liaison Office staff. Peter D. Weintraub of the Council accompanied the Chinese.

During nine days the Chinese traveled more than 2,100 miles by car, visiting Chicago, Detroit, Pittsburgh, and Niagara Falls before returning to Washington. During their travels the party had the opportunity to eat pancakes for breakfast, ice cream at Howard Johnson's, chicken at Colonel Sanders' and generally sample aspects of Americana.

In Chicago the group met with International Harvester President Brooks McCormick, before flying to IH's Rock Island, Illinois manufacturing plant. On the agenda were visits to the observation deck atop the Sears Tower and the Chicago Historical Museum, arranged with the kind cooperation of the First National Bank of Chicago.

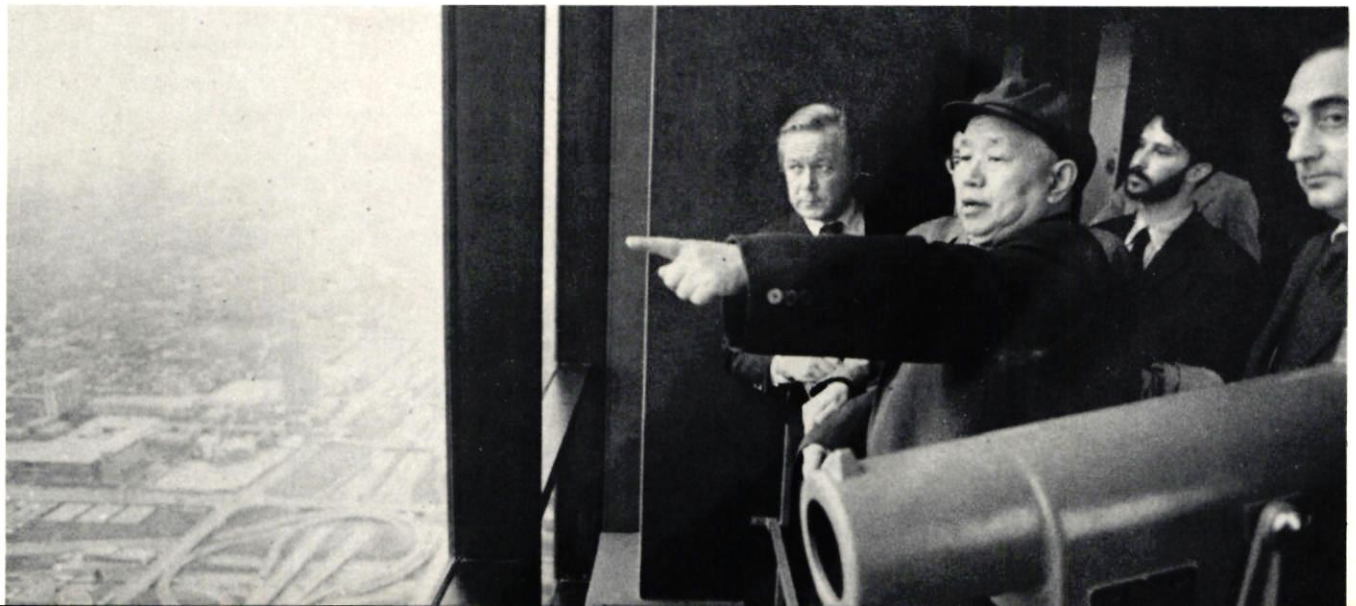
While in Detroit, the Chinese traveled to Ford's suburban tractor testing farm and Michigan Truck Plant, where Ford produces pick-ups and Broncos. The Chinese diplomats also had an opportunity to view Ford's new people-mover in operation. Later the party moved on to visit General Motors' Detroit Diesel and Cadillac plants, after which GM hosted the Chinese at dinner attended by GM's president Elliot Estes.

Prior to dining at the home of National Council and Westinghouse Chairman D.C. Burnham, the group toured Westinghouse's East Pittsburgh generator plant, the same facility visited by Commercial Counselor Chang Tsien-hua in August.

Throughout the trip the Ambassador and his colleagues made a special effort to speak directly with various segments of American people, from the presidents of some of the nation's largest corporations to workers on assembly lines. Ambassador Huang spoke often of the friendly relations between the Chinese and American peoples and the desirability of expanding Sino-US trade on the basis of equality and mutual benefit.

The Chinese emphasized the need to correct the present Sino-US trade imbalance and frequently pointed to China's vast oil reserves, as a potential export to markets beyond Japan and Southeast Asia. Export of Chinese oil to the US was not ruled out of the question in the long run.

The National Council was honored to have played the leading role in the Ambassador's historic trip and looks forward to the continuation of close and friendly ties with the Chinese Liaison Office.



TOP LEFT PRCLO staff member Yin Hsui-peng in the cab of a Ford Tractor at Ford's testing facility near Detroit.

TOP CENTER Ambassador Huang Chen and Third Secretary Hsu Shang-wei meeting a worker at Westinghouse East Pittsburgh Generator Plant. With them is plant manager Nick Beldecos.

TOP RIGHT In front of Sears Tower on sightseeing tour of Chicago arranged by The First National Bank of Chicago: From left Madame Huang, Third Secretary Hsu, Norman Ross and Elaine Wong of the Bank, Peter D. Weintraub, National Council, Ambassador Huang, Liz Ferguson of the Bank, First Secretary and Madame Tien, and PRCLO staff members Yin Hsiu-peng and Liu Ching-tsai.

CENTER LEFT At Westinghouse East Pittsburgh plant Ambassador Huang receives briefing on generator assembly.

CENTER RIGHT Ambassador Huang, Third Secretary Hsu and Yin Hsui-peng talking with a worker at GM's Detroit Diesel. Peter Weintraub looks on, left.

LOWER LEFT At Observation Deck atop Sears Tower in Chicago Ambassador Huang points towards Lake Michigan as Norman Ross and Peter Weintraub look on.

LOWER RIGHT Madames Tien and Huang with two students during a side trip to Oberlin College in Ohio.

COUNCIL BRIEFS GEORGE BUSH

Some of the most experienced US executives involved in business with China presented the Honorable George Bush, new Chief of the US Liaison Office in Peking, with a private perspective of Sino-US trade on September 30, 1974, at the National Council offices in Washington, D.C. The briefing, arranged by the Council, consisted of case-study presentations by topic, followed by a private luncheon attended by those participating.

Following an introduction by Christopher H. Phillips, President of the National Council, James A. Petrie, Senior Vice President and Ed Hallinan, Vice President, Government Relations, of the M. W. Kellogg Division of Pullman, Inc., talked about China's petroleum and petrochemical industries.

Agricultural trade with China was discussed by James Howard, Vice President of Cargill, Inc.

In another session Kenneth Arndt, Vice President of Chase Manhattan Bank, and Eugene Theroux, Vice President of the National Council, gave a run-down of banking and legal aspects of trade with China, including emphasis on importers' problems.

Exporting to China was the subject of the final presentations. Dr. Harvey Plonsker, Vice President of Universal Oil Products Company, who addressed the National Council's annual meeting in June of this year, gave details of the basics of exporting to the PRC. He was followed by Thomas Christiansen, Vice President of the Hewlett-Packard Company, describing US export controls and aspects of the licensing of high technology to China.

After the presentations, held a few days before Ambassador Bush departed for Peking, the group talked informally over a luncheon hosted by Christopher H. Phillips, who had previously served with Ambassador Bush at the United Nations. 完

A GRASSROOTS CONFERENCE

Council Cosponsors China Trade Seminar

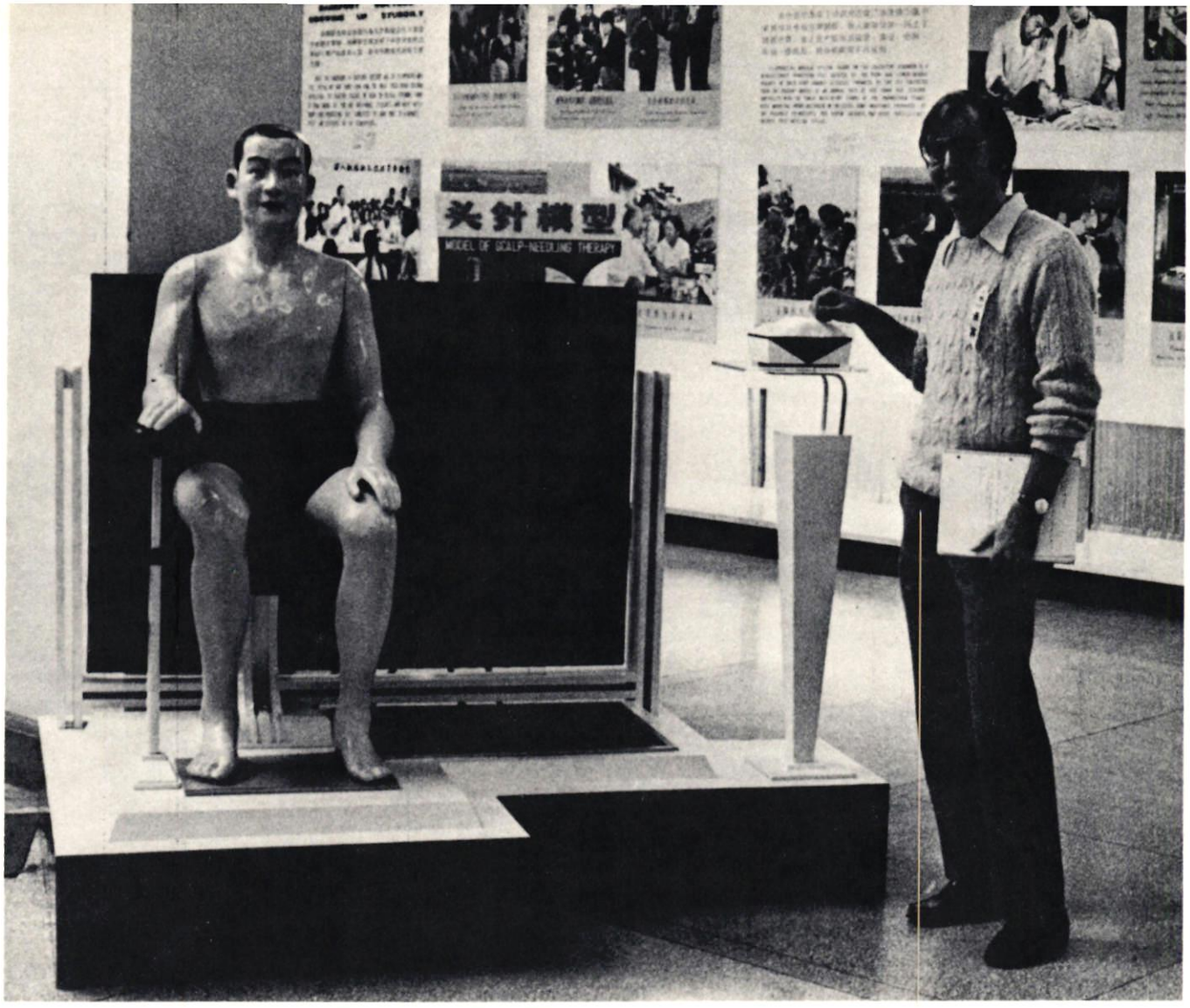
Saturday, September 28, 1974, the New York State University College at New Paltz and the National Council cosponsored a broad-ranging China trade seminar at the college campus in the Catskills. The seminar, which attracted about 320 people from a wide neighboring region despite a rainy day, was organized by the college with the support of the Council as a grassroots effort to spread interest about trade with China, a first of its kind.

The full program, which began the evening before, was balanced by films, talks, slide presentations, panel discussion, Chinese buffet, and a comprehensive display of Chinese products and literature provided by various firms in New York, most of whom are Council members. On show were apparel, shoes, arts and crafts, canned and processed foods, musical instruments, clocks, cloisonne and other products.

The keynote presentation was made by Nicholas Ludlow, Director of Publications of the National Council, who described the context and potential of US trade with China; later Marshall Kaplan, of Da Sing, Inc. and James Eng of the China Trade Corporation described the practicalities of doing business with China. Observations from recent visitors to the PRC were provided by a team from IBM, SUNY Cortland, NYU, and Vassar. A large contingent of engineers and their families from IBM's nearby facilities were on hand.

Highlighting the day's activities was an excellent, comprehensive presentation by college faculty members Ronald Knapp, John Lin, Martha Barnett and Ray Huang: this was one of the best ever introductions to China and its trade. The National Council wishes to extend its thanks in particular to Professor Ray Huang on whose initiative this conference was organized, and to his colleagues Ronald Knapp and John Lin for contributing to the success of the event.

The Council also thanks the following firms who provided goods or other display materials—China Books and Periodicals, China Native Products, Inc., China Trade Corporation, Da Sing Inc., Dragon Lady Traders, Inc., East Asiatic Company, Inc., IBM World Trade Americas/Far East Corp., ICD Group Inc., Hunting World Inc., and Peking Importers and Manufacturers. 完



Acupuncture model on display at the Fall 1974 Fair and Sandy Randt, National Council Representative.

KWANGCHOW DIARY
The Fall 1974 Kwangchow Fair . . . Week by Week

The Fall 1974 Kwangchow Fair mirrored world economic conditions. There were empty corridors, lower prices, and fewer buyers than before. Generally purchases by foreign traders were down. But US purchases, despite the gloomy atmosphere, were up on the previous Fair, and the US contingent was the second largest. Most US buyers however did not stay long. The following, based on a number of reports from Clark T. Randt, is a diary from the Fair.

First Weeks—Attendance Down

Trains to Kwangchow were less crowded this fall, partly because more traders arrived by air. For most Japanese businessmen it was their first flight from Tokyo to Canton.

Attendance was substantially lower at the start of the Fall Fair than it was in the Spring. American participation, however, seemed to be growing as 60 US firms had arrived by the tenth day of the Fair with more on the way. Representing several hundred firms, the American Chamber of Commerce in Hong

NATIONAL COUNCIL AT THE FAIR

Well over a hundred guests attended the National Council reception at the Kwangchow Fair on November 6, including Mr. Po from the China Council for Promotion of International Trade (CCPIT), Madame Yang, Deputy Secretary for the Fair, Deputy Secretaries from China's foreign trade corporations, and friends from the Chinese Liaison Office at the Fair. As of that date, about 175 representatives of US firms had been welcomed to the National Council offices.

Earlier, National Council representative Clark T. Randt, Jr. dined with Warren W. Lebeck, President of the Chicago Board of Trade, on his way to Peking. Mr. Lebeck, on his return, said that the Chinese were closely in touch with future prices: they gave him closing prices of the previous day after his mentioning he had been out of touch with the market for a week.

Manning the National Council office were Clark T. (Sandy) Randt, Eugene Theroux, Vice President of the National Council, and by arrangement with Amcham in Hong Kong, Herbert Minich and John Leong.

As before, the National Council offices at Room 1301, Tung Fang Hotel, were furnished with two IBM typewriters, a 3M copier, cases of Coca-Cola and Pepsi and a Kodak projector. The Council is grateful to the companies concerned for the use of their equipment.

Prior to arrival in Kwangchow, Gene Theroux lunched in Tokyo with Edwin W. Beeby, President of the American Chamber of Commerce of Japan and John Hart, Chairman of the Japan Amcham China Relations Committee. The meeting was honored by the presence of Yeh Ching-hao, Commercial Counselor of the Chinese Embassy in Japan, Chen Ying-wen, Second Secretary of the Commercial Section at the Embassy, and Lu Hsing-pao, Third Secretary of the Commercial Section.

In Hong Kong, Gene Theroux had meetings with the American Chamber of Commerce in Hong Kong and with officials of China Resources Company.

Kong appeared in Canton upon invitation by the Chinese. Japanese attendance was down from 2,500 to perhaps less than 2,000 because of tight economic conditions in Japan.

Buyers at the start were relieved to find prices down 20 to 30% in some areas. One explanation given for the lower price tags was the surplus of goods from the previous Fair. Specifically, antiques were down 10 to 15%, arts and crafts, plentiful and diverse, seemed to be "holding steady;" pharmaceuticals were up slightly and textiles were down from 20 to 30%. Food was down as well, but canned foods, such as fruit, appeared slightly higher. In metals, manganese was priced too high for most buyers and tungsten was at world market prices, a departure from China's usual practice of selling it at $3 to $5 per pound over the London Metal Exchange standard. Essential oils were down moderately. Tung oil was reported a good buy and purchases of gum rosins and turpentine were large among US buyers.

A positive note for some Americans was the reported receptivity of Chinese trade officials to the idea of providing American electronics manufacturers in Hong Kong with raw materials as well as manufactured components and finished parts. This scheme could partially redress China's imbalance of trade with the US as US electronic firms alone could provide China with an estimated market of 100 million US dollars a year.

November One—China's Negotiators Line Up To Do Business

The Fair, by November 1st, was not progressing well for China. The world economic situation was reflected by the plethora of empty rooms in the Tung Fang Hotel and, at the Fair by long corridors of patiently waiting negotiators with no one to talk to, drinking tea and smoking cigarettes among themselves. Long lines which used to mean hours of waiting just to make appointments were not seen anywhere.

In chemicals and metals and minerals, areas of limited supply and domestic demand, China was trying to hang on in a falling world market, hoping to lead a turnaround which by mid-Fair time had not come. In the softer areas, particularly textiles, there was little activity. Traders were told explicitly that "reference prices are negotiable" and so they were.

Unverified rumor from Canton had it that some American agents were trading on a c & f c basis, i.e. extra commission for the agent included in the price, in addition to the commission paid by the US firm represented.

Machinery—US Orders for Machine Tools

Machimpex has a new section for the production of electronic components. Representatives expressed an interest in integrated circuit models brought by a major US electronics maker, and reports circulated that China may gear up for an export effort in this area. Chinese machine dealers reportedly made at least one successful sale of machine tools to a US firm for a reported $800,000. Problems under discussion between Americans and Chinese were inflation and the consequent need for escalator clauses in US equipment sales.

Food—Import at Your Own Risk

Is China really producing "more and better products to meet the requirements of people of other countries," as Foreign Minister Li Chiang recently wrote in the first issue of *China's Foreign Trade* magazine? Americans were given "import at your own risk" warnings by China's canned food sellers midway through the Fair: The only safe, commercially proven buy, said representatives in this area, were canned mandarin oranges.

Although there was some inflexibility when it came to labelling regulations, the Chinese did, for the first time, show a faint interest in foreign marketing and canning technology. (One might think, however, that with a world depression and the low level of sales at the Fair the Chinese would attempt to improve the quality of their canned goods and be more accommodating to meet world standards and demands in this area.) An explanation for the lack of improvement in this area could be that Overseas Chinese buy most of the stock as is and supplies are limited, therefore, why bother to cater to the demands of a few.

As the Chinese will not package certain types of nuts, and products such as waterchestnuts, according to specifications with the buyers label, US purchasers have had to buy in bulk to later mix in packages with their own brand name.

The latest shipments of US wheat contained no TCK. When asked why China has deferred many US shipments, the explanation was congestion in China's harbor facilities. Chinese said they buy foreign wheat for "variety." (Later reports suggested foreign exchange problems necessitated deferred shipments).

Minerals and Metals—Supplies Sufficient, World Price Levels

Tin, tungsten, antimony and mercury were at world price levels. Supplies were apparently sufficient but it was too early to tell. (Antimony oxide was quoted at $2.17 per pound for some US buyers, higher for others, and, reportedly, much lower for the Swiss.) Available quantities also vary by country as part of the Chinese rationing scheme but quantities were bought by US companies. Bauxite ore was not available. Tungsten, a little later, was much higher than world prices, with few buyers in a falling market. Generally prospects were unpredictable.

At this stage of the Fair, it was not possible to predict what sales or costs would be as this industry in particular, sees the early part of the Fair as an information collecting stage to get a feel for the market.

Chemicals—Reorganization, Advice for US Sellers

A reorganization of Sinochem branches and product responsibility was reported. This change will be reflected in their new catalogues.

The two largest export items from this industry for Americans were synthetic cryolite (several million RMB worth) and a type of hydrochloride, commonly used in cough medicine (over 60 tons). Small quantities of vitamin B-1 and C, as well as 100 tons of furfural in 240 kilo packages were bought by the US.

Barium salts and carbonic chloride were the biggest Chinese exports in large volume and low per unit cost. However, because of their steep NES tariff classification, and freight costs, these items remain unsaleable to the US.

Chinese adaptation to USP specifications for pharmaceuticals is not forthcoming yet, as China is gearing up its next year's production according to British Pharmacopoeia 1973 standards.

No oil was being sold at the Fair but the Chinese were eager to buy urea. Chemical prices were generally higher than in Europe despite 10-15% price decreases since the start of the Fair.

Among Chinese exports to the US were four shipments of acupuncture needles which have been rejected in the US. (Details: See HEW Commercial Import Detentions 74-9).

An official in charge of imports from the US complained that US chemical companies have not followed contractual provisions for packaging which has caused Chinese importers great trouble. According to the officials, the problems have been carelessness in packing and use of domestic rather than international packaging. Chinese importers specified five ply bags but goods were received in four and even three ply bags in violation of contracts.

The largest impediment to the importation of US chemicals was said to be unfamiliarity with the US market and little knowledge of what is available for export from the US.

CARPET FAIR IN TIENTSIN SPRING 1975

It was announced to carpet buyers at the Fall 1974 Fair that, for the first time a significant Chinese export fair will be held outside of Kwangchow at a time other than that of the Kwangchow Fair. The National Council was advised that the event will be a carpet fair, set for Tientsin in late February-early March 1975.

Native Produce and Animal By-Products—FDA Regulations Troublesome

Chinese trade representatives from this corporation were finding FDA regulations troublesome and difficult to understand and said they were an impediment to trade. China was however clearly making products designed especially for the American market. For instance, a new item at this Fair was freeze-dried instant tea. However, a half million dollar order for sunflower seeds at RMB 2100/m a ton was not filled because the Chinese would not rinse them in a chlorine solution as the US requires.

Essential oils, tung oil, gum rosin and turpentine were all hot items at reduced prices. Some essential oils were down more than 50%. All the anise was too high. Cassia, however, dropped from 5400 RMB to 4500 RMB per metric ton, but the world price was just below 4000 RMB.

Bristles were cheaper and more plentiful but the Chinese desire for traders to buy in assorted lots will cause difficulties for users as opposed to brokers.

Light Industrial Products—Making More to US Specifications

The Chinese were willing to make some items, such as shoes and feather flowers, to US specifications. Information on new products will henceforth be sent prior to future Fairs to the National Council so that buyers can budget for them.

It was reported that one US prospective buyer of straw products was told that he could not order some straw goods because a Canadian buyer had been given the exclusive for all North America for one year.

An interesting report was that some Chinese sellers were trying to tie sales of some light industrial products to sales of other such products.

Textiles—Send Pictures of Styles, Immediate Shipment Terms!

The lack of normal relations and most-favored-nation status are the impediments to increased trade with the US, said an official of Chinatex. Nevertheless, the textiles corporation is still learning about the US market and trying to meet customers' requirements. Chinatex is even willing to "compromise" on labels, perhaps meaning both US and Chinese names will be on labels: Specific examples yet to surface though.

China is now quite aware of the styles and sizes requirements of the US market, according to Chinatex officials.

But, though China's textiles are excellent in quality with prices, as noted, measurably lower than original reference prices, large stocks are ready to buy on immediate shipment terms. Send pictures of desired styles and Chinatex will duplicate.

Of particular interest to US buyers were cotton tops and acrylic sweaters.

A buyer's market.

Silk is available on 120 day terms, indicating no ready inventories. Generally the prices of Chinese textiles were so low as to be competitive with other Asia textile manufacturers availed of MFN.

Last Weeks of the Fair—So Slow That . . .

Business is *slow* at the Fair—so slow that the Fair Liaison Office has arranged a variety of mid-week tours for fairgoers, the first such events, on this scale, to be organized during Fair business hours in memory.

During these last two weeks at the Fair the following comments were made: The Fair in a word? morbid . . . grey goods is a disaster area . . . the Chinese are sitting around with nothing to do . . . the Fair is really dead.

By this time, many Chinese negotiators were seen to be heading for the exits ten minutes before closing time, with cleanup crews already sweeping and mopping the floors, which would had been unthinkable at prior Fairs.

Prices—Grief to Some Buyers

The lower prices at the Fair, which were not a reflection on Chinese products but on the world economic situation, nevertheless caused grief to some foreign buyers who had previously recently opened L/C's on goods ordered at the Spring Fair, at the old price.

Prices noted at this time included silk and wool carpets, which had maintained previous price levels, silks, which were down 30% from earlier levels, and graphite prices were up, due to world shortage.

Unopened L/C's were still a problem. "Some US buyers of light industrial goods have not opened L/C's. But what really upset the Chinese are the discourtesies shown by buyers who have refused even to reply to cables from FTC's inquiring about the reasons for the delays." Nevertheless, buyers who fail to open their L/C's when notified to do so by the Chinese, can keep their orders opened by paying 1% per month on the CIF value of the contract.

In an updated report, the Chinese were stated to be offering commissions to import agents—not a new practice—of between 1% and 5%. If back-to-back L/C's are used, the importer simply deducts a commission from the L/C from his principal and pays China the actual contract price. If the principal pays direct, the Chinese will rebate a commission to the bank designated by the importer.

More from CEROILS: The PRC canned food labels won't be replaced anytime soon with US brands. Food-stuff officials told National Council staff "We want to introduce our own labels to the broad masses in the US."

Frozen foods available at the Fair included a wide range of vegetables, rabbit, fish, squid, Peking duck, goose, pork, chicken . . . and a variety of game birds still sporting all of the plumage they boasted on their finest day of life.

A new product from the Native Products Corporation was introduced at the Fair which may be of interest to many US buyers. It is freeze-dried instant tea, so far produced experimentally. It has been taste-tested by National Council staff at the Fair and pronounced a good new product!

Chinese Lament

A Chinese lament heard in the last weeks of the Fair was that, although there are measurably more Americans here than ever before, their per capita purchases are about the lowest of any national group at the Fair. There still seem to be a lot of "sightseers" coming from the US, whose prime motivation appears to be wanting to see China rather than buy products. But others are very serious buyers, and working very closely with the Chinese.

US Businessmen Fly In Via Tokyo, Shanghai

US executives arriving at the Fair from Shanghai, who had flown CAAC from Tokyo on the newly inaugurated service, give the Chinese high marks for efficiency and hospitality. Appetizing snacks of hard candies, sweet cakes, fruit, and fruit juice, and tea are served en route between China and Japan. [No hot meals are available.]

At the stopover in Shanghai, while cargo and new passengers are boarded, a delicious hot meal is served, included in the price of the air ticket.

Final Days of the Fair—American Contingent Second Largest, US Business Up

Over 300 US traders at the Fair, perhaps more than 320, made the American contingent the second largest after Japan's. The last week of the Fair saw a rush of US businessmen at the last minute, helping to swell the total to a new high.

US business with China was up, probably exceeding that of any previous Fair, with preliminary estimates putting it at least $35 million.

American purchases were concentrated in minerals and metals and native produce. In other areas transactions were down: Foodstuffs were off, Textiles were down, and Light Industrial goods still a problem area. Purchases of firecrackers were off.

Minmetals—Prices Down, Purchases Up

In the last days of the Fair, antimony prices were put at RMB 1850-1900 a ton, against a world price of about RMB 1700, in a sharply declining market. By the end of the Fair RMB 1700 was being accepted. The Chinese were also reported to be asking £47 a ton against £ 38 world levels for tungsten. US purchases were high as prices came down.

Late Report from Peking—Meetings with the CCPIT and Foreign Trade Corporations

Late report from Eugene Theroux and Clark T. Randt who visited Peking for meetings with the CCPIT: Meetings were held with officials of the CCPIT and all the Foreign Trade Corporations, including Techimport. In addition meetings were held with the Bank of China and the China International Travel Service. In all of these discussions the atmosphere was "very good".

The CCPIT confirmed they will definitely send a delegation to the US in 1975. There was preliminary planning for an official Chinese exhibition in the US.

While in Peking Council representatives met with US Liaison Office staff, and had a long meeting with Chief of USLO, the Honorable George Bush.

Soccer Scores—November 10

In the friendly China Cup match played in the Chung Shan Stadium, Sunday November 10, a team posted in the Tung Fang Hotel as the "European Selection of the Tung Fang Hotel" fielded against the Kwangchow Heavy Machinery Team.

As readers of the UCBR may recall—UCBR Vol 1 No 4 pp 36-39—last year saw a youthful team from Sun Yat-sen University give a walloping to a foreign businessman's team in Canton. But our world sports correspondent also notes, the truth of the matter was that a youthful Chinese team was defeated last year. Whatever happened in 1973, the friendly atmosphere prevailed in the Fall of 1974.

In chilly winds, rain and mud the two sides played a hearty match. The Team scored first against the Selection, who were readily draped in slippery pitch from head to toe. Keeping the initiative firmly on their side, the Heavy Machinery Team went on to topple the game-but-gasping European Selection by a margin of six-to-four.

In this ten goal, action-packed game, the Dutch goalie kept the Team at bay throughout, fending for the Selection with a deft if not athletic performance. For those faithful who turned out to cheer on the side of their choice, the match was excitement and the players—from Team and Selection alike—well-deserving of the mineral waters and Tsingtao beers available afterwards. 完

A Bucyrus-Erie blast hole drill for land mining of the type sold to China by the US firm

CHINA'S MINERALS AND METALS

Peter D. Weintraub

Inspired by the victorious struggle which the Arab countries and people waged with oil as a weapon, the Third World countries have started an immense tide of struggle to defend their state sovereignty, control their natural resources, develop their national economy and oppose exploitation and plunder by imperialism, and particularly the superpowers . . .

. . . To fly into a rage is futile. To bluff is also futile. The profound significance of the oil battle lies in the fact that the developing countries have united themselves and independently exercised control over their national resources and fought against plunder, exploitation and the shifting of crises on to them.

Chiao Kuan-hua, Chairman of the Delegation of the People's Republic of China, at the UN General Assembly, October 2, 1974.

A significant proportion of China's foreign trade, both imports and exports, consists of minerals and non-ferrous metals. Peking's overseer of this trade is the China National Minerals and Metals Import and Export Corporation known as Minmetals. It is principally with the commodities handled by this corporation that the following report is concerned.

It is natural to begin any survey of China's raw materials with a clear-cut idea of Peking's attitude toward them, as espoused above by Chiao Kuan-hua at the United Nations. For US firms, it is also important to assess the realities of the situation, to translate China's policies into their meaning for trade with the PRC, now and in the future. This sectoral report will serve as an introduction to Minmetals, its branches, products and way of doing business. It provides some insight into the type of mining equipment China may be interested in buying, with a case example of how a recent transaction was negotiated.

The main focus of the report, however, is on China's trading activities in metals and minerals, particularly on tungsten, antimony, and oil. In the first two, China is in a position of leverage in world markets. Generally the PRC appears to have been responsive to world price levels in all metals it can sell, over the years. Purchases from abroad, primarily copper, nickel, aluminum and lead, have varied from year to year according to China's needs. But, oil sales, handled by the Chemicals Corporation, have strategic implications.

The real interest to readers is almost certainly going to rest on the significant developments taking place in those areas in which Peking can support its stated policies by action. Companies in the US would do well to consider the implications of these developments, both for the short term and the long.

The PRC develops her mineral resources mindful of geopolitical as well as domestic considerations. If self-sufficiency is Peking's central goal, it is tempered by a keen appreciation that resource control is a key to regional stability in East Asia and influence within the larger global context.

China is faced with both the luxury and burden of making resource-related decisions because the extent of her natural wealth is so vast. Last year the country produced more than $5 billion worth of mineral goods to rank fourth in the world behind the US, the Soviet Union and Canada. The PRC is now the eleventh leading producer of crude petroleum and its oil output is increasing over 20% per annum. Coal production is challenging that of the US for the number two position behind the Soviets. Tungsten and antimony output lead the world and production of a dozen other major commodities rank among the top five.

Nor is China depleting her resources precipitously, without regard to the future. Potential petroleum reserves both on and offshore have been compared in size to those of the Persian Gulf. The PRC's known deposits of tungsten, antimony, tin, bismuth, magnesite, mercury, salt, coal and iron ore are immense. And much of the nation's mineral wealth remains to be charted by modern methods.

Yet despite these resources, China's trade in her raw materials cannot be reckoned as substantial in pure quantitative terms. PRC oil shipments to Japan in 1974 will account for no more than 4 or 5 days of that nation's annual supply. Coal sales to Tokyo this year—perhaps 20,000 tons—represent a minute proportion of total Japanese imports. China's own purchases of three key metals—nickel, aluminum and copper—mean Peking must expend nearly 10 times as much foreign exchange as it earns through the sale of tungsten, tin, antimony and mercury.

Why then, are China's natural resources—both mineral and metal—a factor on the international scene? The answer is potential and quality. Japanese business and government leaders are now talking in terms of receiving 50 million tons of oil, and one million tons of coal annually, from China, by the end of the decade. Throughout the world, merchants, speculators and consumers look on Chinese tungsten and antimony as the finest available anywhere. Foreign companies, including those in the US, are beginning to pay increasing attention to some of China's lesser known commodities, like refractory materials, talc and diatomite. In sum, the orientation seems not to be to China's present, but to her future.

China's Options

Many options are open to China in deploying her resources. But Peking has important interests to consider—the prospect of Japan cooperating with Russia, in Siberia and the PRC's own position as a leading advocate of Third World control over Third World resources.

The Siberian project, which would have had Tokyo investing more than $6 billion to jointly exploit oil, natural gas, coal and timber was regarded in Peking as threatening China's strategic position and undermining the maintenance of the balance of power in the western Pacific. The PRC acted—successfully it seems—to induce Tokyo away from Moscow by means of their own brand of oil diplomacy. (See Box) But even if Japan has

A SELECTED GLOSSARY OF CHINA'S METALS AND MINERALS

Antimony—A silvery-white metalloid element, often combined in minerals such as stibnite and kermesite though it occasionally occurs in the free state. It is chiefly prepared from stibnite by roasting and smelting and is used particularly as a constituent of alloys, such as antimonial lead.

Tungsten—Also known as wolfram, tungsten is a metallic element found combined with certain minerals such as wolframite and scheelite. In isolation it appears as a hard and brittle white or gray metal and is used as a lamp filament, as a carbide in cemented carbide and as a constituent in magnet and high speed steels.

Molybdenum—A silvery-white metal whose physical properties resemble those of iron. Chemically it is similar to a non-metal. Used for electrodes of mercury vapor lamps, as wire for winding electric-resistance furnaces, and in steel alloys.

Bismuth—A silvery-white metallic element used as a component of fusible alloys with lead.

Manganese—A hard brittle metal, grayish-white tinged with red. It does not occur uncombined but is obtained from minerals which are oxides, silicates and carbonates. Manganese is used as a deoxidizing and desulphurizing agent in steel manufacture, and in many important alloys.

Magnesite—Carbonate of magnesium, a basic refractory used in open hearth and other high-temperature furnaces, is obtained from natural deposits.

Talc—A natural hydrous magnesium silicate usually occurring as a natural alteration of magnesium silicate rocks. Also known as soapstone, this mineral is used in ceramics, gas burner tips and electrical insulation.

Pyrite—Iron disulphide, used in copperas, recovery of gold, silver and copper. Its brass-yellow metallic luster has led some to call it fool's gold. It is a raw material for pesticides.

temporarily moved out of the Soviet orbit, Siberian raw materials will be a continuing lure to resource-strained nations, including the US. China must take this future into account by developing a credible resource alternative of her own.

Third World

The issue of identification with the Third World, and what to do about it economically, is no less compelling for Peking. China has offered unqualified support to the actions of OPEC and has encouraged the emergence of other producers' commodity cartels. Does this mean that China intends to further develop her Third World ties by taking out membership in one of the existing cartels, or even forming one of her own?

The Chinese, as of now, apparently remain undecided. The alternatives they are considering would all seek to maximize Peking's political clout without sacrificing any measure of economic sovereignty. Strict adherence to this formula will likely be a continuing element of China's resource policy.

It may also be noted that the majority of international cartels formed over the past fifty years have had short lifetimes, generally of not more than a few years. The viability of the cartel as a concept must thus be carefully appraised.

Whatever decision Peking ultimately reaches on cartels, and whatever posture the PRC adopts vis-a-vis the Japanese, Soviets and Americans over the future of Siberian resources, China's posture will depend on the extent to which she develops her own mineral potential. Without substantial quantities of raw materials, the possibilities of cartel participation and credible resource alternatives to Siberia become unworkable. Production of key minerals, petroleum and coal, will be vital of course, but output of China's traditional export metals will be important indirectly as foreign exchange earners, and in the case of tungsten and antimony in particular, as a potential bond with the Third World.

Oil and Coal—Significant Export Potential

Oil production, estimated to have surpassed 50 million tons in 1973, will likely reach 64 million tons this year. Recent developments at the Takang field near Tientsin, expansion, both on and offshore at Shengli in northern Shangtung, continued working of the Taching complex near the Soviet border and new inland exploitation made possible by improved transportation combine to make accelerated Chinese oil output a real possibility.

Based on a 20% annual production increase, the PRC will be producing more than 100 million tons by 1976, but many foreign observers, including Japanese directly involved in purchasing Chinese crude, believe this figure to be decidedly on the conservative side. They have suggested that by 1980 China's petroleum output will be in the vicinity of 400 million tons annually, with fully 10% being sold abroad.

China has already expanded oil exports beyond Japan to Thailand, Hong Kong and the Philippines, Manila having recently contracted for one million tons over the next twelve months. These initial sales

THE SIBERIAN CONNECTION

Oil, not surprisingly, is the main element in the Siberian project but it is only one of five distinct schemes. According to a provisional description, Japan would spend more than $6 billion over the next 20 years in return for annual shipments of coking coal (5.5 million tons), timber (18.4 billion cubic metres), natural gas (10 billion cubic metres) and petroleum, both on and offshore (25 million tons).

Final agreement has already been reached on the coal and timber projects, but China's oil diplomacy—in combination with a series of escalating Soviet demands on Japan—has paid off and active consideration of the oil plan has apparently been shelved. The natural gas package is also facing serious difficulties, primarily because of problems with public funding for American firms' participation in parallel with the Japanese.

The Chinese began leading Tokyo away from the Soviets with the shipment of high grade, low sulphur crude oil to Japan in April 1973. Initial exports were modest, amounting to only one million tons for 1973, but this year they have been stepped up, and will total 4.5 million tons. This will rise to 8-10 million tons in 1975. Informed Japanese observers state that by 1980 the PRC will be in a position to supply Tokyo with significant quantities, as high as 40 or 50 million tons.

At the same time as Japanese planners were becoming familiar with China's burgeoning petroleum capability, the Soviets were raising the ante and lowering the return for Tokyo. Japan's initial disappointment came in early 1973 when Moscow decreased their originally agreed upon 40 million ton annual export figure to 25 million. And in April of this year, just as the Japanese seemed prepared to sign the deal despite the reduced volume, they were confronted with a Soviet request to construct a 2,000 mile railway—along the Chinese border—to move the oil from its source at Tyumen to a port near Khabarovsk. The strategic implications of such a project were not lost on the politically sensitive Japanese. China seemed too important to alienate over Soviet oil, which indeed the PRC appeared capable of furnishing itself.

CHINA'S OIL: BIBLIOGRAPHY

BIBLIOGRAPHY OF OIL PETROLEUM GEOGRAPHY, CHINA. Philip A. Chenoweth and Associates, comp. 1973, mimeographed, 44 pages. Price $250.00. Order from Philip Chenoweth and Associates, 702 Petroleum Club Bldg., 601 S. Boulder, Tulsa, Oklahoma 74119.

Of unmistakable interest to US corporations concerned with Chinese oil development, this volume contains some 200 references to scientific literature in the field, some of them annotated. The compilers have attempted to keep the bibliography current by periodically making additions to the original text. Scientific articles from China are very difficult to obtain, but mention has been made of the work of many outstanding foreign scholars of Chinese petroleum geology.

will likely quadruple in the next two or three years and new markets in Malaysia and Australia as well as other Asian locations via Hong Kong may also be realized. The new friends and the foreign exchange Peking could earn from these transactions is substantial. China could be earning more than $3.6 billion annually from oil exports by the end of this decade, based on current prices, 20% yearly increases in output, and maximum projected production with 10% exports.

China presently derives more than 80% of her energy needs from coal. With this heavy reliance on coal, the leeway exists for the PRC to increase oil exports without necessarily sacrificing domestic energy consumption.

At the same time China has begun to export coal to Japan, after a five year hiatus. This past June Nissho-Iwai received shipment of 3,000 tons of Chinese broiler coal as part of the Mine Industry Council's emergency 80,000 ton import allocation for the nation's hard pressed electric power industry. Japanese industrial leaders, including Nippon Steel's Chairman, Yoshidiro Inayama, have asked the Chinese for one million tons of coking coal over a twelve month period and hope that eventually the PRC will supply Japan with five million tons annually.

The Japanese steel industry will be importing about 50 million tons of coking coal this year—about half from Australia—and will require an additional 20 million tons per annum in the next few years. At least ten million tons of this could come from the South Yakut area of Siberia as part of the Japan-Soviet development scheme. China's coal exports to the Japanese may be designed to inform Tokyo that in future, China too can help fulfill Japanese coal requirements.

China's own coal production, thought to have surpassed 420 million tons in 1973, has been rising steadily since the beginning of the Cultural Revolution and is currently estimated to be growing at a rate of approximately 8% a year. At this pace it could exceed US output before 1980. With increased petroleum production, coal's share of the total energy market in China has decreased incrementally in the last several years and some analysts expect it may decline further, though pressures to increase petroleum exports at the expense of domestic consumption may delay or even reverse this trend.

Regardless of potential coal-oil tradeoffs, coal and its by-products will continue to be a basic raw material in both steel and petrochemical production and power generation. These areas are expected to receive heavy priority as China's Fourth Five-Year Plan reaches toward completion. The PRC spent almost $1 billion on turnkey petrochemical installations in 1973 and this year again at least $800 million has been spent on petrochemical and iron and steel plant acquisition. The steel industry has undergone substantial expansion since 1969 and new facilities from Germany and Japan will necessitate greater use of coal, particularly of the coking variety.

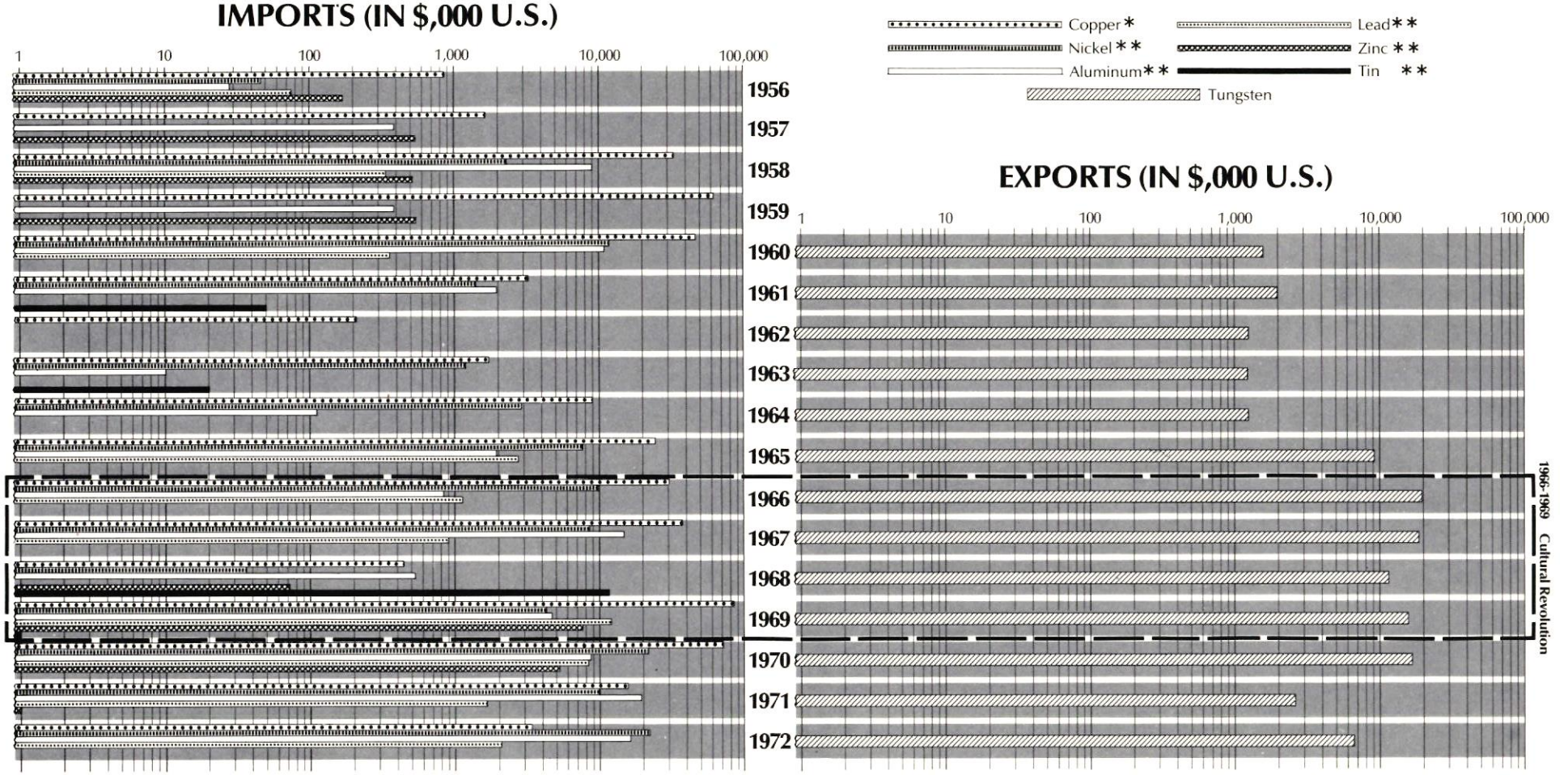
China's Export Metals—A Confusing Picture

If China's coal picture seems relatively uncomplicated, it stands in marked contrast to the confusing world of tungsten and antimony, the country's most important export metals. There is lack of agreement among foreign traders and officials on everything from China's metal exploitation strategy to statistics on PRC production. US metal traders disagree among themselves on China's selling policy, during and between the semiannual Kwangchow Fairs. Industry spokesmen, concerned foreign diplomats and US government officials all differ in their interpretation of the PRC's recent appearance at the UNCTAD conference on tungsten in Geneva. No one, either in or out of the industry, seems to be able to confirm or deny the reliability of the US Bureau of Mines statistics on China's tungsten and antimony output: In fact, the only point which strikes any sense of commonality is that China has a lot of tungsten, and a lot of antimony, and by withholding or disposing, Peking can affect the prices of these commodities on the London Metal Exchange.

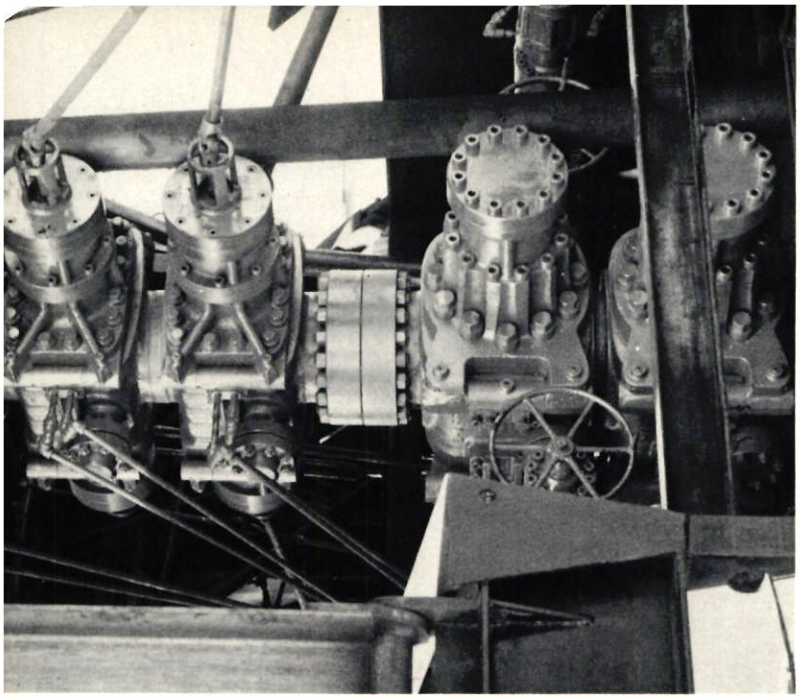
Tungsten

Despite the uncertainty surrounding them, Bureau of Mines statistics on Chinese mineral output have gained considerable currency among economic analysts and industry representatives. The Bureau

CHINA'S TRADE IN NON-FERROUS METALS WITH NON-SOCIALIST COUNTRIES



*Statistics include wire and wire rods through 1967. **Statistics include semimanufactures. Source: U.S. Govt.



Two double 13⅝", 10,000 psi RUCKER Shaffer ram type blowout preventers of the type sold to the PRC.

suggests that China's tungsten concentrate production (68% WO_3 grade) has remained at about 15,000 tons per annum over the last several years. China's domestic requirement has been estimated at 5,000 tons yearly, and with expanded manufacture of cutting tools and drilling bits, should rise incrementally for the foreseeable future.

Estimates vary as to China's tungsten output relative to that of other countries. The Mines Bureau considers PRC output to represent about 30% of world production; and PRC exports of tungsten to represent 25-30% of world exports. Other sources consider China and Bolivia together to supply only 25-30% of world exports. The figures vary from year to year. All agree that China is the number one tungsten producer.

China would seem to have a substantial surplus for export. But, between 1969 and 1972, world tungsten prices fell precipitously, resulting in sharply decreased Chinese sales abroad. For example, where exports had approached 4,000 tons of concentrate in 1967, by 1971 they had been reduced to only 1,500 tons.

In 1972 the Soviet Union reportedly purchased some 5,000 tons of Chinese tungsten, with Austria, West Germany, Sweden and the UK, accounting for perhaps 2,000 additional tons. In 1973 the Soviet share was reduced to about 3,500 tons and the tungsten gap was not filled in Western Europe. Again the Chinese appeared to be withholding their tungsten.

One particularly fascinating, and probably to Peking disquieting, aspect of PRC tungsten sales to the Russians is the low price involved. Under terms of recent Sino-Soviet trade protocols, commodity prices are frozen at 1958 levels, which means that Moscow has reportedly been paying less than $20 a short ton unit for Chinese tungsten. In April of 1973, presumably nearly midway through their 3,500 ton delivery to the Russians, the Chinese could not help but note that prices on the London Metal Exchange, the industry standard, had reached the $42 level.

The rationale for this seemingly inexplicable arrangement likely lies hidden within the tortuous past of Sino-Soviet economic exchanges. It is hardly conceivable with present (October 1974) price levels ranging up to $108 per short ton unit that the Chinese could afford to long maintain their already costly tungsten relationship with the Soviets. Only time will tell of course, but preliminary indications are that Chinese sales of tungsten to the Soviets have experienced further cutbacks.

Meanwhile tungsten prices continue to climb. The Chinese decision to hold down sales has been a major factor but general world inflation and the failure of a large London-based tungsten speculator have also played important roles. Consumer nations are naturally dismayed with this costly tungsten trend, but some of the producer countries as well, are apprehensive that skyrocketing prices may induce purchasers to buy cheaper molybdenum, which in some cases can be a tungsten substitute.

The Committee on Tungsten

Tungsten prices have traditionally been volatile, and as early as 1963, Bolivia and Korea reacted to large Chinese sales (which resulted in sharply lower prices) by asking the United Nations to help stabilize price levels. Out of this request was born the Ad Hoc Committee on Tungsten which subsequently became the Committee on Tungsten. With the formation of the United Nations Conference on Trade and Development (UNCTAD) in 1964 the Committee on Tungsten was placed under the administrative direction of UNCTAD's Committee on Commodities.

This past July, in anticipation of an August meeting in Geneva of the Committee on Tungsten, a high-powered Bolivian delegation, composed of government and industry representatives, visited the PRC for commodity discussions with their Chinese counterparts. The meeting itself was somewhat unusual because the two nations maintain neither commercial nor diplomatic relations, but it resulted in Peking's decision to send a representative to Geneva, as an observer.

As a consequence of this meeting, the Chinese and Bolivians, who, as mentioned above, together produce at least 25-30% of the world's annual tungsten output, have agreed to the establishment of maximum and minimum price parameters for tungsten based on a London Metal Exchange median.

According to a reliable Bolivian source, the Chinese had been reluctant to accept any ceiling price, but after consultation with conference participants, particularly the Bolivians, finally assented. It is the Bolivian position that soaring tungsten prices constitute a threat not only to consumers, but also to producers because overhigh prices would encourage use of molybdenum.

Others have not been so generous in their analysis of what they perceive to be a largely bilateral Sino-Bolivian action. Reports began circulating in the metal industry in mid-September that La Paz and Peking had reached some form of agreement, not only on tungsten, but on antimony and tin as well. The two countries contribute upwards of one quarter to world antimony production yearly and both are substantial tin producers, though their control of this commodity is compromised by Malaysia's strong position. Despite the fact that these vague rumblings of a new cartel continue to be heard, they have not been substantiated.

De Facto Agreement

Cartel or not, the August 1974 UN-sponsored tungsten understanding constitutes an international commodity agreement, and its impact may affect some of the consumer nations in the same way as the cartels; by producing higher prices but reasonably steady supplies. For the Chinese and Bolivians the tungsten pact could not come at a better time. The US General Services Administration (GSA) has received approval from Congress to dispose of 66,000 tons of tungsten over the next two years which in itself makes the GSA a major force on the world tungsten scene. But the new agreement on tungsten may considerably limit the worldwide impact of the GSA disposal program.

For buyers of Chinese tungsten around the world, including those in the US, the picture is by no means clear. No one seems to know how much tungsten China's Minmetals will be selling at or between Kwangchow Fairs. There is similar disagreement over prices. Most industry representatives regard the Chinese as extremely sharp traders, expert at playing off competitors (See Box). Whether the Chinese have serious misconceptions about the nature of metal market mechanics as some insiders have suggested now seems to be a moot point given the emergence of the agreement on tungsten. Whatever China's tungsten posture before, the UN pact now puts Peking in a strong position with both industrial consumers and Third World producers.

Antimony—China's Changing Presence

Over the past several years antimony prices have been no less volatile than those of tungsten, and as with tungsten, China's actions in world antimony markets have contributed to this condition. Since mid-1973 prices on the London Metal Exchange for antimony metal have shot up dramatically to 225¢ per pound in September 1974, a jump of almost 400% in 15 months. The principal market for the metal has been Europe, though US metal traders did begin to make purchases in the wake of the White House's 1971 decision to relax trade restrictions with the PRC. China exports antimony ore only in token quantities, and only to Japan.

The Bureau of Mines estimates that since 1967, PRC antimony mined has held steady between 12,000 and 14,000 tons annually, a decrease of approximately 25% over output in 1966. This may have been a calculated reduction, designed to force prices up, though this contention is not unanimously held, particularly within the industry. China has ceased the practice of offering six-month contracts on the basis of the London Metal

NEGOTIATING FOR METALS AND MINERALS

US metal traders differ on what constitutes the best negotiating stance at the Kwangchow Fair. Some buyers of tungsten, and antimony, think that the significant sales are made in the last several days of the Fair, or even after its conclusion. They believe the Chinese use the first three weeks to gain an appreciation of the present state of the metal market through discussions with traders from Western Europe and the US, and with this knowledge, are then ready to negotiate.

Other industry representatives are convinced that Minmetals officials closely follow the London Metal Market throughout the year and are as aware as anyone of demand, price pressures, and other factors that will influence tungsten and antimony negotiations. These traders point to Chinese expertise at playing competitors off against one another to exact the highest possible price as a key to Minmetals' bargaining tactics, and tend to regard the timing of sales as secondary.

While in the past the Fair has represented the primary opportunity for buying metals from China, some merchants now detect an increasing willingness on the part of the Chinese to do business between the Fairs. Whether this practice, until now only isolated, becomes a permanent feature of the Chinese metals scene, will depend on supply as much as anything else. Nevertheless, analysts of China's export trade have noted a movement away from the Fair as a sales vehicle. There is good reason to believe the metal trade will be part of this movement.

Exchange price, with individually negotiated discounts, and now engages only in spot sales. There is no question that this change of policy has contributed significantly to the truculence of antimony prices.

One experienced metal trader has suggested that Peking's unwillingness to contract antimony forward stems from a Chinese suspicion that European speculators chronically conspire to fix antimony prices, a charge which this trader concedes may have been justified at one time, but is no longer true. This lingering fear of collusion may help to explain the PRC's current spot-oriented trading stance.

The Chinese are also aware of other factors affecting antimony prices beyond their control. The increased level of smelter construction, which will ultimately result in processing non-Chinese antimony ore, could have a deleterious effect on the position of China's antimony metal. Recycling antimony lead in automobile batteries has tended to reduce the demand for antimony metal and the growing use of antimony tri-oxide as a flame retardant increases the value of ore, which the PRC has so far been unwilling to export in large quantities.

If China and Bolivia have agreed on tungsten policies, it is also possible they have reached an agreement on antimony. The presence of Bolivia's foremost antimony entrepeneur in the delegation visiting China this past July adds credence to this supposition. The evidence, such as it is, suggests that Peking may be moving to set maximum and minimum price levels for antimony, as was the case with tungsten. The effect on buyers would be the same: a greater continuity of supply for those willing to pay the higher price.

Tin

China is still the sixth leading tin producer in the world, after Malaysia, Bolivia, the Soviet Union, Indonesia and Thailand, despite an apparent reduction in annual output of 33% since 1960. Current estimates of China's yearly tin production are in the 20,000 ton range which accounts for nearly 5% of the world's total.

The PRC leverage over world tin prices is severely compromised by the overwhelming position of Malaysia in the international tin market. From 1970-73 Malaysian tin exports averaged 83,000 tons per year compared with only about 6,300 tons per year from China for the same period. In 1973 China ranked behind Malaysia, Thailand, Indonesia and Australia as a tin source for the US, capturing a small, 3.8% share of the market with its 1,300 tons.

The PRC has also been exporting modest amounts of tin to Western Europe and Japan. Both France and the Netherlands have been good customers for the past several years, generally buying in excess of 1,000 tons. Lesser markets include Denmark, Germany, and Canada.

In 1973, as prices began to rise, the PRC expanded its tin exports to more than 8,500 tons, which represented a significant 29% increase over the previous year. Prospects for the future are by no means certain. Prices have continued to increase (New York per pound prices in mid-September were hovering near the $4.15 mark, almost double September 1973 levels) reflecting what observers feel is an incipient tin shortage.

Under normal circumstances of supply a Chinese decision to restrict exports would not have much affect on prices, but in the current constricted market the PRC may be justified in thinking that withholding its own tin will push prices even higher. Peking must be cheered to know that the GSA is authorized to sell only a few thousand additional tons of tin, much less than would be required to deflate prices in any kind of meaningful way.

Mercury

These are not happy times for mercury producers. Prices have been moving almost steadily downward since 1970, and if there has been little slippage in the last year it must be regarded as only a Pyrrhic victory. In an era of constricted supplies and inflated prices for commodities as a whole, mercury, bountiful and cheap, is an unwelcome anomaly for those who sell it.

By world standards, China is a major producer of mercury, though its exports have not been a significant force in the international market place since 1962. In that year the Soviet Union alone received 35,000 76-pound flasks from Peking but in the past several years China's total output has not climbed above 27,000 flasks. Italy and Spain, with annual production in 1973 reaching 60,000 and 34,000 flasks respectively, have tended to dominate both the European and American markets, with Yugoslavia, Turkey, Algeria and Mexico adding smaller shares. Out of the approximately 46,000 flasks of mercury the US imported in 1973 (85% of total consumption), only 99 came from China.

With rising mercury prices, things could change. China has the ability and the reserves to expand its production. Mines in eastern Kweichow particularly, as well as in western Hunan and southwestern Kwangtung possess proven resources; the reduction in output they have experienced over the last decade is more a function of the marketplace than a reflection of technical or metallurgical difficulties. Any significant increase in production, however, will be pegged to higher prices, and for the time being at least, that does not seem likely.

NEGOTIATING THE SALE OF MINING EQUIPMENT IN PEKING

Having attracted Chinese interest, US exporters of mining equipment must consider the procedures they will likely go through to finalize their China deal. The largest US sale of mining equipment to the PRC to date involved Bucyrus-Erie of Milwaukee, Wisconsin, which negotiated a $20 million contract for blast hole drills and power shovels.

In their quest of the China market, B-E employed the services of a private consultant with a considerable engineering background, Dr. C. J. Wang, President of the Arlington, Virginia, International Corporation of America. Dr. Wang was retained as a representative by B-E prior to his visit to the Fall 1972 Kwangchow Fair where he represented a number of clients.

While in Kwangchow, Wang showed officials of the China National Machinery Import and Export Corp. (Machimpex) Bucyrus-Erie product literature and acquainted them with the technological capabilities of the US mining industry in general. Machimpex representatives were sufficiently impressed with Dr. Wang's presentation to invite him to meet with Machimpex mining experts in Peking.

After several days of preliminary technical discussions in the Chinese capital, Wang returned to the US and heard nothing from the Chinese for four months. Finally, in March 1973 Machimpex wrote B-E to inform them of their interest in three or four Bucyrus-Erie products. In response Dr. Wang went back to Peking for further discussions.

Dr. Wang arrived in Peking in April and during his one week stay provided additional details on the B-E products which the Chinese had mentioned. In September 1973, almost a year after Dr. Wang had approached Machimpex on behalf of Bucyrus-Erie, the Chinese issued an invitation for four B-E engineers and Dr. Wang to visit Peking for technical discussions. These talks lasted for six weeks and were complimented by an additional three weeks of contract negotiations involving two senior Bucyrus-Erie sales and contracts people along with Dr. Wang. In December of 1973 the deal was finalized.

One of the more interesting aspects of the contract was the arbitration clause and its settlement. Points made by Dr. Wang concerning the negotiation of the clause may be of interest to other US companies involved in the China business.

There is no problem that cannot be resolved by amicable means, provided each party keeps the other informed of their problems. Honest and candid discussions can, in the Chinese view, always be resolved to the satisfaction of both sides. Chinese negotiators are sophisticated but reliable on matters of trust, and usually mean what they say.

Mutual trust, the most important element in negotiations so far as the Chinese are concerned, may lead to greater flexibility in negotiations. China's negotiators stated they saw no difference in using another location for arbitration purposes from those in Europe traditionally used by western firms such as Sweden or Switzerland.

Now, say the Chinese, since US firms are entering the China trade, there is no difference in locating arbitration in Canada. (The US itself cannot be accepted since there are no diplomatic relations, stated the Chinese.) Dr. Wang had no problem in obtaining the Canada clause; that is, he did not have to press or argue for it.

More significantly, the clause obtained permits arbitration of any eventual dispute in Toronto under the arbitration rules of the International Chamber of Commerce subject, in case of conflict, to resolution under Canadian law.

The Chinese may be agreeable to "no claims for consequential damages." Dr. Wang was able to add to his arbitration clause—"no claim for consequential damage whatsoever." For many US firms so-called consequential damages, which are the kind that result in lost production due to late delivery or poor performance of equipment, can be a serious matter. A clause to cover such claims is normally insisted upon. In this case, the Chinese agreed to addition of the clause, saying they would have no intention of claiming for consequential damages, since they are "not that kind of people."

More recently, in November 1974, Dr. Wang returned from Peking after long negotiations, with a contract for the sale of $7 million worth of heavy WABCO trucks for mining purposes.

Conclusions

In the past twenty-four months China has become increasingly aware of the geopolitical implications of her policy of resource development. At the same time the PRC's application of tungsten and antimony, as well as oil, has been motivated by a desire to identify with Third World nations by demonstrating the economic advantages of resource control. There is every reason to believe this overall policy will continue for the foreseeable future. Mineral and metal traders should assess the following.

- Substantial expenditures of Chinese capital and manpower will be given to the development of domestic petroleum and coal industries. Oil diplomacy will become a permanent feature of Chinese foreign policy as expanded exports move

towards Japan, Thailand, Hong Kong and the Philippines. New markets may well be developed in Malaysia, Singapore and elsewhere in Asia and other Third World Areas. Chinese oil will probably soon be shipped to the US, Australia and other industrialized countries, when Peking believes the Japanese to be secure from Soviet petroleum overtures and developing countries in Southeast Asia are confident that China represents a viable and steady source.

- Coal exports to Japan will increase but efforts to attract other customers in the region will be tempered by domestic demand and the knowledge that oil makes friends faster than coal.
- Peking will continue to speak out in favor of the actions taken by Third World nations in support of resource control. The Chinese will encourage the emergence of producers' cartels such as OPEC but the PRC will probably neither join existing cartels, nor engage in the formation of new ones. Rather, China will participate more in supranational, UNCTAD sponsored international commodity agreements for goods such as tungsten and antimony. This will provide Peking with many of the economic advantages of cartel membership without sacrificing any measure of its political independence.
- Domestic demand for China's minerals and metals, and the equipment required to extract them, will almost certainly increase substantially as the PRC's massive industrialization program, involving petrochemicals and iron and steel plants, proceeds.
- As a consequence of the PRC's expanded role in UN-related activities, production statistics for some metals and minerals may soon be made available to non-Chinese for the first time since 1958, enabling foreign buyers to better calculate available supply.
- Sales of China's export metals to the US, particularly tungsten, as with most Chinese exports, may improve now that the future of MFN seems brighter. While antimony is virtually free of tariff restriction, US imports of Chinese tungsten are severely affected by China's Column Two status.

MINING EQUIPMENT FOR CHINA - WHAT TO SELL

More than three quarters of China's mining industry is devoted to extracting coal from the earth. While the Chinese themselves produce much of the equipment used in modern coal mining, problems of quantity, and in some cases technology, require them to import from abroad. In the past much of China's purchasing has been in the field of underground mining, but as exploitation of open pit or above ground mines expands, opportunities for US firms technologically ahead of their European competitors in this field may increase. As China's massive petrochemical and iron and steel expansion continues, the demand for mined raw materials will surely increase.

In particular, US manufacturers of mining equipment seeking to enter the China market might consider the following: 200 ton trucks for use in tearing away overburden; electric shovels for strip mining; drag lines; wheel excavators, as well as large dozers and tractors. It is massive size more than anything else that distinguishes US machinery, and American concerns would do well to emphasize the economy and singular applicability of their products for China's large mining enterprises.

An important consideration in assaying the China market is the prospect for spare parts and/or individual components. It is conceivable, for example, that China could produce the body for a 200 ton truck while buying the tires and the engine from abroad. US gas turbine technology is developing very rapidly and should prove a selling point for any company seeking to interest PRC buyers in US made engines.

Other devices developed by American firms that could prove useful to the Chinese, include front-end loaders and scrapers, both used in stripping off overburden and in the latter case picking up particular minerals such as phosphate. In this category the elevating scraper which elevates the earth or minerals it has torn from the soil to the level of a container could be of particular interest to PRC buyers.

The area in which European manufacturers have established a clear edge over their American counterparts is underground mining machinery. In most cases Chinese underground mines employ the longwall method and British firms like Dowty and Gullick-Dobson have already made significant sales of such items as longwall roof supports, longwall shears and plows. Because US companies themselves often rely on foreign suppliers for this type of equipment, it is doubtful American concerns could make any significant sales to the PRC.

One interesting area already broached by a US company is coal preparation and beneficiation equipment. McNally-Pittsburg of Pittsburg, Kansas has sold China 25 coal samplers. Because a large percentage of Chinese coal requires cleaning, devices like water treatment machines could have good potential in the China market.

Looking to the future, development of laser technology and devices like blast hole drills which align the drill for maximum fragmentation are real possibilities. Ancillary equipment, such as massive cables and generating plants to provide power in the mines should also be considered.

A GUIDE TO THE PRODUCTS OF CHINA NATIONAL METALS AND MINERALS IMPORT AND EXPORT CORPORATION

As in all of its foreign trade, the PRC exports and imports metals and minerals through a state-owned foreign trade corporation, in this case the China National Metals and Minerals Import and Export Corporation known as Minmetals. Minmetals has branches in seven Chinese cities, including the head office in Peking. Each product the corporation exports is handled by one of these branches.

According to a Minmetals catalogue available at a recent Kwangchow Fair, 185 products are offered for sale abroad. Of this total, 72, or about 39% are raw materials such as tungsten, antimony, magnesite and talc. The majority are finished products, manufactured from these raw materials.

The raw materials handled by a particular Minmetals branch do not necessarily reflect the geographic proximity of that branch to the source of the material. Antimony and tungsten for example are mined primarily in the Kwangtung-Hunan-Kweichow-Kwangsi Chuang area, in the vicinity of Kwangchow in South China, but exports are handled by the head office in Peking. This delineation possibly reflects administration considerations, as tungsten and antimony are the nation's leading export metals.

In a few cases, however, geographical location plays a leading role in the branch office's responsibilities. Talc, mined in Liaoning is shipped through Dairen, and fluorspar from Chekiang is processed via Shanghai. Listed below are the seven Minmetals branches with complete export product inventory.

Head Office

Erh Li Kou, Hsi Chiao
Peking
Cable: MINMETALS PEKING

Scheelite, Wolfram Ore, Antimony Ore, Antimony Regulus, Antimony Trioxide (Antimony White), Antimony Sulphide (Crude Antimony), Tin, Mercury, Anthracite Coal, Cement, Hydrous Borax, Mild Steel Round Bars, Mild Steel Flat Bars, Mild Steel Equal Angles, Mild Steel I-Beams, Mild Steel Channels, Steel Window Sections, Foundry Pig Iron.

Shanghai Branch

No. 27, Chungshan Road (E.I.)
Shanghai
Cable: MINMETALS SHANGHAI

Wood Screws, Machine Screws, Bolts & Nuts, Spring Washers, Rivets, Roofing Nails, Door Locks, Door Pulls, Iron Hasps & Staples, Iron Screw Hooks & Eyes, Iron Wire Netting, Hexagonal Wire Netting, Brass Stop Cocks, Brass Screw Down Bib Cocks, Hinges, Iron Tower Bolts, Mild Steel Link Chains, Other Hardware, Steel Windows & Doors, Aluminum Flat Sheets, Aluminum Mill Sheets in Coils, Aluminum Circles, Aluminum Foil, Aluminum Wire, Brass & Copper Plates, Brass & Copper Strips, Brass Tubes, Copper Rods, Fluorspar, Fluorspar in Powder, Vermiculite Flakes, Vermiculite in Lumps, Pyrophyllite, Pyrophyllite in Powder, White Cement, Marble, Asbestos-Cement Corrugated Sheets, Mica-Glass Boards, Artificial Mica Paper, Gas Coke, Red Sand, Pyrite Cinder, Potash Alum.

Tientsin Branch

No. 2 Yung Teh Li, Hopei South Road
Tientsin
Cable: MINMETALS TIENTSIN
Nails, Flat Iron Wire, Iron Wire, Barbed Wire, Welded Wire Netting, Square Wire Netting, Brass Wire Netting, Cast Iron Central Heating Radiator, Cast Iron Valve, Foot Valve, Malleable Iron Pipe Fittings, Caster Wire Rubber Wheel, Iron Wheel, Worm-Drive Hose Clip, Welding Electrodes, Flint, Garnet Sand, Natural Oil Stone, Terrazzo, Marble Grain, Crysrock Products, Asbestos Vinyl-Rubber Tiles, High Alumina Bricks, Fire Bricks, Fire Clay, Crucibles, Corundum Products, Asbestos, Asbestos Products, Compressed Asbestos Fiber Jointing, Braided Flax Square Packing, Lubricated.

Kwangtung Branch

Yen Kiang Road (1)
Kwangchow
Cable: MINMETALS KWANGCHOW
Cast Iron Pipes & Fittings, Cast Iron W. C. Cisterns, Cast Iron Manhole Covers & Frames, Zinc Products, Universal Angles, Louvre Windows, Mild Steel Shelf Brackets, Amorphous Graphite, Amorphous Graphite in Powder, Orpiment, Realgar, Arsenic Trioxide in Powder, Arsenic Trioxide in Lumps, Quartz, Quartz Sand (Glass Sand), Feldspar, Feldspar in Powder, Red Bricks, Red Clay Floor Tiles, Narrow Bricks, Moistureproof Bricks, Gypsum, Plaster of Paris, Mica Scraps, Coloured Cement, China Clay in Powder, Sulphur in Powder, Sea Sand, Yellow Clay, Crushed Granite, Lime-sand Mortar, Shell Mortar, Roll Tiles, Stone Products.

Shantung Branch

No. 9 Tang Yi Road
Tsingtao
Cables: MINMETALS TSINGTAO
Gallium, Wire Rope Clips, Wire Rope Thimbles, Straight Shackles, Turnbuckles, Aluminum Tube Brackets, "S" Type Heavy Tower Bolts, Flat Tower Bolts, Glass Towel Rod, Chromium-plated Iron Tubes,

Iron Tube Brackets for Iron Gate (Aluminum & Chromium-plated), Brass Wire, Brass Rods, Calcined Bauxite, Raw Bauxite, Calcined Flint Clay, Raw Flint Clay, Calcined Magnesite (in Lumps, Grains & Powder), Magnesite, Crystalline Flake Graphite, Ball Stone, Granite Blocks, Granite Slabs, Polished Granite for Gravestone, Colorful Stonelet.

Kwangsi Chuang Autonomous Region Branch

No. 13, Tsinan Road
Nanning
Cables: MINMETALS NANNING
Manganese Ore, Ferruginous Manganese Ore, Silicious Manganese Ore, Manganese Dioxide in Lump, Manganese Dioxide in Powder, Baryte in Lump, Baryte in Powder, Lime Stone, Lime in Lump, Hydrated Lime in Powder, Calcite, Calcite Grains, Calcite in Powder, Stone Grains, Stone Powder, Red Mineral Colours (Red Iron Oxide), Yellow Mineral Colours, Red Hallow Bricks, Wood Wool Slabs.

Dairen Branch

No. 143, Stalin Road
Dairen
Cables: MINMETALS DAIREN
Talc in Powder & in Lumps, Dead Burned Magnesite, White Clay, Diatomite Powder & Lumps, Diatomite Fire-proof Bricks, Bentonite in Powder & in Lumps, Ceramic Clay, Green (Violet) Colour Stone, Mill Scale, Iron Spring Tower Bolts, Door Holders (Foot Controlled), Door Friction Catches, Type "P-1" Chromium-plated Door Pulls, Steel Fitting of Window-door, Iron Washers.

Of all the raw materials exported by Minmetals, China's four primary export metals—tungsten, antimony, tin and mercury—hold the greatest importance for purchasers in Europe and the US. Another traditional area of interest for foreign buyers has been manganese ore and its by-products. Detailed specifications for these commodities, published in a recent Minmetals catalogue, appear below:

WOLFRAM ORE AND SCHEELITE
GUARANTEED SPECIFICATIONS:

	WO3 (min.)	Sn (max.)	As (max.)	S (max.)
Special grade:	70%	0.2%	0.2%	0.8%
1st grade:	65%	0.2%	0.2%	0.8%
2nd grade:	65%	1.5%	0.2%	0.8%

Other components for reference:

	Cu (approx.)	P (approx.)	MnO (approx.)	SiO2 (approx.)
Special grade:	0.2%	0.05%	14%	5%
1st grade:	0.2%	0.05%	14%	5%
2nd grade:	—	—	—	—

Packing: In cloth or plastic bags with outer single gunny bags, approximately 50 kgs. net each.

ANTIMONY ORE (Antimony Ore Sulphide, Antimony Ore Oxide, Antimony Ore Mixed.)

Specifications:

Lumpy and Powder	Sb (min.)	As+Pb (max.)
(1)	60%	0.3%
(2)	55%	0.5%
(3)	50%	0.5%
(4)	45%	0.5%
(5)	40%	0.5%
(6)	35%	0.5%
(7)	30%	0.5%
(8)	25%	0.5%

Packing:
Lumpy: In single gunny bags of about 50 kgs. net each.
Powder: In gunny bags with inner cloth bags or plastic bags, approximately 50 kgs. net each.

ANTIMONY REGULUS

Specifications:	Sb (min.)	As (max.)
(1)	99.9 %	0.05%
(2)	99.85%	0.05%
(3)	99.65%	0.15%
(4)	99.5 %	0.2 %

Packing: In wooden cases of about 100 kgs. net each.

ANTIMONY TRIOXIDE (Antimony White)
Specifications:
Sb_2O_3 99.5% min.
Packing: In gunny bags with inner plastic bags or latex glass fibre cloth bags, all weighing about 50 kgs. net each.

ANTIMONY SULPHIDE (Crude Antimony)

Specifications: Lumpy and Powder
Sb 69% min.
S 28% max.
In powder: Fineness: 95% min. through 200 mesh.
Packing:
Lumps: In wooden cases of about 10 kg. net each.
In gunny bags of about 50 kgs. net each.
Powder: In gunny bags with inner plastic bags of about 50 kgs. net each.

TIN INGOTS

Specifications:
Special grade: Sn 99.95% min.
1st grade: Sn 99.9% min.

2nd grade: Sn 99.75% min.
3rd grade: Sn 99.00% min.
Packing: In bulk.

MERCURY

Specifications:
(1) Hg 99.999% min.
(2) Hg 99.99% min.
Packing:
In iron flasks, approximately 34.5 kgs. net each.

MANGANESE ORE:

Specifications: (1) Mn 46% minimum
(2) Mn 44% minimum
(3) Mn 40% minimum
(4) Mn 38% minimum
(5) Mn 35% minimum
Packing: In bulk.

FERRUGINOUS MANGANESE ORE:

Specifications: Mn 30% min. Fe 17% min.
Packing: In bulk.

SILICIOUS MANGANESE ORE:

Specifications: Mn 30% min. SiO_2 25% min.
Packing: In bulk.

MANGANESE DIOXIDE IN LUMPS:

Specifications:	MnO_2 (min.)	Fe (max.)
(1)	80%	3%
(2)	75%	4%
(3)	70%	6%
(4)	65%	6%
(5)	60%	7%

Packing: In bulk.

MANGANESE DIOXIDE IN POWDER:

Specifications:	MnO_2 (min.)	Fe (max.)
(1)	80%	3%
(2)	75%	4%
(3)	70%	6%
(4)	65%	6%
(5)	60%	7%

Fineness: 95% min. passing through 30, 80, 120 or 200 mesh.
Packing: In paper bags with outer gunny or glass fibre bags at about 40/50 kilos net each.

CHINA'S MINMETALS—A GEOGRAPHY

Aluminum—Plenty of Bauxite, Production Inefficient

Despite total reserves of aluminum ore including bauxite and aluminous shale of over 1 billion tons the 130,000 ton annual production of refined metal has been insufficient to meet China's growing demand for aluminum. Aluminum has been used in electrical generation and transmission facilities, and importantly as a substitute for copper.

One of the problems facing Chinese metallurgists in dealing with aluminum ore is its high insoluble silica content making it unsuitable for the Bayer process which extracts alumina from bauxite ore before electrolytic reduction. As an indirect consequence the PRC has been forced to import primary aluminum from a variety of suppliers including France, Japan and Canada.

Antimony—Largest Deposits in the World

China's reserves of 3.5 to 4 million tons represent the largest antimony deposits in the world. Production has been 12-14,000 tons per year since 1967. This figure is perhaps only 30% of the PRC's annual production capability.

The Hsikuangshan mines in southwestern Hunan account for about half of China's antimony output and reserves in this area are thought to contain roughly 1.5 million tons. Other important mines are located in Kwangtung, and lesser facilities operate in Kweichow, Kwangsi Chuang Autonomous Region and Yunnan.

Asbestos—Major Asbestos Producer

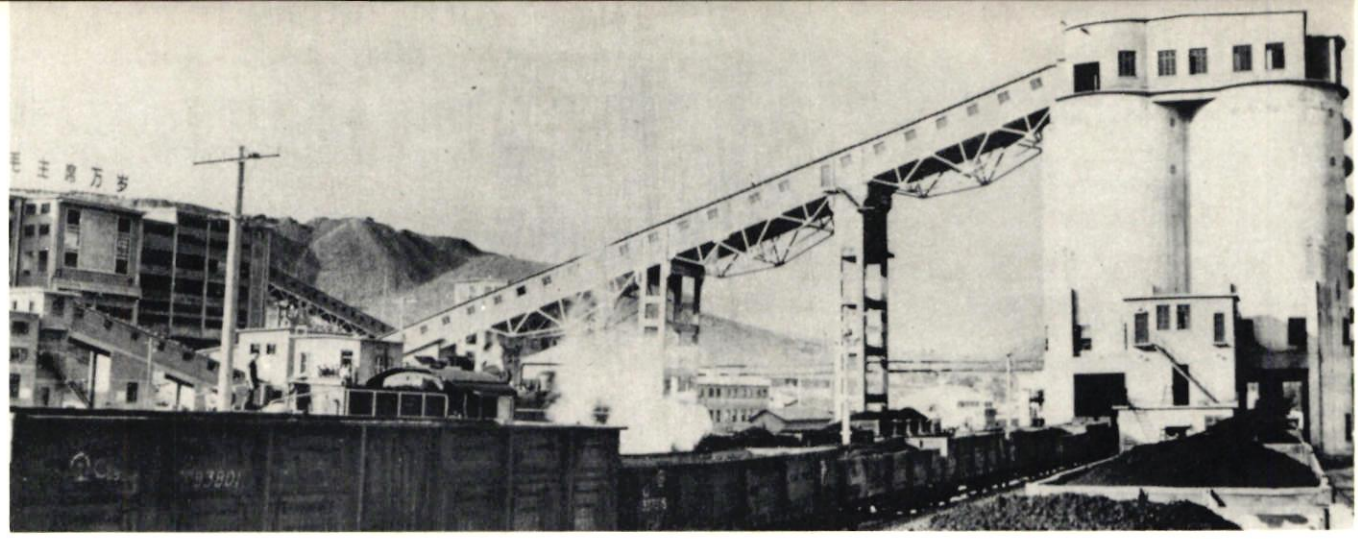
China is a major asbestos producer, turning out about 170,000 tons annually, which is approximately 4% of world production. The bulk of Chinese asbestos is mined in Szechuan, near Shihmien, which aptly enough, is the Chinese word for asbestos.

Barite—Some Exports

Barite, used domestically in oil drilling, has been produced at the rate of about 100,000 tons annually, but China's barite reserves are such that output can be expanded to meet additional requirements without great difficulty. China's barite is exported as well, Japan and Poland being important customers.

Bismuth—5-10% of World Production

With an estimated 250 metric ton annual production, China accounts for between 5 and 10% of the world's bismuth output. A small amount of concentrate has been offered on the world market but in the last several years China has been withholding supply, possibly for stockpiling purposes. Bismuth is a by-product of tungsten and other non-ferrous metal ores and with recent developments in ore dressing techniques, the recovery rate for concentrate has been considerably improved.



A new coal center in the West China Plain. (Wide World Photos)

Coal—Backbone of China's Mining

Coal is the backbone of Chinese mining efforts. The PRC is now the third largest coal producer in the world, with 1973 output estimated to have surpassed 420 million tons.

Seven combines dominate the Chinese coal industry, with Fuhsin and Fushun, both in Liaoning, heading the list at 20 million tons annual mine-run output. One of China's oldest coal mining complexes, the 90-year-old Kailan facility in Hopei, has recently undergone modernization and may shortly reach the 20 million ton mark as well. Hokang and Chihsi in Heilungkiang, Huainan in Anhui and Tatung in Shansi fall into the 15 million ton category. Five combines produce at the 5-10 million ton level and additional 50 to 60 locations have annual outputs between one and five million tons. Taken together these large complexes produce about two-thirds of the nation's total; the balance is produced by local mines, yielding from 100 to 1,000 tons per day, which are important for small scale industrial and agricultural projects.

Copper—Sizeable Imports

On an annual basis, China uses two to three times as much copper as it produces. Copper accounts for a substantial proportion of China's total metal and mineral imports. The estimated yearly output of 100,000 tons is supplemented by sizeable purchases from abroad, though after trade agreements were signed with Chile, Bolivia and Zambia in 1970, the PRC discontinued its copper shopping on the London Metal Exchange (LME).

In 1973, however, following the coup in Chile that deposed the government of Salvador Allende, Santiago's new military rulers embargoed further shipments of Chilean copper to the PRC. As a result, China is once again buying copper on the LME.

Chinese copper mines presently in operation are spread throughout the country: T'ung Ling and T'ung Ch'eng in Anhui; Fushun and Ch'ing-yuan in Liaoning; Lanchou in Kansu, P'anshin in Chilin; Ta-yeh in Hupei, Ch'eng-tu in Szechuan; and Li Chiang, Hsuan-wei and K'un-ming in Yunnan. Major smelters and refineries are located in Shenyang (Liaoning), K'unming (Yunnan), Ho-chia-ch'ung and Wu-wei, both in Kansu.

In recent years the PRC has reportedly discovered major porphyry deposits in the northern part of the country but due to lack of equipment and shortage of technical personnel, they have remained by-and-large unexploited. In addition, limited smelter capacity makes the processing of concentrates problematical. With this in mind, the Chinese copper industry can be expected to develop in lockstep with itself: as new mines are explored, new beneficiation facilities will be constructed and vice versa. China has made overtures to Japan concerning the purchase of smelters which would indicate one area where foreign capital equipment could have a direct effect on the pace and development of the Chinese copper industry.

In the meanwhile, purchases of copper from abroad will continue. Britain and Germany will likely be supplying China with refined product as will Japan. But the bulk of raw copper will come from the old standbys, minus the politically incompatible Chileans.

Fluorspar—Leader in Production

China has consistently been a leader in fluorspar production, accounting for about 7% of the world's yearly output, with 300,000 short tons produced annually, mostly from Chekiang, Hopei and most recently the Kwangsi Chuang Autonomous Region.

Domestically consumed fluorspar, used in the manufacture of steel, aluminum, ceramics as well as atomic energy, amounts to only 130,000 tons per year, leaving a significant balance for export. Japan has been buying heavily, importing about 100,000 tons per annum, with the remainder distributed among the USSR, West Germany, Sweden, Poland, the Netherlands and Belgium.

Graphite—Sufficient Domestic Supply

Graphite production, at 30,000 tons annually is

sufficient to meet China's domestic needs but little is left over for stockpiling or export.

Lead and Zinc—Imported, Recent Increase in Demand

Like copper, China's production of lead and zinc falls short of domestic requirement. Output, coming primarily from mines in Hunan, Liaoning and Yunnan, has been averaging about 100,000 tons annually since 1963. In the last several years western nations including Canada, the U.K. and Peru, have been supplying China with between 20,000 and 50,000 tons per annum and it is suspected that the DPRK also exports lead and zinc to the PRC.

Smelter facilities—none larger than intermediate size—are located in Hunan and Yunnan. Since 1970 they have been able to keep pace with the level of domestic production. Internal demand for the metals is thought to have risen sharply of late and expanded imports may be contemplated, if production and smelter capacity fail to grow.

Magnesium—Small Output

Magnesite deposits in the Northeast, particularly in Liaoning, are extensive, though production of magnesium metal, fed by magnesite and sea water has only been in the 1000 ton per year range. In recent years magnesite has had an important use as a refractory in steel making. The Anshan Steel Works pioneered in employing magnesia-alumina bricks for iron and steel smelting.

Manganese

High grade manganese deposits occur in the Southeastern part of China though lower grade deposits are found in Liaoning as well. Since 1959 ore production has held steady at approximately one million tons per year, 90% of which is used domestically. The Chinese steel industry makes greater use of manganese in smelting than its counterparts in the West. Of the 100,000 ton annual surplus, Japan has been buying about 70%.

Mercury—Production Declined

Production has declined rapidly in recent years but has lately held firm at about 27,000 76-pound flasks per annum. Southwest China, particularly Kweichow, is the principal source.

Molybdenum—Extensive Reserves

China's molybdenum deposits are extensive, but because tungsten can be substituted in the steel making process, there has been no great rush to develop them. Yearly output has been about 1000-2000 tons and much of this is exported to Eastern Bloc countries, including the USSR, East Germany and Poland.

Nickel—Scant Reserves

With scant nickel reserves and insignificant production, China relies heavily on foreign imports to meet domestic requirements. Approximately 12,000 tons are purchased yearly from Canada, Cuba and the Soviet Union. Two large Canadian companies, International Nickel and Falconbridge provided almost half of this supply in 1972, for about $16 million. INCO is reportedly considering selling the Chinese Indonesian nickel smelted in Japan.

Pyrite—Up 20%

Since 1970 Chinese pyrite production has increased to about 1.8 million tons a year, up 20% over pre-Cultural Revolution days. Most of China's pyrite is mined in Anhui and Kwangtung and is used in sulphuric acid manufacture, though additional output from Szechuan and Shansi is converted into elemental sulphur.

Salt—Second Largest Producer

For some years China has retained its position as the world's second leading salt producer after the US. Output is in the neighborhood of 18 million tons annually, and about 10% of this traditionally goes for export, mainly to Japan. Four provinces—Kiangsu, Shantung, Hopei and Liaoning—provide the bulk of China's salt production, which is mostly consumed for food though industrial demand has been rising.

Talc—Half is Exported

China's talc production is approximately 150,000 tons annually, and of this amount perhaps 50% is exported, primarily to Japan. The principal mining area is in Liaoning.

Tin—Substantial Reserves

China produces about 20,000 tons of tin yearly from mines in Yunnan and the Kwangsi Chuang Autonomous Region. Several decades ago Chinese tin reserves were thought to exceed 1.5 million tons and this figure still seems reliable, as new discoveries have tended to compensate for worked out resources. Last year tin was China's chief export to the US.

Tungsten—World's Largest Reserves

China has the world's largest reserves of tungsten, probably in excess of 100 million tons of 1.0-2.5% WO_3 ore. This represents more than three-fourths of the world's known resources. Domestic production centers around southern Kiangsi (wolframite) with secondary sources in Kwangtung (wolframite) and Hunan (scheelite). Output for the past several years has hovered around the 15,000 ton range for 68% concentrate.

Uranium—Unable to Meet Demand

China's uranium supply is derived from three principal mines with a daily combined output estimated at 2,500 tons. These sources, located in Kwangtung and Kiangsi evidently have not been able to meet demand. Recent reports indicate Peking may soon be buying uranium from Gabon.

An American Market Designer Visits China . . .

An Interview with Leslie Tillett

D. D. and Leslie Tillett head their own design and consulting firm in New York City. The firm owns a textile plant as an outlet for their many design ideas, but Mr. and Mrs. Tillett spend a great deal of time travelling around the world as consultants to governments and agencies wishing to develop products for the American market.

Leslie Tillett also acts as design and sales promotion consultant for US companies who sell a wide range of products to the American market.

The Tilletts believe that good saleable design and a sound marketing strategy are intertwined. Thus in Latin America, Africa, and Asia, they have helped devise and adopt products from native materials and then have seen these items through to appropriate import houses and nation-wide showings.

Last year, the Tilletts were invited to the People's Republic of China, where they spent several weeks learning first-hand about China's arts and crafts and sharing their philosophy of marketing. Arne J. de Keijzer interviewed the Tilletts for UCBR in their comfortably cluttered studio, surrounded by the results of a half-a-dozen projects and with a life-size mural of the window-view from their country house as a backdrop. The views expressed in this taped interview are those of Mr. Tillett.

UCBR: Mr. Tillett, how did you become interested in China, and what was the background of your invitation there?

TILLETT: We have worked in Hong Kong and the Far East and there became familiar with Chinese products, because they are all there, you know, in their department stores and their selling offices. In addition, we've long been interested in the progress the Chinese people have been making, having kept up-to-date by our long friendship with Edgar Snow.

As to the specific invitation Lois Snow attended a dinner we were giving about a year and a half ago. After dinner we were reviewing our work in the Far East, and she said, why don't you do the same work for the Chinese? She knows our sympathies toward China, and agreed to be our sponsor. She said we would also need an industrial sponsor, and introduced us to an old friend who's been in China some twenty years. This man agreed to present our case to the Chairman of the China Council for the Promotion of International Trade. We said that we would come, if asked, for "conversations," as the Chinese call them. But they were meant to be conversations with a point, which was to criticize what we saw. They agreed to that and after his return he told us we would be getting an invitation in about six months. Suddenly, last August, we got a cable saying, please arrive in August!

UCBR: That was quick notice! How did you prepare?

TILLETT: We weren't really well prepared, statistically,

with what they produce. All we knew is what we'd seen, but we had no real quantitative figures—and at that time, even Washington was woefully lacking in statistics.

Part of my method of preparation was to re-read everything possible that Chairman Mao had written. I read it all, and I found it very enlightening and helpful in China.

UCBR: Who were your hosts, and how long did you stay?

TILLETT: Our host was the China Council for the Promotion of International Trade and we stayed a few weeks.

UCBR: What were your general impressions of China?

TILLETT: For old Asiatic hands, China is a big shock. You're steeled to seeing misery and deprivation and we did not see any of that in China. I didn't see a torn garment—not even a patch. Everybody is obviously well-fed, and very cheerful, and that's a shock in the Far East. Some Asian capitals are in the most miserable condition; it's poverty and it's disease and it's a running sore, and you fly from such a place to Peking, and it's really a big shock. That takes a week to get over, really!

UCBR: What did you have an opportunity to see and do?

TILLETT: As you know, they do not readily show people industrial factories and consumer goods plants, but after we had had several conversations with the Chairman of the CCPIT and his aides, and gone through welcoming dinners, which were beautiful, we then saw the headquarters of the three export corporations that we chose, the [China National] native produce and animal by-products [Import and Export] corporation, and the animal husbandry corporation, and, of course, the light industrial corporation. We saw the heads of each of those with their staffs and we looked at hundreds of products.

But products are one thing and producers another. So we then began to agitate, when do we see factories? There was a marked reluctance about that, but finally I think we broke that reluctance by pointing out such obvious things as Chairman Mao saying that nothing important can come about in any policy unless it comes from grass roots; it must come below upwards, he said. In line with that, we said, we have to see what the masses are doing, we have to actually talk to workmen, and I think that sort of arguing broke the logjam. And we began to see factories around Peking connected with those three corporations.

UCBR: I want to ask you more specifically about your visits to Chinese factories and what you found there, but first let's talk a little more about the "Tillett philosophy." Can you give us some specific illustrations?

TILLETT: Perhaps I can describe our work by citing a recent experience in one South Asian country. There was only one raw material there, and that's jute, and these people had to be taught to make things out of jute that they could sell on the world market. We've just completed the contract, completed in the sense that we devised the products, we found the importing house here, and we saw them through the first showings.

We've also been working in South Korea for five years, for the government. There we work on almost every consumer good that they make for our market, based on a thesis that we believe in: It's a continuation of colonial thinking to sell raw materials. One should sell finished products, because of the added value.

UCBR: In addition to redesigning products, then, you also help find a market for them?

TILLETT: Yes, the problems of product development can't be separated from marketing. They're two sides of one coin, and our method, if we have a formalized method, is based on trying to get people to make what they can make, not what they can't make. The essence of what we said to the Korean Export Design Institute several years ago was that for most of the designs you are making there is no industrial base, or skill base, or raw materials. Also, they seemed to be making things for which there was no American market.

I posit that the Chinese should study what can be made and make adaptions, then work out a marketing method. There's a lot of talk about how marketing is done, but the way we do it is to ascertain the price first. We say to them, don't sit there with your mathematical professors figuring out your costs and what you should have as a markup. Figure out what the market will bear, and then bill backwards from that. There isn't any other method; all other methods are unbusinesslike, they're professorial, academic.

Our aim is to develop a product which simultaneously you know can sell, and which they can produce, and that means a survey at both ends.

UCBR: Returning to China, could you tell us about your visit to Peking Handicrafts Factory, where you got into a very interesting and instructive conversation. Let's discuss this in terms of China's attitudes toward design, marketing, and the relationship between the two.

TILLETT: Yes. The Peking Handicrafts factory is a large one, having some 800 people making a great variety of consumer goods, mostly in finely-made housewares, vases and statues and so on—almost everything that artisans can make. They are a good example not only of Chinese thinking, but of what they can do.

After some initial discussion with the leading member of the Revolutionary Committee, we turned quite critical, when asked to do so, of his products.

We admired their craftsmanship, which is certainly the highest in the world, bar none. But there was no sense of design development, in fact, there weren't any designers. On every plant visit we would first ask to be taken to the design department. The answer invariably was, what design department? So then we'd say, well, let's meet your designers. They responded by saying that all their artisans are designers; an admirable idea, but it's not very workable.

They are doing traditional products that they have always done, in the same style, in the same mold, and the same way. I asked if he believed that the traditional way of working was the only way, and the answer had to be, in the end, yes. I ventured to say that this was hardly following Chairman Mao's philosophy of adapting to current times, of "letting the past serve the present." I said "Why not put this into practice, and do designing out of your own background, that which is wanted?" Well, he saw that.

UCBR: This is a key point: You felt that there were things in traditional Chinese culture that could be adapted to present-day American market demands?

TILLETT: Right. They have a cultural history that, for continuity, for effort, and for high level of design is the best in the world. Yet, it is traditionally unused. They don't tap their own cultural history, they merely make the product that they always have made. So a cloisonne vase is a copy of the cloisonne vase they made last week and two thousand years before. They don't say, we have these museums groaning with beautiful things that could be adapted.

In other words, the product doesn't change; it hasn't changed. When I pointed out that they were not using their cultural history, he was amazed, surprised, and to some degree, unaware of all they had.

We then began what we called afterwards a sort of "Easter egg conversation." I said to the leading member of their Revolutionary Committee: "Of all the things you make, which are about a hundred, the traditional egg painting is probably the least important, but it will illustrate thinking. For instance, would you take these eggs and put on them a rabbit of traditional American design that could be sold in the US?"

He said: "No, I wouldn't."

"Why not?"

"Because we're not going to make foreign things, we're not going to change what we do for something which is not out of our heritage."

"Well," I responded, "How about putting on a Chinese rabbit? You do many beautiful drawings of rabbits and birds."

So, he finally said, "yes, we would do that."

This, of course, could conceivably give us a function, because we could point out what they have, and how they might adapt it to make a product that is Chinese and yet saleable in the US market.

We spent all the rest of the day and made a real dent on the department heads concerned, product-by-product, from jewelry—which was beautiful and totally unsaleable—to vases, drawings, frames, to almost everything they make. We emphasized simplicity, doing away with so much detail, telling them: "Less is more."

UCBR: So you are optimistic that Chinese handicrafts may undergo the kinds of changes that would make them more attractive to American buyers.

TILLETT: I think that this illustrates that *half* of the job could be done and will be done in China. But it's only half the job, because while they would undoubtedly accept adaptations of their designs, many of their end-products may still be wrong—in the sense that they're not used here or not wanted.

As I've mentioned, half of the thing is marketing and we would not be interested in just helping them change their product, or adapt it, because without detailed marketing help, to the point where they are placed in the best hands here, I think it would be a pointless effort

UCBR: Do you have any indications that they may be willing to accept that kind of help in marketing?

TILLETT: Oh yes, we had a lot of conversations about marketing strategy, sales promotion, packaging, pricing, which are the best channels to sell to, what marketing strategy to employ.

UCBR: What aspects of marketing strategy did you advise them on which you felt were particularly American?

TILLETT: One was about the nature of American buyers in general, and the other was a differentiation in the kinds of retailing we do here.

The Chinese are beginning to understand that we are not the same market as Europe, and that what they've learned in selling to Europeans isn't very useful in selling here. It's a completely different field. Not only are the American buyers pugnacious and pushy and even belligerent, but they are also impatient and won't or mostly can't sit down over ten cups of tea and develop a product. Most simply shrug their shoulders when they come up against the Chinese system, which, often appears to be "Love it or leave it"—no adaptations, no flexibility, no willingness to drop one product and replace it with another, no thought about whether they should sell the same product all over one area and have everybody competing with each other.

This leads to an illustrative point. I said to them, when you're selling in an area, don't sell the same identical thing to two groups who have different price structures. There's not only a distinction between wholesalers and retailers, but you shouldn't sell the identical thing to a specialized department

store that you do to the discount mart across the street, whose costs are 50% lower. Well, they couldn't see that, because the egalitarian concept is that we sell the same thing at the same price to everybody. I said, OK, don't change your price, just don't sell the identical thing!

UCBR: We've been talking about the different ways in which China might learn to adapt to the American market, but perhaps we are making unrealistic demands. While certainly there are basic principles of marketing with which the Chinese will continue to need to become familiar, aren't fads and the vagaries of taste such that we are asking the Chinese, who work within the long-term planning of a Socialist economy, to produce things for which the market may have already changed? In other words, aren't the Chinese reluctant to become a "Hong Kong?"

TILLETT: They made it quite clear in various factories, and especially in the carpet plants we visited, that they are not going to become Hong Kong, they're not going down the Hong Kong road. In other words, they will not become a labor intensive, low income producing sort of lackey for the West. Everything they make that is popularly priced they need for themselves, not for export. Thus, their exports in the consumer field, for many years to come, are going to be in the middle or department store bracket. The whole idea of the stereo-typical Asian sweatshop is absolutely abhorrent to them, they are totally unwilling to be exploited as a source of cheap labor.

UCBR: What kind of market are we looking at, then, and what volume do you foresee in China's exports to the United States?

TILLETT: They could, within three years, bring their present export figures to the US up to several billion. One reason for this, for example, is that our buyers who traditionally buy in Europe and Japan find that prices are becoming impossible and also they, the producers, are consuming more and more of their own products. My feeling is that the Chinese can certainly plan on a three to four billion dollar annual export of items such as furniture, jewelry, fabrics, housewares, silk, carpets, and so on.

UCBR: Yet, to achieve such figures, there clearly is a need for concrete steps which would allow Americans and Chinese to get a better understanding of each other's marketing and production needs.

TILLETT: We discussed this with the Chief of the US Liaison Office in Peking, David Bruce, and his suggestion was that a pilot program be devised which would cut right across almost everything the Chinese can make in the consumer field, even to jewelry, and that this pilot program would be based squarely on Chinese art history and carefully adapted to the American market. Then, when the products were complete, we would use them, with the close cooperation of Chinese officials, to illustrate how they should be marketed. The Chinese Archeological Exhibit now travelling around the world—and coming here—would make a superb inspiration for the designs. We can use this in part to illustrate to the West that we really don't know what Chinese art is. Chinoiserie is a French-European version of what Chinese consumer goods are. But their real things are strong, bold, and in many cases, quite simple.

So we suggested to the Chinese that this collection of housewares, jewelry and almost everything which reflects their productive capacity and techniques, be adapted from designs from this exhibit. We would work actively with their plants to make the finished prototypes and price them, and then market it here with their close cooperation, so they can see how the marketing was done.

We suggested this, but I don't think the authorities there, either in the Ministry of Trade or the CCPIT, are ready to take the initiative in such a program, feeling as they do, that it should be a customer initiative. It is really up to us, I think, if we are to promote trade between our countries on the basis of mutual understanding, that we do the basic work for such a pilot program in the United States, and that it be sponsored here.

UCBR: While looking for support for this project, I understand, you have been working on adapting some Chinese designs that you had promised your hosts.

TILLETT. Yes. I'm doing, unofficially, a collection, based on this travelling exhibit, that will go into carpets, silks, dinnerware, and so on. I'm doing a collection myself, without, as yet, any pay, because I think it's going to be needed, and I think somewhere along the line it will happen. A good example are these Easter egg designs that I talked about with my friend at the Peking Handicrafts Factory. Also, I have been sending, at their request, color charts and suggestions to two of their carpet factories, as well as other illustrated advice.

UCBR: What intrigues us about your idea, Mr. Tillett, is that it's both a way of getting at a specific problem in design and marketing, and also that it promotes trade in general.

Do you have any final comments?

TILLETT: I am convinced that the Chinese are going to have a great influence on our market in the next decade, not just in terms of volume, but in terms of their unique heritage of design. They are beginning to see that their experience in exporting to other countries is not much help to them here, and they are now preparing the right kind of organized approach to the American market. There will be a need for thorough study and understanding on both sides, and I feel my proposal would be a contribution towards that end. But sponsorship must be found here from all those Americans interested in furthering Sino-American trade.

UCBR: Thank you. 完

AMERICAN INDUSTRIAL REPORT

Growing List of US Firms Show Their Wares in China

American Industrial Report (AIR), the bimonthly magazine conveying information about US firms and their products to the People's Republic of China—in modern Chinese—has now a substantial list of major US companies who have advertised in its pages. Most of these firms are members of the National Council, as is the company that publishes the magazine, China Consultants International.

The following have introduced their products, technologies and identities in AIR to date, in its first year of publication; either through advertisements, articles or both—

AMF, Inc.
Anaconda
Burr Brown
Burrows Equipment
Capitol Controls
Caterpillar
Clark Equipment
Clark Import-Export Co.
The Cross Company
Cyanamid International
Doall Company
Fairchild Industries
First National Bank of Chicago
Fischbein International
FMC Corporation
Industrial Textile Mills
Joy Manufacturing
Lee Norse Co.
Mack Trucks
McDonnell Douglas
Miles Laboratories
Monitor Manufacturing
National Machine Tool Builders
Northwest Airlines
OCE Industries
People's Ware
Port of San Diego
Port of Seattle
Rohm & Haas
Sealand
The Singer Company
Smith Kline
Snap-On Tools
Teledyne Wisconsin
Thomas C. Wilson Co.
3 M Company
Transelco
U.S. Lines
Woodward & Dickerson

For further information call Bill Donnett at China Consultants International, 3286 M Street, N.W., Washington, D.C. 20007, (202) 338-2388.

ACADEMIC ADVISORY BOARD IS FORMED

The National Council announces the formation of an Academic Advisory Board (AAB) to advise the Council and its members on aspects of China relating to business. The board consists of leading China specialists Professors Doak Barnett, Alexander Eckstein, Dwight Perkins, and Robert Scalapino. It is available for private consultations with any member of the Council on any aspect of China. The AAB will, in each case, advise as to the best possible specialist on any given subject required by a member firm. The AAB will also advise the board and staff of the Council as required. Private consultations by the AAB will be arranged on a fee basis appropriate to the occasion.

TECHNICAL PRODUCT LIBRARIES IN PEKING

Companies sending product literature to Peking should note the following modification of the information given on page 6 of the UCBR Vol. 1, No. 4.

Ten copies of all data on new products should be sent to

The China Center for Literature Concerning New Foreign Products
P.O. Box 615
Peking, People's Republic of China

Product information should not be sent to the address below, only scientific and technical literature, such as articles from magazines that in some way relate to company technology.

Library
Institute of Scientific and Technical Information of China
P.O. Box 640
Peking, People's Republic of China

Normally the kind of material sent to this address is that under the aegis of exchange programs with American universities and technical institutes.

IMPORTERS NOTES

Two New ISC Members

At a September 23 luncheon in New York City, Mr. Kurt Reinsberg, Chairman of the Importers Committee, announced that Mr. George M. Krieger, Vice President of ACLI International, and Mr. Julius Klugmann of Alfred Klugmann International have joined the Importers Steering Committee (ISC). This brings ISC membership to a total of nine.

Frank Talks at the Liaison Office

Members of the Importers Steering Committee met on October 4 with commercial officials of the PRC Liaison Office for a lunch hosted by Commercial Counselor Chang Tsien-hua. A wide range of questions related to importing Chinese goods into the United States were discussed, including some measures that could be taken to increase China's understanding of the US market, the question of distinguishing between wholesalers and retailers, the availability and continuity of supply, labelling and quality control and how to improve communications between American businessmen and their counterparts in China.

At a delicious lunch in a cordial atmosphere, Chinese commercial officials responded positively to all points raised by importers and they agreed to strengthen contacts with National Council importer members. Special meetings with importers to discuss specific problems in detail will be taking place between Chinese commercial officials and interested importers. (See below)

Fall Fair Review

An importers luncheon is scheduled to be held on December 5 at the Harvard Club in New York City. The principal topics of discussion will concern activities at the 1974 Fall Fair in Kwangchow and their relation to US importers' interests and the preparation of an agenda for the meeting with Chinese commercial officials.

Chinese to be at New York Lunch

Chinese Commercial Counselor Chang Tsien-hua, and members of his staff will meet with Mr. Kurt E. Reinsberg and members of the Council's Importers Steering Committee in New York at a date to be arranged.

The Trade Reform Act—MFN a Step Closer

The Trade Bill is expected to be passed before the close of the 1974 legislative session, as it appears that a compromise regarding Title IV provisions on the question of emigration from non-market economies has been reached. At time of writing, it appears that this compromise will result in the introduction of an amendment, when the Trade Bill reaches the Senate floor, authorizing the President to waive the Jackson amendment restrictions for an 18 month period, after which it could be renewed by a concurrent resolution of both Houses of Congress. Thereafter, the resolution would be automatically renewed at one year intervals, unless Congress chooses to pass a resolution of disapproval.

It would be misleading, however, to suggest that passage of the Trade Bill will bring China a giant step closer to most-favored-nation tariff treatment (MFN). The Trade Bill expressely requires that the extension of MFN to countries not now enjoying it may only be granted as part of a general, bilateral trade agreement, negotiated by the Executive Branch, and signed by the President.

In the case of China, this also presumes agreement regarding the settlement of outstanding financial claims.

A general trade agreement with China would call for reciprocal and equitable conditions for expanding trade in goods and services with a satisfactory balance of concessions. Provisions relating to the protection of industrial rights and processes, trademarks and copyrights would be mandatory.

Other Provisions of the Act

Other provisions call for

—*Exclusion of "sensitive imports" from duty-free treatment*, such as textiles and footwear;

—*Exclusion from the Generalized Scheme of Preferences to benefit developing countries of*

(a) all communist countries except those members of GATT and IMF that enjoy MFN status,

(b) countries that belong to cartel-type arrangements which withhold supplies of vital materials or which charge monopolistic prices, and

(c) any country which has expropriated the property of a US citizen without prompt, adequate and effective compensation.

—*Local cost requirement* of a good imported duty-free would be a flat 35% where only one developing country has contributed to the value of the product, and 50% where more than one country had contributed to its value;

Eugene Theroux addressing representatives of China's foreign trade corporations in Peking on behalf of members of the National Council. Among matters Mr. Theroux emphasized were expanded sales of Chinese goods to the US market. Included in discussion were labelling, packaging and legal requirements for goods entering the US.

—*Injury to domestic industry:* In general, some form of positive import action is also provided for in all cases where the Tariff Commission finds that imports cause serious injury to a domestic industry. These actions include increasing duties, the imposition of quotas and the negotiation of orderly marketing agreements.

Negotiations toward a general trade agreement with the People's Republic of China could be undertaken once a settlement is reached concerning outstanding claims. A general trade agreement with China, including the extension of MFN, can be negotiated and put into effect even in the absence of full diplomatic relations.

A New Driscoll

All those members who have been in contact with George Driscoll, Council Business Advisory Services Director, may join in our wishing George and his wife, Jannic, good luck with their first child, a boy, Francis Mark, born November 2, 1974. The baby was big—nine-and-a-half pounds and 22 inches tall.

Arne de Keijzer in Print

Trade Channel, a well-known monthly international trade tabloid published in Amsterdam, featured a two-page article in its September 1974 issue by Arne de Keijzer who, as most importers of Chinese products know, represents the National Council in New York and is particularly active with the Importers Committee. Arne's comprehensive piece was highlighted on the front page of the paper as a special feature. *Trade Channel,* represented in the US by Eugene C. Smith, 362 Fifth Avenue, New York, New York, 10001, (212) 563-4551, is a particularly appropriate context for Arne's article since it is one of the vehicles China's foreign trade corporations regularly use to advertise to western firms what they have to sell. 完

INTERNATIONAL CHINA NOTES

China Buying Reports

Cardboard—The Settsu Paper Board Manufacturing Co. announced a sale to China of 50,000 tonnes of corrugated cardboard over the next 12 months. The price is reported at approximately 90 yuan ($45.00) per kg and subject to adjustment every three months.

China has also purchased 36,000 metric tons of cardboard from the Honshu Paper Company of Japan, valued at $11.3 million. The material is to be delivered in December. Industry sources believe that paper and pulp products may occupy an important spot in future Sino-Japanese trade.

Color Printing Machinery—A color newspaper facsimile transmission system using laser beams will be exported to China by Matsushita Graphic Communication Systems, a subsidiary of Matsushita Electric. The equipment is worth approximately $660,000.

Anti-Pollution Equipment for Steel Mill—China may purchase a steel mill drainage disposal system from Kurita Water Industries and Chiyoda Chemical Engineering and Construction. Nippon Steel, which signed contracts with China for the export of steel rolling facilities (worth $198.2 million) in June, is acting as a channel for the sale. The cost of this system would be the equivalent of about $33.6 million.

Soybeans—China has cancelled its order for 600,500 tons of US soybeans which it contracted to buy in June. This followed a cancellation of 1.2 million tons of corn and deferred shipment of about $300 million worth of wheat to next year.

Steel Mill Equipment—Nippon Steel Corporation was reported to be signing a contract October 12 with China to export ancillary steel plant equipment. The equipment will be for the hot strip mill and the electrical steel sheet mill Nippon Steel sold to China in June. The price is approximately $63 million and, as in the case of the steel mill, payment is to be on a yen-denominated, five-year deferred payment basis at an interest rate of 6% per annum.

Steel Machinery—China will buy from Bronx Engineering (UK) two-plate bending rolls for the manufacture of pressure vessels, a plate leveling machine, three hydraulic section-stretching machines and a section-correcting machine.

Equipment for Wuhan Steel Complex—Brown, Boveri and Co. AG and the Brown Boveri Group's Swiss and French units received Chinese orders worth over 150m marks ($58 million +). The German unit will provide most of the equipment including transformers, switches and electrical distribution gear for the Wuhan Steel Works as part of the consortium led by Demag and Schloemann-Siemag. BBC's Swiss operations will build six 28mw steam turbine units for a blast furnace. Its French firm will provide electrical equipment both for a power station, including a 300mw steam turbine group, and, together with other French firms, for petrochemical and fertilizer plants.

The Belgian firm, Ateliers de Constructions Electriques, will provide electrical installation in cooperation with the G.F.R. Demag Schloemann-Siemag concern.

Cranes—China has ordered overhead traveling cranes from Machinenfabrik Augsburg Nuernburg AG (MAN) as part of the German consortium contract for the cold steel rolling mill.

Steel Products—It was announced that six major Japanese steel makers have agreed to supply China with nearly 1.1 million tonnes of steel products for delivery July-December 1974. Prices are said to be 30% to 80% above those for delivery in the first half of the year.

Transmission Equipment—The first Chinese order for a set of band compression-type high speed facsimile equipment type FACOM 6551 was received by Fujitsu. The equipment, which includes a transmitter, receiver, voltage stabilizer and land compressor, is worth approximately $53,000 and is due for delivery at the end of December. China reportedly will be the first country in the world to transmit full-size newspapers with color photographs by this facsimile system.

Fertilizer—Following negotiations between the Japan Ammonium Sulphate Industry Association and Peking officials, it was agreed on September 11 that Japanese member companies would supply between 1.25 million and 1.26 million tons of ammonium sulphate to China. This means that, to date, Japanese firms have agreed to provide about 2.2 million tons of fertilizer from July 1974 to June 1975. Under a more recent sale, 900,000 tons of urea and ammonium sulphate, valued at $122 million, will be shipped between October and January of next year. Prices for future shipments are still being negotiated.

Control Data Contract—China has signed a $7 million contract with Control Data France S.A. and Cie Generale de Geophysique for a computer calculating center for processing seismic data. The center will consist of two Control Data "Cyber 172" systems, and necessary ancillary equipment. Technical training of Chinese operators will take place in France. These computers are the largest yet sought by China. The CDC medium-scale computers are said to be part of an oil exploration project to be conducted in China by France's Compagnie Generale de Geophysique. CDC must still obtain approval of the US OEA which has not yet given CDC approval for a computer to be part of a Japanese-built fertilizer plant for China. The People's Republic of China has reportedly agreed to give CDC an end-users statement certifying where the computers would be used.

Woodworking Machinery—China has purchased three sanders for its furniture and woodworking industry from Machinefabriek A. van der Linden, Goes. The order is worth 250,000 guilders (about $94,000).

Aluminum—N.L.M. and Mitsubishi have sold China 5,000 tons of primary aluminum ingots for August-September shipment worth between ¥320,000 ($1,100.) and ¥330,000 ($1,134.) per ton f.o.b. Further sales totaling 40,000-50,000 tons are predicted by the end of 1974.

Control Valves—Orders worth £600,000 ($1.4 million) have been placed with G.E.C.-Elliott Control Valves of Rochester (UK) after months of negotiations. Delivery to China will take place over the next 12 months.

Trucks—China will import 1,500 trucks this fall from Isuzu Motors valued at ¥5,000 million (about $16.2 million) including spare parts. Just prior to this order China received trucks from Isuzu worth ¥10,000 million ($32 million).

Synthetic Textiles—Japan and China are in the midst of tough negotiations over the export price of synthetics for 1975. So far China has agreed to buy only 2,000 tons of synthetic yarns and cotton but has contracted for 35,000 tons in the second half.

Raw Cotton—Pakistan will supply China with $12.1 million worth of raw cotton under the 1974-75 protocol on commodities exchange recently signed by both countries. Cotton yarn worth $4.3 million and various textile products worth $1.1 million will also be exported to China by Pakistan.

Pork for France?—In early August French pork producers succeeded in preventing a cargo of Chinese pork from being unloaded in Le Havre. The pork was sent on to Austria via Hamburg where West German farmers, ready to protest, were finally assured that the pork would not be sold in EEC countries. When a further shipment arrived in Marseille, hog raisers again staged demonstrations to protest unloading. Importers attempted to assure domestic producers that the Chinese pork was boned and processed in such a way that it would not compete with French butchered pork. A tentative agreement was reached in mid-September whereby the Chinese pork would be put into cold storage and, everytime 100 kilos of Chinese pork was removed, 130 kilos of French pork would have to be purchased to keep the domestic price stable.

Tankers—The China National Machinery Import-Export Corporation is negotiating with Ishikawajima-Harima Industries for the construction of a 90,000 d.w.t. tanker. Also negotiating with China is Nippon Kokan K.K. on exports of four to five tankers of the 50,000 d.w.t. class.

Mobile Cranes—Coles Cranes of Glazebury (UK) received an order for 140 12-ton mobile cranes worth £2m. Delivery is expected within a year.

Locomotives—Six small diesel locomotives have been ordered from Nippon Sharyo Seizo Kaisha. The deal, carried out via Nichimen Co., is worth about $500,000 million. This is the first sale of rolling stock from Japan to China.

Trucks—A contract for the sale of 1,000 trucks has been signed by Berliet. Already there are said to be more than 10,000 Berliet trucks in China.

Oil Rig Supply Ships—Hitachi Zosen Co. will supply Machimpex with five 660-ton oil rig supply vessels, equipped with a broad rear deck for transporting materials and men to shore.

Machine Tools—Thomas Ryder and Son Ltd. received a £750,000 order from China in October for the firm's single and multi-spindle chucking automatics to go into a motor vehicle factory in China where they will comprise a special unit. The machines will be delivered by the end of 1975. During the last 18 months the firm has received orders worth £4.2 million from China.

Hereford Cattle—A consignment of 50 pedigree Hereford cattle valued at £22,000 left Britain by air for China. The cattle, 35 bulls and 15 incalf heifers, have been ordered by the Chinese to improve native breeds. This is the second consignment of Herefords to go to China in the past 19 months.

North American Cattle—The first shipment of cattle from North America to China left Calgary in early October. They included Hereford, Shorthorn and Aberdeen Angus. The sale resulted from a Canadian trade fair in Peking.

Bananas—China has offered to buy bananas from Panama if the Panamanian Government decides to purchase American United Brands Company, with which it has been clashing for some months. Chinese suggest an initial purchase of 10,000 tons.

New Sino-Japanese Trade Company—Following negotiations under an agreement with nine Chinese trade organizations in Peking a new trading company was established in Tokyo on July 8 to handle trade with China. The Fuji Trading Company was set up by 34 member firms of the Managers' Association for Japan-China Peaceful Coexistence, a private organization of business managers with an interest in promoting economic relations between the two countries. Company representatives said the firm would first handle imports of anthracite and cast-iron products from China and Japanese exports of electronic appliances and automation equipment.

Grain Futures—Warren W. Lebeck, president of the Chicago Board of Trade, the largest commodities exchange in the US, has been to China for discussion concerning the future markets for grains and soybeans.

Gold—China is quietly making it known that she is a producer of gold. Current reserves are estimated at $3 billion.

Vehicles—A report has it that 2-300 British Land Rovers are being sold annually to the PRC.

Vehicles

Japanese Vehicle Sales to China in 1973

Firm	*Total Units*	*%*	*Change over 1972 %*
Isuzu	2,115	37.6	1,244.1
Toyota	1,493	26.5	90.2
Hino	1,106	19.1	75.9
Mitsubishi	399	7.1	997.5
Nissan D	285	5.0	30.2
Nissan	230	4.0	—
Mazda	4	0.1	—

Vehicle Plant—Reportedly China has turned down the offer of the Leyland Motor Corporation's plant in Sydney, Australia, recently offered by Australian government officials on their visit to Peking in October, along with a large number of Leyland cars.

China Selling Reports

Oil for Manila—China has agreed to sell the Philippines one millon tons of crude oil and to buy from them, sugar, lumber, copper and coconut byproducts. Shipment of the oil began in October with 25,000 tons and is to continue until January 1975. Oil from China will comprise about 9% of the Philippines annual consumption of about 11,000,000 tons.

Coal—Nissho-Iwai signed a contract to buy 3,000 tons of raw Chinese coal at less than $19.50 a ton. Shipment was due for June 1974 upon the approval of the Japanese Ministry of International Trade and Industry. Chinese coal is reported between US $6.6 to US $10 dearer than Japanese mined coal because of its high caloric value and low sulphur content. Japanese are negotiating for lower prices and reduced transportation and other costs. By October 1974 Japan should have imported 17,000 tons of coal from China.

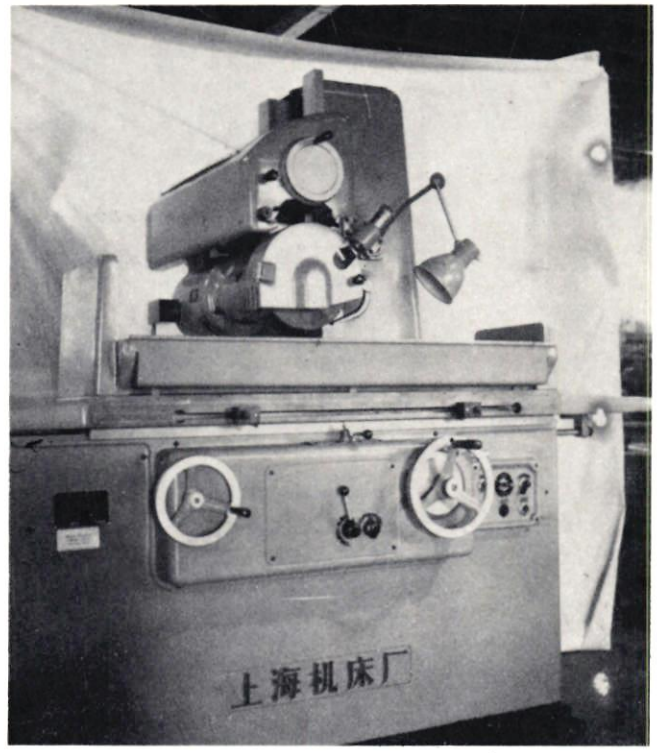
Oil for Australia—According to Australia's Deputy Prime Minister Dr. Cairns, China may sell oil to Australia in the next year or so, when China's production rises to the point at which detailed talks would be possible.

Oil to Hong Kong—Oil from China to Hong Kong is expected to continue at the rate of 10,000 tons a month.

Oil for Japan—Japan will receive a minimum of 8 million metric tons of crude oil from China next year compared with 4-5 million metric tons this year. The agreement was reached following negotiations between a Chinese oil mission and two Japanese oil importers. Chinese Deputy Premier Teng Hsiao-ping told visiting Japanese political leaders on October 20 that China's oil exports to Japan could grow measurably.

Rice—China will exchange 50,000 tons of rice for an equal quantity of cotton from Syria. Under the same agreement, China is to supply Syria with textiles and iron products.

Oil for Japan's fishing boats—It was reported that China National Chemicals Import and Export Corporation has agreed to supply Japan with heavy oil. The Hokkaido Federation of Fisherman's Cooperative Societies and Maruichi Shoji (trading) had asked the Chinese cooperation for such a supply.



Chinese Machine Tool on display in US: The "Pacific Star" fully hydraulic surface grinder, pictured above, was shown at the Northern California Industrial Exposition, in San Mateo, California, October 22, 1974, as the first of a line of PRC machine tools to be imported to the US by Charlie Driesbock Machine Tools (1690 Tacoma Way, Redwood City, California 94063, (415) 851-2222). In an inspection by occupational safety people, the grinder was judged to meet all standards, with only one minor exception.

Pharmaceuticals—A US firm purchased 2,000 kilos of Chinese diosgenin, processed from the root dioszorea and used in the production of steroids.

Air and Sea

Swissair to China—Swissair will begin regular service to Peking and Shanghai from Geneva and Zurich next April 1975.

ICAO Three-Year Council Term for China—The 129 members of the International Civil Aviation Organization (ICAO), at a meeting in Montreal in October, elected the PRC to a three-year term as one of 30 member states constituting the ICAO Council.

CAAC to Europe—It has been reported that China will start regular services to Europe this month. Sources said that a CAAC Boeing 707 left Peking October 30 and flew to Paris via Karachi. This flight marked the start of international scheduled services between Europe and China. While Paris will initially be the only

European city served, other major cities are expected to be added next year.

Joint Cargo Service—Australia and China are discussing the possibility of a joint cargo service between the two countries. The Australian National Line which is preparing to enter the Far East trade will probably be used. At present, most Australian trade for China enters through Hong Kong. The ANL sent representatives to participate in the Australian exhibition in Peking.

Expansion of Canton Port—Reports from Tokyo are that Canton port appears to be undergoing the necessary changes to enable it to comfortably handle tankers up to 50,000 tons. This may mean that Canton will be used as a launching port for an oil-exporting drive to Southeast Asia.

New Dock—China has completed its first deep water dock for 50,000 ton tankers at Chanchiang in South China. Located opposite Hainan Island, it has been used till now as the port for the shale oil refinery at Maoming in Kwangtung Province. It is thought that refinery capacity must have been considerably increased and that the port may now handle crude from North China where there is no deep water port.

Tourist Development

A New Hotel—The 17-story Peking Hotel addition on Wang Fu Street in Peking opened on September 20. Situated east of the old hotel building, it has 700 rooms for 1,500 guests.

Queen Elizabeth to China—The QE 2 will visit China in the Spring of 1975, allowing some 500 passengers to tour Kwangchow. For trips of other liners see the last issue of UCBR.

Exhibitions

Swiss Fair—The Swiss Industrial and Technological Exhibition opened in Peking on August 7. It comprised 190 companies exhibiting the latest in watch repair machinery, power generating equipment, typographical machines, pharmaceutical supplies, textile machinery and farm equipment.

Philippines—China held a month-long industrial fair in Manila in October. Seven of the Chinese corporations exhibited a wide range of products from bicycles to dried fruit.

Australia—An Australian trade display was held in Peking from October 11 to 23. More than 100 companies displayed more than $2 million worth of goods. This is the biggest and most complex exhibit mounted overseas by Australia. Among the companies participating were Alcoa of Australia, Hyster Australia Pty., and International Harvester Co. of Australia Pty Ltd.

Japan—The first large comprehensive exhibition from China was held in Osaka from July 13 to August 11. It was composed of six parts: China-Japan Friendship, Agriculture, Heavy Industry, Light Industry, Handicrafts and Culture. Over 2,000 kinds of Chinese products were also available for Japanese buyers. After Osaka, the exhibition was moved to Tokyo and opened September 20.

Mexico—The Mexican Trade Exhibition opened in Peking September 14. Between 150 and 300 representatives of 15 public and 60 private companies displayed a range of products including minerals, textiles, foodstuffs, cotton, grains, iron and steel ingots, petrochemical products, plastics, transport machinery and optical instruments.

Romania—A Romanian Electronic Industry Exhibition opened in Peking from August 19 to 29. Exhibits included electronic computers, telecommunications equipment, television sets and telephone exchanges.

France—China recently participated in the 50th Marseille Fair exhibiting light industrial products, arts and crafts, embroideries, tapestries, and pamphlets on tourism in China. Some 2,000 items in all were displayed.

Germany—Cologne has been chosen as the site for the first Chinese industrial fair to be held in Western Europe beginning June 1975. It will be organized jointly by the China Council for the Promotion of International Trade, Chinese Embassy in Bonn, and the Cologne Society of Fairs and Exhibitions. A German exhibition in Peking will follow.

Finland—China is participating in the 1974 Helsinki International Consumer Goods Fair held in August.

England—The China Products Pavilion at the International Handicrafts and Do-It-Yourself Exhibition which closed in mid-September was more successful than organizers bargained for. The 15,000 square foot area attracted over 18,000 visitors. Jade, silk, and embroideries, porcelain, lacquer, carpets and carved furniture were the main features. The Chinese plan to stay in Britain for 3 months following the Fair.

Japanese Printing and Packaging Machinery Show—was held November 18-30 at the Industrial Exhibition Hall in Tientsin. Participating were 31 printing machine and 41 printed material packing machine makers. On show were demonstrations of how periodicals, papers and books are printed and packed in Japan today.

Other Fairs—China participated this summer in the 39th International Thessalonica Fair and the Budapest International Fair. Displays were largely textiles, consumer goods and handicrafts. In addition, China recently exhibited in Milan, Ndola (Zambia), Damascus, Barcelona, Brno, Tehran, Izmir and Accra.

The National Council wishes to thank Kory D. Marks for his help in preparation of the sectoral report on minerals and metals.

Corrections: On page 10, UCBR 1.5, the MLW Worthington sale of locomotives was incorrect; page 11 the Nomads aircraft sale was reported as under discussion; page 9, the Birlec heat treatment plant should have read £200,000, not £120,000 as stated; and page 15 the report of the Hawker Siddeley satellite sale was incorrect.

CHINESE TREASURES TO WASHINGTON

Under an archaeological agreement signed in late October between the People's Republic of China and the US, the first exhibition of Chinese artifacts will be held in Washington, DC at the National Gallery of Art from December 13 through March 30. The show, which has toured Europe and Canada, includes treasures dating from 600,000 B.C. through the 14th Century A.D. All 385 artifacts in the exhibit were discovered between 1949 and 1972 and most unearthed during the Cultural Revolution.

For US connoisseurs of Chinese art, and for those US buyers of the $11.5 million worth of Chinese works of art, collectors pieces and antiques in 1973-74 to date, this exhibition is a must.

The artifacts represent a broad sampling of China's most exciting finds and include the jade funeral suit of Queen Tou Wan, the 1st century Flying Horse, and a range of porcelains, textiles, bronzes and pottery. Among the most remarkable artifacts are the remains of the Lan-t'ien man uncovered in 1965 and dating back before the Peking Man to 600,000 B.C.

Pots dating back to 4,000 B.C. from three ancient pre-Neolithic cultures not only represent a quality in craftsmanship not seen outside of China before but also provide evidence of another Neolithic Culture.

From Washington the exhibition will be moved to the Nelson Gallery-Atkins Museum in Kansas City, Missouri, making an exception to China's usual policy of allowing its exhibitions to appear in only one city per country. In Kansas City the show will run from April 20 through June 8.

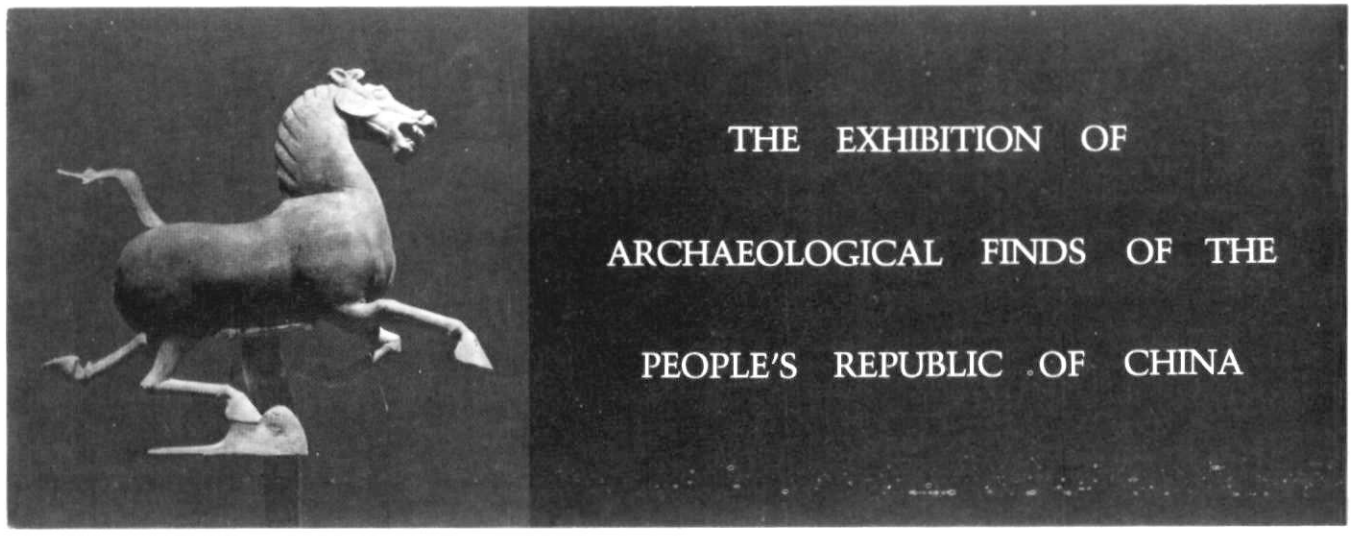
Negotiations for this long-awaited archaeological exhibit got underway following the signing of Public Law 93–287 on May 21, 1974 which gave the Secretary of State authority to conclude an indemnification agreement with China. The exhibit is protected under Title 22 Section 2459 of the US code which declares cultural property immune from attachment.

Before You Go

For excellent background information on most of the objects in the exhibit and their place in contemporary China, we recommend the recently published book *China Today and Her Ancient Past* by Joan Lebold Cohen and Professor Jerome Alan Cohen, published by Harry Abrams, New York. The text is 399 pages with 357 color photographs and 20 black-and-white taken by Mrs. Cohen. The price is $22.50 before Christmas and $25.00 afterwards.

The book is an effort to introduce people yet unfamiliar with China to her civilization and art. Beginning with early archaeological evidence of Chinese civilization, the book proceeds to the present, concluding with a section on the artistic, social and legal developments in contemporary China. Also discussed is the way in which the Chinese view their cultural heritage and the very important role the past plays in the present.

Professor Cohen is a law professor at Harvard University and director of the University's East Asian Legal Center. Mrs. Cohen is a lecturer at the School of the Museum of Fine Arts in Boston. 完



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*Intercontinental Mercantile Corporation
International Corporation of America
International Harvester Company
International Systems & Controls Corporation
Interstate Oil Transport Company
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Pharmacaps, Inc.
The Philadelphia National Bank
E. Philip Corporation
Philip Morris International
Phillips Petroleum Company
Popular Photography Magazine
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Port of New Orleans
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