

THE MAGAZINE OF THE NATIONAL COUNCIL FOR US-CHINA TRADE SEPT.-OCT. 1974



NO. 5 VOL. 1

# U.S. CHINA BUSINESS REVIEW

T.M.



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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.

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- Any other form of communication required

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

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

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

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# U.S. CHINA BUSINESS REVIEW™



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**Front Cover:** Messrs. H. L. Smith, General Motors Vice President and General Manager of Electro-Motive Division, Chang Tsien-hua, Commercial Counselor at the Liaison Office of the People's Republic of China, T'ung Chih-kuang, Third Secretary of the Commercial Section, and Christopher H. Phillips, President of the National Council, at GM's La Grange plant with a diesel electric locomotive just off the production line, on the first leg of the National Council-sponsored trips across the US.

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

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

# COUNCIL CALENDAR

## **WASHINGTON, September 19**

Chang Tsien-hua, Commercial Counselor of the PRC Liaison Office visited National Council offices to meet with President Phillips. Plans for the visit to the US of the CCPIT were discussed.

## **WASHINGTON, September 20**

President Phillips addressed Henry Luce Scholars at a Breakfast Meeting at Brookings Institution on "U.S.-China Policies and Issues." This program is organized and funded by the Henry Luce Foundation.

## **NEW YORK, September 23**

President Phillips and Council Board member Kurt Reinsberg presided over the first in a series of luncheons for Council Importers at the Harvard Club.

## **WASHINGTON, September 25**

Suzanne R. Reynolds, Assistant Editor of UCBR, will participate on behalf of the National Council in a Teacher's Workshop sponsored by the Metropolitan Consortium on Education and Global Development.

## **NEW YORK, September 28**

Nicholas Ludlow, Editor of UCBR, will speak on China Trade at State University College, New Paltz, N.Y. This will be part of a seminar on trade with China, cosponsored by New Paltz State University College and the National Council for US-China Trade.

## **CAMBRIDGE, Mass., October 2**

Eugene Theroux, Vice President of the National Council, will address the East Asian Legal Studies Center of the Harvard Law School on legal aspects of trade with China.

## **WASHINGTON, October 4**

The Importer's Steering Committee will lunch with Chinese Commercial Officials at the Liaison Office.

## **KWANGCHOW, October 15-November 15**

Eugene Theroux, National Council Vice President, and Clark T. Randt, Jr., will represent the Council at the 36th Chinese Export Commodities Fair. The Council's office will be located in the Tung Fang Hotel. Amcham in Hong Kong will be providing assistance.

## **WARRENTON, Va., October 17-20**

President Phillips will chair a discussion group on South East Asian Neutralization at the Strategy for Peace Conference held by the Stanley Foundation at Airlie House.

## **CHICAGO, October 22**

Vice President Theroux will address the Scientific Apparatus Makers Association on East-West trade.

## **NEW YORK, November 4**

President Phillips will speak on "Business and Trade Opportunities in the People's Republic of China" at the Young Presidents' Organization's Asian business seminar.

## **HONG KONG, November 20**

The National Council will co-sponsor, with the American Chamber of Commerce of Hong Kong, a seminar on doing business with China. Mr. Theroux will speak.

## **OXFORDSHIRE, ENGLAND, November 22-25**

President Phillips will participate in a Ditchley Foundation conference on social and economic reform in less developed countries, which will compare experiences in China, India and Brazil.

## **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.

## **HOUSTON, April 18, 1975**

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





# HANS SCHNEIDER

## The China Hand's China Hand

When you ask Hans Schneider of Sobin Chemicals for a bit of background on China's foreign trade, he is very likely to begin by describing the market in imperial Rome for Chinese silks and spices, and tracing the conditions which created the British East India Company.

He will take you, eventually, to China's present need for advanced technology, but along the way he will remind you, between sips of tea, that the English word "tea" derives from the Swatow dialect word for the beverage, introduced by Chinese sailors from that port city to British merchant seamen in the 16th century.

Interested in learning about Chinese trading and negotiating techniques? Mr. Schneider will start you off with a volume, authored by several European

merchants, and published in 1666, before bringing you to an understanding of contemporary Chinese trade practices. He will describe the evolution of Canton as a trading center, and the founding of Hong Kong and Macao, as if from personal observation. And he will relate this to you in a way which, believe it or not, prepares you for the practical realities of next Fall's Canton Fair.

Hans Schneider is probably the most experienced China trader alive. He arrived in China for the first time in 1925, having already spent several years of apprenticeship in the Far East department of a European trading firm. China trade has, since then, and without interruption, been his vocation and his avocation.

It is doubtful that any of Peking's trade officials, much less any American, can match Schneider's



half-century of China business activity. For twenty-one years, between 1925 and 1946, he was resident in China, first in Canton, then in Shanghai. His flawless Mandarin is supplemented with two other dialects, Shanghainese and Cantonese—in addition to his English and German.

Since the Chinese People's Republic was proclaimed in 1949, Schneider has attended every Chinese Export Commodities Fair, a record which has earned him the unofficial title of "King of the Fair." It has also made him something of a celebrity among the Chinese, and one can observe a respect bordering on awe as the younger negotiators are introduced to him at the opening of each Fair.

In early 1974, looking for new challenges, Schneider joined forces with Julian Sobin of Sobin Chemicals, a powerful addition to an already formidable U.S.-China business enterprise. What these two energetic entrepreneurs accomplished at the Spring 1974 Fair neither will disclose, but they left smiling.

Schneider knows where U.S. and Chinese commercial interests coincide, having begun his analysis of the subject when North Americans were still supplying beaver skins for the hats of Peking mandarins and having, in 1919, been among the buyers of China's first exports of tungsten ore. Not unfamiliar with the obstacles to U.S.-China trade, his experience reaches back beyond the Cold War embargo to 1931, for example, when he visited the United States to try to quell concern (evident again today) over the potential hazards of Chinese fire crackers.

With unmatched perspective, Schneider offers some interesting and instructive observations on trade between the United States and China:

*Trade Policy:* The Chinese are, as the recent doubling of trade volume shows, interested in significant trade expansion. But China's insistence on "equality and mutual benefit" as the basis for trade must not be taken lightly. A lopsided trade balance will not be tolerated indefinitely.

*Pricing:* The spurt of prices evident at the two 1973 Fairs was, in part, the result of reports by Peking's new diplomatic and commercial observers only recently sent abroad. In the U.S. in particular, the Chinese acquired, through their Liaison Office, commercial eyes and ears. Stunned to learn what Chinese goods were bringing at retail around the world, they concluded their prices were too low. The result was that prices were raised—too high.

*Marketing:* Despair on the part of some China traders that the Chinese lack understanding of foreign market realities is premature. The Chinese have the skill and determination to master the necessary marketing techniques, and will do so. They are, and have always been, first-class merchants.

*Export Mix:* Once the backbone of China's exports,

raw materials are now undergoing conversion at home for added value. The Chinese are pursuing a sensible policy of adding as much value domestically as possible to maximize the hard-currency earning potential of their product. Thus, for example, there are fewer quantities of oilseeds available, but larger amounts of vegetable oil. This portends developments in other processed and manufactured areas as well.

*Agents and Principals:* The length of time required to do business in China, particularly at the introductory stage, still shows the importance of using intermediaries and agents rather than executives of principals. Agents, good ones, can save the company—import or export—time, frustration and expense, particularly at the Canton Fair.

*Labelling:* Naturally, the Chinese want to establish an international identity for their own products. They're proud of them. But a satisfactory solution to the desire of U.S. firms for private labelling will be found.

*Selling to China:* Expect the Chinese negotiators to probe for information likely to give them a picture of world market prices and supplies. Your competitors will give this to them, so you should, too. And be dishonest at your peril.

*For Americans:* U.S. businessmen are given to certain behavior which ought to be held in check: don't be ingratiating, don't be given to displays of bad temper, don't be impatient, don't try to mix politics with business, don't engage in puffery, but, otherwise, be yourself.

*Dispute Settlement:* Forget about going to arbitration. You will find the Chinese to be the fairest and most ingenious conciliators in the world of commerce.

*The Chinese:* They are a sober, realistic and hard-working people who are, frankly, indifferent to foreigners and rightfully wary of outsiders too eager to adopt Peking's political views.

Moving his ever-present bamboo fan slowly from side to side, Schneider offers other observations. Watching Chinese youths bicycling along the road, he recalls the starvation, begging and despair, now gone, which pressed in on a visitor to China a half century ago. A thought strikes him, which marks a change in the mode of doing business. "One of the miracles of Mao" he says "is that not only bribery but even tipping has been abolished. It is an astonishing thing, and one I would have considered impossible. Nowhere else is business conducted with such honesty."

What have been the other major changes in the last half century? Schneider reflects. "How it has come out of the old China I do not know" he says, "but the cement of this society is the genuine desire of the leaders to serve the people, and the people to serve each other." 完



# The DISC and the China Trade

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Robert A. Fesjian\*

*Companies in the US formed principally to import goods from China are increasingly diversifying their activities to include exporting to China. For such firms the DISC, a corporate vehicle designed to boost exports, may be a useful assist in these efforts to increase trade with the PRC. In the following article, written by an attorney specializing in corporate taxation, the DISC, its benefits—and disadvantages—are outlined.*

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In early 1972 President Nixon completed his historic trip to China. Shortly thereafter numerous trade barriers between the United States and China began to fall, signalling an era of increased trade between the two countries.

By coincidence just a few months prior to the President's trip Congress had passed the Revenue Act of 1971 which, among its provisions, made available certain tax benefits to "Domestic International Sales Corporations", or, as they are more commonly known, DISCs. These provisions permit the election of special tax benefits not only by traders in the export business but also by domestic manufacturers of export products and in general by any businesses which have substantial export transactions. In addition the DISC provisions may be availed of by commission agents who do no more than arrange sales on a commission basis for domestic manufacturers.

In adopting the DISC provisions Congress has recognized the need to create export incentives for American firms. These benefits are not inconsiderable. If the DISC is properly managed, fifty percent of its income will not become subject to any Federal income tax until it is actually distributed. As the DISC provisions make no exception for trade

to China, proceeds from exports to China may qualify for this reduced Federal taxation.

The actual DISC provisions are very complex and should be analyzed in detail. Before any business establishes a DISC operation it should consider all of the ramifications of operating a DISC. In this respect it should be kept in mind that this article is intended only as a broad general outline of the DISC provisions.

## What is a DISC?

A DISC is a domestic corporation which satisfies certain technical requirements and elects to be treated as a DISC for Federal income tax purposes.

After electing to be treated as a DISC, a corporation must meet two basic tests to remain qualified as a DISC. First, at least 95 percent of its receipts must be in the form of "qualified export receipts" and, second, at least 95 percent of the assets must be in the form of "qualified export assets". The terms "qualified export receipts" and "qualified export assets" are meticulously defined in the Internal Revenue Code. Generally speaking, "qualified export receipts" are gross receipts from export sales and export related investments and activities. The proposed regulations under the DISC provisions specifically include as "qualified export receipts" the gross receipts of commission agents who may, for example, be counseling or negotiating for American firms in connection with export sales to China. In such a case, the commission agent must qualify as a DISC in order to have the tax benefits available under the DISC provisions.

Generally speaking, "qualified export assets" consist of property produced in the United States by other than a DISC and held primarily for sale or lease in the ordinary course of business for disposition outside the United States. In addition the term includes normal business assets, trade receivables, and working capital necessary for the operation of the export business. Furthermore, the term also includes certain loans to American producers

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*Mr. Fesjian is an attorney with the firm of Baker & McKenzie, Washington, D.C.*



and certain obligations of agencies related to the Federal government.

## Benefits

It should be emphasized that the chief tax benefit available under the DISC provisions is that of tax deferral and not of tax forgiveness. Essentially, taxation of one-half of the DISC's income will be deferred until some future date when the DISC no longer qualifies as a DISC or actually distributes the deferred income.

A simple example will show the primary tax benefit available through operation as a DISC.

Assume that in its first taxable year the DISC has \$100,000 of net earnings. \$50,000 will be taxed as a dividend to the DISC's shareholders regardless of whether or not the \$50,000 is distributed. In general, the remaining \$50,000 will not be taxed until it is actually distributed. In other words, tax on this second \$50,000 would be deferred until it is distributed as a dividend or until the company no longer qualified as a DISC.

It should be noted that there is only a fine line between tax deferral and tax forgiveness. In effect, tax deferral is the equivalent of an interest-free loan from the government. Over a period of years the value of such an interest-free loan will soon equal the amount of deferred tax itself. This would be especially true in the present period when interest rates are relatively high.

## Operation of the DISC

There are two general methods in which a DISC may operate. First, the DISC may actually buy products from an American producer and resell these products to foreign purchasers. Under this method title to the goods would actually pass from the American producer to the DISC and then to the foreign purchaser. Second, the DISC may act as a commission agent. Under this method the American producer would sell directly to a foreign purchaser. However, the DISC would receive a commission from the American producer for its role as a commission agent.

The DISC provisions establish special rules for determining the amount of profit which may be sheltered from tax by a DISC which is related to an American manufacturer which supplies the DISC with goods for sale abroad. For example, where the DISC acts as a commission agent there are three possible methods of calculating the commission due the DISC.

Under the first method the DISC would be entitled on each sale to a commission which would result in net income to the DISC of four percent of the gross receipts from the sale. Under the second method, the DISC would be entitled on each sale to

a commission which would result in net income to the DISC of 50 percent of the total net income derived by both the manufacturer and the DISC. In essence half of the total profit from the sale will be attributed to the DISC and the other half will be attributed to the related manufacturer. Under both of these methods the DISC commission agent would also be entitled to an additional amount of commission calculated on the basis of certain expenses which it incurs to promote the sale of exports. Under the third method, which is more subjective than the first two, the normal pricing method between related parties would be used to arrive at a so-called "arm's length price".

Under the proposed regulations it would be necessary for a DISC to enter into a written agreement with a related manufacturer. However, the agreements may be written to permit a pricing method which will attribute to the DISC the largest possible commission available under the three methods.

If a DISC is established as a subsidiary of an American manufacturer for the purpose of sheltering part of the manufacturer's export profits, the DISC will need only a minimum of substance. Under this type of arrangement one ruling of the Internal Revenue Service indicates that a company meeting the technical requirements of the DISC provisions and having no employees and little more than its own bank account and books and records will qualify as a DISC so as to shelter its parent's export profits. The parent's own sales force could solicit all export orders and handle all export billings and collections. Although the DISC subsidiary would be little more than an accounting vehicle, it would be entitled to an arbitrarily calculated, but substantial, commission.

## Use of Accumulated Income in the DISC

After a few years of operation, a DISC may accumulate a substantial amount of surplus. In order to prevent disqualification as a DISC or a forced distribution of such accumulations, this accumulated income must be invested in "qualified export assets".

One choice for investment would be in obligations arising in connection with so-called "producer's loans". When stripped of its technical definition, a producer's loan is a loan made to a United States producer of export property. Thus, a DISC may loan money to such a producer whether related or unrelated, so long as the various technical requirements for qualification as a producer's loan are met.

Another qualifying use for the DISC's accumulated income would be investment in obligations of the Export-Import Bank of the United States. These obligations are issued periodically.



## Disadvantages of the DISC

The major disadvantages of operation as a DISC are, first, the complexity of the DISC provisions, and, second, the possibility that the DISC provisions will be revoked by Congress.

Concerning the complexity of the DISC provisions, it would be expected that once a DISC has adopted a standard operating procedure, it should be able to operate within the framework of the statute and the expected final regulations. The complexity of the DISC provisions should be a problem only during the first few months of the DISC's operation.

With respect to the problem of possible revocation of the DISC provisions, it should be noted that several members of Congress are pushing for revocation and have been introducing bills for this purpose ever since the DISC provisions went into effect. However, it should be recalled that a number of legislators sought unsuccessfully to prevent the DISC provisions from becoming law in the first place, and yet failed to prevail. As matters stand now, it is highly unlikely that the DISC provisions would be revoked except as part of a major tax reform measure.

## Effects of Termination of DISC Status

In the event that a company ceases to be a DISC, it is important to analyze the consequences of the termination of a firm's DISC status. In turn this question should be analyzed from two hypothetical viewpoints: first, in the event that the DISC continues as a separate corporate entity and, second, in the event that it is liquidated.

In the first case, where status as a DISC terminates and the company continues in existence, all of its income which was deferred from tax by reason of the DISC provisions will be considered a distribution taxable as a dividend. However, the distribution will not necessarily fall in one year. Distribution will be deemed to be received in equal installments on the first day of each of the years following the year of termination. The amount of each installment will be equal to the total tax-deferred income divided by the number of years during which the corporation was a DISC. However, in no event will the installments be less than one-tenth of its total tax-deferred income.

In the event that the DISC is liquidated so that its separate corporate existence is terminated, any tax-deferred income which the DISC had accumulated during its years of qualifications as a DISC would be taxed as a dividend to the DISC's shareholders. This rule would prevail even if the DISC were liquidated into a sole corporate shareholder, a transaction which is normally tax-free for Federal income tax purposes.

These rules may be best illustrated by a simple example.

Assume that over a period of five years the DISC had accumulated \$500,000 of income which by reason of the DISC provisions had not been subject to tax. In the event the company remained in existence, its shareholders would be deemed to receive a dividend of \$100,000 in each of the five years following termination of the company's status as a DISC. In the event the DISC were immediately liquidated, its shareholders would be subject to taxation at ordinary rates, and not capital gain rates, on the entire \$500,000. Furthermore, the entire amount would be taxed in the year of liquidation and not over a period of five years.

Thus, it would appear that if DISC status is terminated, corporate existence should be maintained for at least as long as it is necessary to take advantage of the installment distribution provisions available to the shareholders.

In the event that Congress revokes the DISC provisions, the approach that will probably be taken is the one exemplified in various bills calling for revocation. Every DISC would lose its DISC status as of a certain date and, thereafter, the former DISC and its shareholders would be taxed in the same manner as described above.

While not the tax bonanza that some exporters had hoped for (some proponents of the DISC provisions had originally pushed for deferral of 100 percent of a DISC's income), the DISC provisions nevertheless afford the possibility of substantial tax savings to businesses involved in the export trade. Any business considering an expansion of exports, whether to China or elsewhere, should seriously consider the feasibility of establishing a DISC for its export operations. 完

### NOTICE:

Your unanswered letters or cables to Peking may be *your fault*. You must give your complete return address—including "U.S.A." We have been advised that the Chinese are unable to respond to many inquiries or proposals because cables or telexes lack country of sender or because, once incoming letters are separated from their envelopes, the return address is incomplete. This is particularly true when State names are abbreviated (such as N.M., CA, or O.) or eliminated, and even where, though given in full, they are from states unfamiliar to the Chinese and do not indicate "U.S.A." This is an understandable difficulty. After all, would your office know whether or not "Liaoning" was a province of the PRC if the country name were omitted?

# TRANSPORTATION EQUIPMENT SOLD TO CHINA

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
<b>TRUCKS AND RELATED EQUIPMENT</b>			
Societe Marocaine De Constructions Automobiles Saida (Morocco)	Trucks	\$6m (F30m)	January 1972
Societe Berliet-Maroc (Morocco)	Vehicles (500)	\$7.4 (F37m)	January 1972
Toyota Motor Company (Toyota Jidosha Kogyo K.K.)	"Land Cruiser Vans" described as jeep type van/trucks (50) six-seater 3,800 mm.	NVG	January 1972
Hino Motors Ltd. (Hino Jidosha)	Trucks (619) Including 140 seven ton dump trucks, 336 four-ton cargo loading trucks	\$2.7m (¥800m)	April 1972 Shipment to be completed end of 1972
Nissan Diesel Motor Co., Ltd.	Heavy vehicles (546) and spares. Including 135 lorries and trailers of 40 tons capacity; 21 12-ton heavy tipping lorries; 84 8-ton lorries, and 292 8-ton tipping lorries.	\$5.3m (¥1,600m)	(April 1972) Shipment before end of 1972
Ferodo Ltd. (Turner & Newall Ltd.)	Brake and clutch linings	\$26,730 (£11,000)	(July 1972)
Toyota and Hino Motors Ltd. (Toyota Jidosha Kogyo K.K.)	Trucks (2,100) Toyota will supply 1,100, 2 and 2.5 tonners; Hino will supply 1,000 4 and 5 tonners	\$7m (¥2,100m)	(August 1972)
Isuzu Motors Ltd. (Isuzu Jidosha)	Trucks (100—8 tons each)	NVG	(August 1972)
Isuzu Motors Co., Ltd. (Isuzu Jidosha)	Trucks (1,046) 4-6 tons capacity	\$4.6m (¥1,400m)	December 1972 To be shipped May 1973
C. Itoh & Co., Ltd. (C. Itochu Shoji)	Dump trucks (1,000) with 8 ton loading capacity.	\$6.6m (¥2,000m)	(December 1972)
Isuzu Motors Ltd.	Trucks (1,000)	\$4.5m	(January 1973)
Berliet (Citroen S.A.)	Trucks (300)	NVG	(February 1973)
Ateliers de Construction Electriques de Charleroi S.A. (Westinghouse Electric Corp. U.S.A.)	Fan-drive motors	\$1.25m (Belgian F.50m)	(April 1973)
Shoei Jidosha Kigyo	Used trucks (3,000) 3½ to 7 tons capacity	\$6m (¥1,680m)	(May 1973) Shipment between April and October
Clark Equipment Co.	Towing Tractors (20)	\$150,000	Early 1973 Shipped 8-23-73
Mitsubishi Motors Corp.	Medium-type trucks (1,080)	NVG	(November 1973)
Hino Motors Ltd.	Trucks (400 units, 12 tons each)	NVG	(November 1973)
Berliet (Citroen S.A.)	Stock yard vehicles (300)	NVG	(November 1973)
Mitsubishi Corp. & Nigata Trading Co.	Refrigerated trucks (60) (Mitsubishi motors will make the trucks while two other companies will furnish cold storage bodies and refrigerating systems.	\$1.3m (£535,000)	(November 1973)
Saab-Scania Stockholm, Sweden	Heavy duty trucks (500) to be used for freighting timber in North China.	\$12.5m (Kroner 50m)	(December 1973) Delivery from early 1975



# TRANSPORTATION EQUIPMENT SOLD TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Czechoslovakia	Tatra trucks	\$75,000	May 1973
Mintex	Brake linings	NVG	May 1973
Mitsubishi Heavy Indus.	Auto tire curing machines (9)	\$943,400 (¥250m)	Shipment began January 1974
Toyota Motor Co. (Toyota Jidosha Kogyo K.K.)	Vehicles (756) and spare parts	\$3.2m (¥840m)	(June 1973)
Unic-Fiat	Heavy duty trucks (1,060)	\$26.1m	(July 1973)
Toyoshima (Ikeda, Osaka Prefecture)	Leaf springs for large trucks (250 tons). Earlier \$301.318 order for 500 tons of springs for shipment September-October.	\$1,600,000	(July 1973) Shipment for November and December
Wilkins & Mitchell Ltd. UK	Heavy presses for motor industry (2)	\$614,625 (£250,000)	(August 1973)
Isuzu Motors Motors Ltd.	Trucks (3,020 8 tons each)	\$23m (¥6,000m)	(August 1973) Delivery from end of 1973 to July 1974 Payment in yuan
Birlec (General Electric Co., Ltd.)	Automatic process cycle furnaces (3)—for carburising and carbonitriding auto transmission parts.	\$298,800 (£120,000)	February 1974
Nissan Diesel Motor Co., Ltd.	Trucks (1,500)	\$17,500 (¥5m)	(April 1974)
Isuzu Motors	Trucks (7400) Haulers (1200)	NVG	(May 1974)
Perlini	Truck Haulers (1000)	NVG	(May 1974)
Birlec	Heat Treatment Plant for Automobile Transmission Parts	\$480,000 £120,000	June 1974
Berliet (Citroen S.A.)	Trucks (1000) 12 ton	NVG	June 1974
TOTAL	Units 30607 +	\$103.2m +	
<b>CARS AND BUSES</b>			
Toyota Motor Co., Ltd. (Toyota Jidosha Kogyo K.K.)	Cars (155)	NVG	April 1972 Shipment before end of 1972
Toyota Motor Co. (Toyota Jidosha Kogyo K.K.)	Passenger cars, small buses (11)	NVG	(August 1972) Shipment October 1972
Nissan Motor Company, Ltd. (Nissan Jidosha)	Cedric 2,600 custom deluxe automobiles (10)	NVG	November 1972
Toyota Motor Co. (Toyota Jidosha Kogyo K.K.)	Passenger cars (265) and micro buses	NVG	March 1973 Delivery March/April 1973
Toyota Motor Co. (Toyota Jidosha Kogyo K.K.)	Passenger cars (30), small trucks (332), micro buses (13)	\$830,200 (¥220m)	May 1973
Volkswagen Mex. Div. Muli (Volkswagen A.G.)	Safari autos, V.W. "Muli" and Volkswagon minibus	NVG	(November 1973)
Toyota (Toyota Jidosha Kogyo K.K.)	Crown passenger cars medium-size (1,040) 2,600 cc vehicles (440) 2,000 cc vehicles (600)	\$2.6m (¥800m)	(January 1974) Shipment to be made between March and April 1974
TOTAL	Units 2896 +	\$3.4m +	

# TRANSPORTATION EQUIPMENT SOLD TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
<b>CONSTRUCTION EQUIPMENT</b>			
Komatsu Manufacturing	Bulldozers	\$43.8m	August 1972. Delivery by January 1975
Volvo BM	Loaders	NVG	1972
Toyo Hauling Machinery Co.	Forklifts (250)	\$1.1m (¥350m)	June 1973
Isuzu Motors Ltd.	Dump trucks and spare parts (1,000—8 tons each)	\$6.5m	July 1973
Toyo Hauling Machinery Co.	Tractors	NVG	August 1973
Toyo Hauling Machinery Co.	Forklifts (769) 1 ton to 10 ton sizes. Tractor-shovels on wheels (146).	\$8m (¥2,500m)	September 19, 1973 Letter of credit, quoted in yuan, payable in yuan. Delivery between March and September 1974
Koge Steel Works	Construction machinery 24 truck crane units, 42 crawler crane units, 82 oil pressure shovel units.	\$9.3m (¥2,600m)	November 1973 Delivery late 1974
Nippon Yusoki Co.	Battery-powered Forklifts (50)	NVG	(March 1974)
Volvo-BM	Loaders (10) model 1641 dumpers, model 860. Spare parts and special tools will be included along with equipment for rock-handling.	\$1m (Skr. 4m)	(April 1974)
Hiab-Foco K.K., Tokyo (Hiag-Foco AB, Sweden)	Cranes	NVG	(April 1974)
Kato Works Co., Ltd. (Kato Seisakusho)	Truck cranes	\$24,339 (¥7m)	(February 1974) Payment in Yuan
Ransomes & Rapier	Hydraulic Mobile Cranes (80+)	NVG	(February 1974)
H. Ernault-Somua	Steam shovels (4) 700 tons	\$2.1 (F. 10m)	(February 1974)
TOTAL	Units 2457 +	\$71.8m +	
<b>LOCOMOTIVES</b>			
Henschel of Germany (Rheinstahlag)	Diesel locomotives (36) 5,500 hp	\$8m	February 1973
Alstom	Electric locomotives (40) 25-KV-50 HZ	NVG	February 1973
MLW Worthington	Locomotives	NVG	(April 1974)
Henschel	Locomotives (97) 4500 hp	NVG	(May 1974)
TOTAL	Units 173 +	\$8m +	
GRAND TOTAL—All Land Equipment		\$195.8m +	
<b>AIRCRAFT AND RELATED EQUIPMENT</b>			
Pakistan International Airlines	Tridents (3) Second Hand Aircraft	NVG	1972
Aerospatiale	Concordes (2)	NVG	Preliminary contract signed on July 24, 1972 Delivery date 1976-1977
British Aircraft Corp.	Concord (1)	NVG	Preliminary contract signed August 28, 1972 Delivery date 1976-1977



# TRANSPORTATION EQUIPMENT SOLD TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
<b>AIRCRAFT AND RELATED EQUIPMENT—Continued</b>			
Boeing	707-320 B Aircraft (4) 707-320 C Aircraft (6) Spare parts and ground equipment	\$125m	September 12, 1972 Delivery began late August 1973 through May 1974
United Aircraft	Jet Engines for Boeings (40) Spares (40)	\$21m	October 8, 1972 delivery through May 1974
Hawker Siddeley	Trident Aircraft (20)	\$140m (£70m)	(January 1973) Delivery by Fall 1975
Lucas Aerospace Ltd. (Joseph Lucas Industries Ltd.)	Supply systems for 20 trident aircraft. Includes combustion equipment for Spey engines, the fuel system, generating and other electrical equipment, valves, air starting equipment and de-icing system.	\$6.8m (£2.75m)	(March 1973)
Redifon Flight Simulation	Flight simulators (2) Contain Duoview system with closed circuit color TV screen, giving 3-dimensional effect of flying while on ground. For training Trident flight crews.	\$4.8m (£2m)	(March 1973) Delivery 1974.
U.S.S.R.	Antonov-24 Feeder airliners and supporting equipment	NVG	(July 1973) In exchange for knitwear and agricultural products including meat.
Australia	Nomads	NVG	(November 1973)
Ratier-Forest (United Aircraft Corp.)	Machines for finishing aircraft (7)	\$4.2 (F 20m)	(December 1973)
Hawker Siddeley Aviation	Trident Aircraft (15) medium to long range Trident 2Es; flies 2,500 mi. nonstop with 100 passengers.	\$116.2m (£50m)	(December 1973) Delivery to start Fall 1975.
United Aircraft of Canada, Ltd. (United Aircraft Corp.)	Turbo-prop engines (16) JT15D 2,200 lb-thrust fan engine and PT 6T-3 Twin Pac.	\$2m	(December 1973)
Litton Industries	Inertial Navigation Systems LTN-51 (8) and parts for installation on Boeing 707-320s	\$1m	(December 1973)
Aerospatiale	13 Superfrelon helicopters transport capacity—37 passengers; 240 km/h	\$1.9m	(January 1974) Delivery within 2 years. Buying 13 with option for 30.
Smith Industries, Ltd. (UK)	Equipment for 15 Tridents including automatic flight control systems, fuel gauging system, flight deck instruments, engine accessories, and cabin pressure control equipment.	\$6.8m (£3m)	(January 1974)
BICC	Aircraft cables, to be installed in each of the Hawker Siddeley Trident aircraft. Cables include Nyvin, Minyvin, Fepsil and Efglas cables, general wiring cables and extension and multiway cables for instrumentation.	NVG	April 1974
Plessey (UK)	Instrument Landing Systems STAN 37/38 (8) PLAN 17/18 (1)	\$2.04m (£850,000)	May 1974
TOTAL	64+ Units	\$431.7m +	

# TRANSPORTATION EQUIPMENT SOLD TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT (Technology)	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
<b>MARINE VESSELS AND EQUIPMENT</b>			
Yugoslavia	Freighters (6) 13,000 dwt Diesel engines made in Split under license of German firm M.A.N.	NVG	April 1972 Completion end of 1973.
Kanazashi Zosen	Refrigerator Ships (10) 11,120 tons	\$18m	(June 1973) 1st delivery April 1974-March 1975
Malta Drydocks of Valetta	Barges and Tugboats (7)	\$2.4m	(October 1973) Delivery end of 1974.
Mitsui Shipbuilding and Engineering Co. Japan	Large crane ships (2) each with 200 ton revolving crane for harbor construction	\$6.7m (¥1,800m)	(October 1973) 1st to be delivered end of 1974; second mid-1975. Paid in Yuan.
S. Maj Shipyard Yugoslavia	Cargo vessels (4) Propulsion by 3.Maj.-Sulzer 6 RN D76 engine rated at 12,000 6hp and giving fully loaded trial speed of 18.1 knots	NVG	November 1973 Delivery of 1st ship "Jiang Chuan" (15,000 d.w.t.) November 1973
Japan	Freighter SS Changfen, 20,000 tons	NVG	November 1973
Solstad Rederi (Norway)	Supply Ships (4) 800 dwt	\$8.7m (Nkr.50m)	(December 1973)
Norse Petroleum	Supply Ships (2)	NVG	(December 1973)
Hitachi Shipbuilding and Engineering Co.	Tugboats fitted with rescue and fire fighting equipment (2)-9,000 hp with pulling capacity 82 tons	\$17.4m	(December 1973) Delivery end of 1975.
Hitachi Shipbuilding and Engineering Co.	Cargo vessels (2) 14,300 d.w.t. each in 1973-4.	\$17m (¥5,000m)	September 1972 Delivery 1974 Denominated in renminbi (R2.2174:\$1).
Olson Daughter Co. of Norway	10 year old freighter "Fruen"—31,825 tons	NVG	(January 1973) Delivery January 1973.
Yamashita Shinnihon Steamship Co.	Freighters (3) 12,000 tons—built for the North America-Japan route in 1958-1959	NVG	(February 1973)
Tokyo Maruichi Shoji Co. Tokyo	Freezer Ship (1,800 tons)	\$1.1m (¥360m)	(March 1973)
Thomas Bishop Ltd. of Hillington Glasgow (Scotcros Engineering Ltd.)	Galley equipment to be installed in 6 cargo liners from Yugoslavia	NVG	(April 1973)
Arhus Flydedok A/S, (Denmark)	Offshore supply ships (8) powered by MaK main machinery, 2 1900 bhp 8 cylinder engines (M452 type) coupled to twin C.P. propellers in nozzels. Gross register 499 tons, maximum board pull from waterfall winch 40 tons	\$41.8m (DKr. 118m)	(December 1973) Delivery to be completed by October 1975.
Shikoku Dockyard	Cargo—passenger ship of 3,200 gross tons	NVG	(December 1973)
Nisii Dockyard	Fishing boats (9) 991 gross tons	NVG	(December 1973)
France	Passenger liner "Ancerville"	NVG	1973
Hugh Smith (Glasgow) Ltd.	Shipyard roll press (1,500 ton, 13 meter). Expected to follow this—a set of 3,150mm × 32mm hydrolevel rolls	NVG	March 1974



# TRANSPORTATION EQUIPMENT SOLD TO CHINA—Continued

COMPANY (Affiliation)	PRODUCT	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
<b>MARINE VESSELS AND EQUIPMENT—Continued</b>			
Ateliers & Chantiers	Marine reducers (oil supply ships?)	NVG	
Sweden	Freighter "Spyros A. Lemnos," 55,000 d.w.t., equipped with five 15-ton cranes. May be put on route to North America hauling grain. (Built in 1968)	NVG	March 7, 1974
Yugoslavia	Marine engines (2)	NVG	(April 1974)
Yugoslavia	Electrical equipment for cargo vehicles (28 outfits)	NVG	(April 1974)
Fred Olsen Group	Supply Ships (2) 800 tdw	NVG	Delivery April 1974.
Fred Olsen Group	Supply Ships (2) 1500 tdw	NVG	Delivery 1975.
Norway	Tanker "Vesthav" 33,822 Long Tons	\$14.5	(April 1974)
TOTAL	71 Units	\$127.6m +	
<b>EXCAVATION SHIPS</b>			
Marubeni Corporation	Dredge boats (6) and hopper barges (8)	\$13m (¥4,000m) Yuan 30m	November 1972 Delivery by the end of 1973.
NV Industriele Handelscombinatie (IHC Holland)	Trailing-suction hopper dredgers (2)	\$31m (Guilders 100m)	(December 1972) Completion end of 1974.
NV Industriele Handelscombinatie (IHC Holland)	Trailing-suction hopper dredgers (2) 101.5m by 17.2m with well capacity of 4,500m <sup>3</sup>	NVG	(February 1973) Delivery end of 1974.
IHC De Klop N.V. (IHC Holland, N.V. Industriele Handelscombinatie Holland)	16 cutter suction dredgers (12 Giant 4600 dredgers 1 3300 dredger 3 Giant 2300 dredgers)	NVG	(July 1973) Delivery through 1975.
NV Industriele Handelscombinatie (IHC Holland)	Trailing-suction hopper-dredgers (10) 1,500 m <sup>3</sup>	\$52m (Guilders 140m)	(August 1973) Delivery 1975
Marconi International Marine Co., Chelmsford (General Electric Co., Ltd.) Subcontracted by IHC Holland)	Communications equipment for four 4,500 m <sup>3</sup> trailing dredgers.	NVG	(December 1973)
Nippon Kokan K.K. (NKK)	Self-propelled dredgers (8) with dredging capacity of 750 m <sup>3</sup> .	\$56.6m (¥14,000m)	June 1973 1st to be delivered 1974; others 1975, payable in Yuan.
TOTAL	52 Units	\$152.6m +	
<b>COMMUNICATIONS EQUIPMENT</b>			
COMPANY (Affiliation)	PRODUCT	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
RCA Global Communications	Satellite Communications Earth Station (Shanghai)	\$2.5m	January 25, 1972. This facility arrived in China prior to February 15, 1972 to provide video communication for President Nixon's visit. Final contract March 13, 1972.

# **COMMUNICATIONS EQUIPMENT—Continued**

COMPANY (Affiliation)	PRODUCT	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
RCA Global Communications	Satellite Communications Earth Station (Peking); expansion of Shanghai facility	\$5.7m	August 17, 1972
Kokusai Denshin Denwa	Ground Satellite Station Television (1); telephone circuits (24)	NVG	September 1972
Central Dynamics Ltd. (Montreal)	Television studio equipment including video switches, picture mixers, special effects generators.	\$35,000	September 8, 1972
Western Union International	78 foot Antenna Satellite Earth Station	\$4.0m	October 24, 1972. Completion early 1974.
Konishiroku Photo Industry Co., Inc.	Dye-type electronic company machines	NVG	December 1972
Pirelli General Cable Works, Ltd.	Trunk telephone cable (190 kilometers) in connection with HK-Kwangchow telephone link.	NVG	February 1973
Nippon Electric Co., Ltd.	Microwave communication network facilities	\$37,622 (Approx. ¥10m)	March 1973
Rank Organization	Color TV studio equipment, TV zoom lenses, color camera optics, micro-alignment telescope, measur- ing and other equipment.	\$470,000 (£186,000)	April/May 1973
Kokusai Denwa Denshin	Undersea Telephone Cable (Shanghai to Kummamoto, 480 circuits)	\$20m	April 1974
Fujitsu, C. Itoh & Co., Ocean Cable Co. of Yokohama, Asahi Trading Co. of Tokyo	Undersea Coaxial Cable System (400 kilometers) 14 sets of repeaters, 2 sets of terminal equipment.	\$3.9m (¥1,200m)	(May 12, 1973)
Rank Cintel, Ltd.	Color television studio equipment including photo-conductive and flying—spot 16mm telecines and studio colored monitors.	\$200,000 (£77,000)	June 1973
Marconi Communications Systems Ltd. (GEC Marconi Electronics Group)	TV Camera	NVG	June 1973
Tokyo Shibaura Electric Co. (Toshiba)	Color television transmission relay vehicles using the PAL system	\$714,280 (¥220m)	(June 19, 1973) Shipment in November 1973.
Technicolor UK Ltd. (Technicolor Inc. U.S.A.)	Dye transfer system and associated film processing equipment for release print plant	\$8m	August 2, 1973
Kanematsu Goshō (Kanematsu Goshō Ltd.)	Outdoor color TV relaying apparatus (6 sets) and videocorder, (Apparatus will be manufactured by Ikegami Tsushinki)	\$301,091 (¥80m)	(September 7, 1973) Delivery between November 1973 and March 1974.
Wiltron (U.S.A.)	Telecommunications test equipment (3 orders)	\$84,000	November 1973 Shipped end of 1973.
Marconi Marine Co. (GEC-Marconi Electronics Group)	Communications equipment based on the 400 W Commandant transmitter and associated Nebula receiver. To be installed on four trailing dredgers being built in Holland for China	NVG	(November 1973) To begin installation January 1974.
Comtech Laboratories, Inc.	Electronic equipment for satellite communications earth stations	\$381,737	(November 1973)



## COMMUNICATIONS EQUIPMENT—Continued

COMPANY (Affiliation)	PRODUCT	PRICE U.S. \$ (Local Currency)	CONTRACT DATE & TERMS (or date reported)
Hawker Siddeley Dynamics (Hawker Siddeley Group Ltd.)	Communications satellite	\$58m (£25m)	(December 1973)
Rank Optics (Rank Organization)	Motion picture and TV zoom lenses	\$113,000 (£50,000)	(January 2, 1974)
Pye TVT Ltd. (Cambridge)	Color outside—broadcasting vehicle. Equipped with 4 color cameras, mixing and control equipment capable of working as a fully independent television studio and control room.	\$570,000 (£250,000)	January 22, 1974
Marconi Marine Co. (GEC-Marconi Electronics Group)	Communications equipment for installation on five vessels being built for China by Hitachi Shipbuilding and Engineering Co. of Japan. Includes radiotelephone-radio telegraph receivers, v.h.f. transmitters/ receivers and lifeboat transmitter/receivers.	NVG	April 1974
Northern Electric Co.	Multiplex Radio Equipment	\$750,000	(May 1974)
Fujitsu Ltd.	Facsimile System	\$53,000	June 1974 For delivery December 1974.
TOTAL		\$105.1m +	

## DOWN ON THE FARM . . .

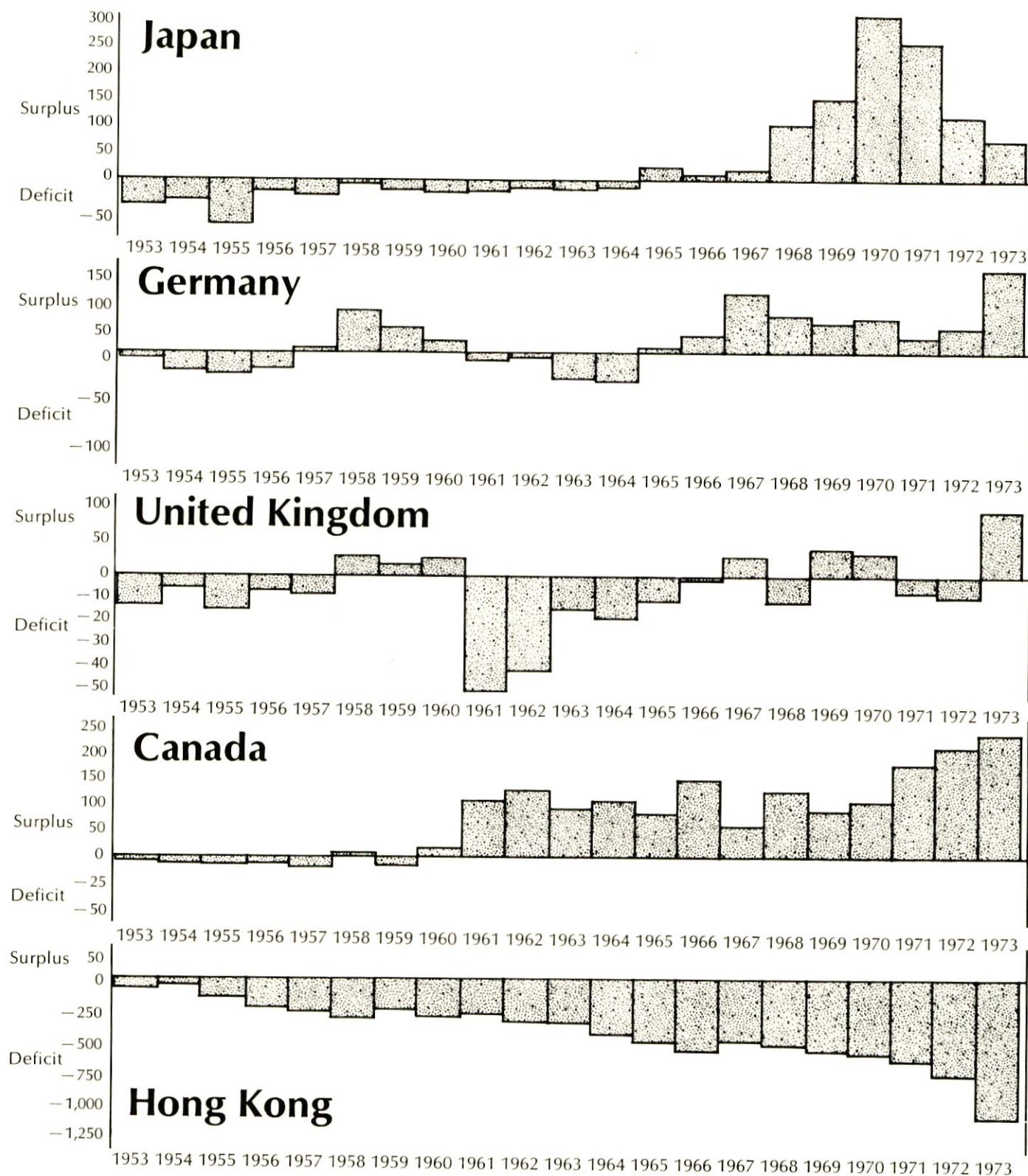
Prior to their cross-country visits, the staff of the Commercial Section at the Liaison Office were invited by the Council for a Saturday picnic and relaxing afternoon on a working-dairy farm in Virginia about an hour-and-a-half's drive from Washington. Both staffs, with their husbands, wives and children, played games—volleyball, table-tennis, and chess—

together, ate a barbecue meal and went for a hay-ride to visit the farm's dairy. Gracious hosts were the Archbold's of Foxlease Farm, a member firm of the National Council, to whom the Council extends its thanks. As the pictures show, it was a pleasant time. Not shown is the peach tree, conveniently ripe for the occasion.



# Five Countries' Trade With China 1953-1973

National Trade Balances (US \$ millions)



Sources: Official Trade Statistics of each country; *Battle Act Report*; IMF; UN; US Government. Conversion Rates: Prevailing Official Rates quoted by the IMF. Hong Kong figures include re-exports. All figures based on exports f.o.b. and imports c.i.f., except Canada where imports are f.o.b.



# China's Foreign Trade ... in Full Color

"Facts prove that foreign trade is necessary to the development of our national economy." Foreign Trade Minister Li Chiang's keynote article in China's newly re-activated magazine *China's Foreign Trade* flags the way ahead.

Many parts of the article emphasize the growing importance of trade in China's foreign relations: "Although China's foreign trade has undergone big developments, it is at present still not able to fully meet the rising demands of China's production and construction and the needs of foreign markets. . . . there will be a steady increase in the quantity of industrial and agricultural products of better quality, with a wider range of variety and designs. Packing and presentation will continue to be improved. We will gradually be able to export more and better goods to meet the requirements of the people of other countries."

Clearly Peking aims to catch up on world product standards, to make friends by producing goods people will buy for no other reason than they are excellent products. Expanded exports of this kind will bear the name of the People's Republic of China. Fruits of the program will be prestige earned only through quality, just as Japanese-made products have now made Japan a respected name.

"Friendly contacts between our people and the peoples of other countries are broadening," says Peking's new magazine. "This is all in all the root cause of why China has recently made such big developments in foreign trade."

Since September 1973, when Peking made it clear that foreign trade will play a major part in the development of China's economy, the message has become more persistent. As the Fourth Five-Year Plan (1971-1975) enters the home stretch and the Fifth Plan (1976-1980) leaves the starting gates, a subtle change in China's trade philosophy seems to have occurred. No longer does China merely "export to import." The suggestion is now that China exports to export, each exported product a message from the new international China.

As if to support this suggestion, the new 48-page first issue of *China's Foreign Trade* is packed with illustrations and advertisements for China's exports.

Full color heightens pictures of tapestries, carpets, glassware and canned goods. Cigarette lighters ("precision mechanism, excellent performance, efficient ignition, light and handy") of the Sunflower brand from Shanghai wait to be plucked from a window-style ad, along with a stylish plastic case.

Perhaps the most vivid color is found in the illustrated brilliant silk swatches and patterns, indicating the People's Republic may have already met the requirements of Paris, Seventh and even Fifth Avenues. There is life in the designs and quality—"fine gauzes as sheer as a cicada's wing."

If you want to know why Tsingtao beer tastes good, the secret is that it is brewed from the "sweet spring water of Laoshan" which issues from a "stratum of granite." Therefore the water "contains very little soluble matter, and is limpid and soft." If you prefer Mao-tai, perfected over 270 years, 106 proof, the magazine holds a secret to that, too.

Other dimensions—an introduction to China's foodstuffs corporation, an interesting piece on the inspection of China's export commodities, full details of China's 35 hp farm tractor and a note that industrial and mining products accounted for more than 65 percent of China's exports in 1973.

But, as usual, no trade statistics. When will China publish trade figures again? There's no reason why it should not, it has every reason to be proud of them.

There's little about what China has been buying either, but the subject does receive careful attention in a paragraph by Li Chiang:

"Guided by the policy of self-reliance, China continues to import some ferrous and non-ferrous metals, vehicles, ships, planes, machines, rubber, chemical fertilizers, insecticides, paper pulp, etc., and purchases some complete chemical fertilizer plants, synthetic fibre plants as well as plants for generating oxygen and electricity and rolling mills, with a view to developing the country's industrial and agricultural production and economic construction."

The article also emphasizes China's trade policy; "China will never try to attract foreign capital or exploit domestic or foreign natural resources in conjunction with other countries . . . She will never go in for joint-management with foreign countries, still less grovel for foreign loans . . . China welcomes technical interchange with other countries and imports essential equipment on a planned and selective basis." So writes Foreign Trade Minister Li Chiang.

It may not be in figures and may tilt strongly toward Chinese export goods, but *China's Foreign Trade* has plenty in it for \$3.00 a year (from Guozi Shudian, Box 399, Peking, People's Republic of China). For US importers it's a must. For everyone from the Third World to the First, it's in living color, and is filled with promise. 完



# Chinese Commercial Officials Make First Major Tours of the US Sponsored by National Council



James S. Spezzano, Industrial Relations Manager at Ford's Dearborn Assembly Plant explaining the final phase of assembly line production to Chinese delegation leader Chang Tsien-hua as a new Mustang rolls off the line. To Mr. Chang's right are Wang T'ien-ming, Peter Weintraub, T'ung Chih-kuang, Yu Jen-ch'uan and Li May Phipps.

At the invitation of the National Council, commercial officials of the Liaison Office of the People's Republic of China made their first major trips across the United States in August and September to visit a wide variety of US agricultural and industrial member firms.

In three comprehensive itineraries arranged by the Council, covering some 10,000 miles, the Chinese saw a kaleidoscope of US business including the production of aircraft, trucks, autos and diesel locomotives; the water and steam generation of electric power; the canning of peaches and the bottling of beer and wine; the feeding of cattle and the harvesting of wheat; retailing and advertising; and the production and refining of oil.

They saw products ranging from Fairchild's smallest integrated circuits to the McDonnell Douglas DC-10, and they still had time to see the Grand Canyon, Fisherman's Wharf, Disneyland, New Orleans' French Quarter, and a major league baseball game.

From August 6 through September 11, the three trips involved visits to facilities of or meetings with executives from forty-one Council member companies in a dozen states. Major visits were made in Illinois, North Dakota, Pennsylvania, Michigan,

Kansas, California, Arizona and Louisiana.

In most cases Council companies acted as local hosts, and at all points en route, local member firms were invited to host or attend evening dinners or similar functions to meet the Chinese officials. (A list of firms visited or met by the Chinese is given in the box page 22.) While every effort was made to include as many member firms' facilities as possible, time did not permit visits to every firm wishing to receive the Chinese officials. Future such visits are expected, however, and more companies will be accommodated.

## Commercial Officials

Leading each group was Mr. Chang Tsien-hua, Commercial Counselor at the Liaison Office. First Secretary of the Commercial Section, Mr. Huang Wen-chun, Third Secretaries Mr. T'ung Chi-kuang and Mr. Wang Tien-ming, and staff members Mr. Tsui-Kao-pi, Mrs. Lui Hui-lin, Mrs. Pa Ching-yi and Mr. Yu Jen-chuan, all participated in one or more of the visits.

On the first visit, President Phillips accompanied the Chinese to Chicago and the Midwest. Staff members Li May Phipps and Peter Weintraub



escorted the officials to Pittsburgh and Detroit. Vice President Eugene Theroux accompanied Mr. Chang and his colleagues on the first tour ever made coast-to-coast by diplomatic representatives of the People's Republic of China.

The National Council wishes to thank all those firms who helped to make a success of these first major Chinese visits. Organizations also gracious in their assistance were the San Francisco Chamber of Commerce, Chicago's Mid-America Committee, and UAL Inc.'s. Western International Hotels. The Chinese have expressed their appreciation for all the arrangements made.

## Six Areas

The three journeys began with a luncheon atop the world's tallest office building, the Sears Tower in Chicago, with about sixty business leaders from Midwest member firms. The variety of the tours is evident from the principal areas covered: Agriculture and Food Processing; Retailing; Ports; Transportation Equipment; Industrial Instruments, and Energy and Power Generation.

## Agriculture and Food Processing

On the first visit, escorted by Christopher H. Phillips, President of the National Council, and Mrs. Phillips, the Chinese were introduced to the wheat and corn fields of the Midwest on a trip by special train from Omaha, Nebraska, to Denver, Colorado, made possible by Union Pacific. At a North Platte, Nebraska, stopover, the group toured a major rail yard handling pork, grain, and other foodstuffs in a facility capable of handling 2,500 freight cars daily. Later, at Carrington, North Dakota, the group lunched in the field with a farm family and combine crew following observation of wheat harvesting areas. Beef feed lots of 10,000 cattle each were also visited nearby.

Earlier the Chinese visited Esmark, Inc.'s full-line meat packing plant in Rochelle, Illinois, where, in hygienic wraps and caps, the group watched hogs transformed into bacon and sausage and steers become prime cuts of beef under USDA supervised and approved conditions.

The group visited Deere & Co.'s combine harvester plant and foundry in East Moline and saw Sperry-Rand's New Holland Division farm equipment at work in North Dakota wheat fields. Council Vice Chairman William Hewitt, Chairman of Deere & Co., arranged a dinner aboard a Mississippi River houseboat near Moline. The Chinese were later to tour the river at New Orleans. Later stops in this category included visits to Stroh's of Detroit, a major Midwest brewery, the Beringer Brothers and Mondavi wineries in Napa

Valley, California, and a Del Monte cannery in San Jose, California.

## Retailing and Wholesaling

A variety of major US retailing stores were visited by the Chinese in order to assess the market for Chinese goods, discuss importing with buyers (some of whom have attended the Canton Fair) and receive a briefing on the credit and other buying habits of American consumers.

An extensive presentation on marketing practices, illustrated with case examples of US marketing techniques applied to current Chinese exports, was given by a leading San Francisco advertising agency. A major Sears Roebuck store in suburban Chicago, and a lower-price line store, Kresges, were among the stops in the Midwest in the first trip, followed by Pittsburgh's Kaufmann's downtown department store and three major retail operations in San Francisco—Gumps, the Emporium, and Woolworth's. These stores all carry Chinese goods.

Chicago wholesaling showplaces, McCormick Place and Merchandise Mart, were seen too.

## Ports

The Chinese Commercial Officials received extensive tours at the ports of San Francisco and New Orleans, which they viewed by land and water. Both New Orleans and San Francisco have accredited free trade zones of particular interest to importers. Los Angeles port officials also met the Chinese.

New Orleans was perhaps of particular note, since most of US trade with China to date, principally agricultural commodities, has passed down the Mississippi and through this port. Container ships and handling facilities were included in port visits, and LASH (lighter-aboard-ship) vessels, including the mammoth "Seabee" of the Lykes Lines, were observed in the course of the tours. Also visited were modern warehouses and inspection facilities.

In San Francisco, the Chinese received from Harry Bridges, Port Commissioner of San Francisco and head of the Longshoremen's Union, assurances of the interest of his dockworkers in loading and unloading Chinese cargoes.

## Transportation and Mining Equipment

Automobiles, trucks, locomotives, railway equipment, aircraft and even satellite technology were among US products demonstrated or seen in production by the Commercial Officials. Ford and GM assembly lines at Rouge (autos) and Pontiac (trucks and buses) near Detroit, were part



# CHINESE OFFICIALS VISIT MEMBER FIRMS ACROSS THE US



**Top left:** The Gulf Underwater Gravimeter explained by Andrew N. Labun of Gulf Research and Development Company in Pittsburgh. From left to right: Mr. Labun, Mr. Chang, Mrs. Pa, Mrs. Phipps, Mr. Wang, Mr. T'ung and Mr. Yu.

**Top right:** On the first trip, to the Midwest, the Chinese visited a farm in North Dakota. Here they appear before a Sperry Rand New Holland combine harvester.

**Middle left:** Mr. T'ung points to a machine at the Deere plant in Moline, Illinois. Mr. Chang, Commercial Counselor, in center, to his left Christopher H. Phillips.

**Middle right:** Officials of Gates Learjet show Commercial Counselor Chang and his colleagues their production facilities in Wichita, Kansas.

**Lower left:** Time off: While in Southern California, the Chinese visitors spent a day at Disneyland, hosted by a Council member firm, McDonnell Douglas.





**Top left:** Lunch at an American home: after visiting the Westinghouse Beaver Valley electrical circuitry plant, the Chinese had lunch at the home of the plant manager, Mr. A. J. Hendry. Seen here, from left to right, Mr. Wang, Mrs. Pa, Mr. Jones (Westinghouse), Mr. Chang, Mr. Hendry, Mr. T'ung, Mrs. Hendry, Mr. Yu, and, back to the camera, Mr. Obermesser (Westinghouse).

**Top right:** From hogs to sausages: in special coats and hats Mr. Chang and other Chinese Commercial Officials tour Esmark, Inc.'s Illinois meat packing plant, escorted by Edward F. Swift, of Esmark, and Christopher H. Phillips, President of the National Council.

**Middle left:** In Long Beach, California, the Chinese visited the McDonnell Douglas DC-10 plant. Before a massive DC-10 No. 1 Engine Nose Cowl are, from left to right, Mr. Wang, Mr. Theroux, Vice President of the National Council, Mr. T'ung, Mr. J. C. Brizendine, President of McDonnell Douglas, Mr. Chang, Chinese Commercial Counselor, Mr. R. E. Hage, Executive Vice President Marketing, and Mr. Tsui.

**Middle right:** Ready to board a helicopter at a San Francisco pier for visits to member firms Varian Associates and Fairchild Camera. Left to right: Mr. Tsui, Mr. Eugene Theroux and Mr. T'ung.

**Lower left:** Mr. J. D. Wisner, General Manufacturing Manager of the GMC Truck and Coach Division discusses the features of a Chevrolet truck engine with Messrs. Chang Tsien-hua, Tung Chih-kuang and Peter D. Weintraub [National Council Staff] at GMC Truck and Coach Plant No. 6, Pontiac, Michigan, on the second Council-sponsored itinerary.



## **MEMBER FIRMS VISITED OR MET BY CHINESE COMMERCIAL OFFICIALS**

**August 6—September 11, 1974**

American-Standard, Inc., Baker & McKenzie, Bank of America, Bendix Corporation, Cargill, Inc., Cessna Aircraft Company, Clark Equipment Company, Deere & Company, Esmark, Inc., Ex-Cell-O Corporation, FMC Corporation, Fairchild Camera and Instrument Corporation, The First National Bank of Chicago, Fluor Corporation, Ford Motor Company, Foremost International, Gates Learjet Corporation, General Electric Company, General Motors Overseas Operations, Gulf Oil Corporation, Hewlett-Packard, Hoose China Trade Services, Inc., IDC Marketing, ITT Far East & Pacific, Inc., Joy Manufacturing Company, McDonnell Douglas, Marcona Corporation, Mine Safety Appliances Company, Port of Los Angeles, Port of New Orleans, Smith International, Sperry Rand Corporation, Texas Instruments, Inc., United Air Lines, Inc., United States Steel Corporation, Universal Oil Products Company, Varian Associates, Westinghouse Electric Corporation, World Airways, Inc., and Paul Yang Associates.

### **Department Stores Visited**

Sears Roebuck and Co., Kresge, Kaufmann's, Emporium, Gumps, and Woolworth's.

### **Other Firms Visited**

Del Monte; Hoefer, Dieterich and Brown; Port of San Francisco; Stroh Brewery; and Union Pacific.

### **Places Visited Other Than Companies**

McCormick Place Exhibition Hall, Chicago; Merchandise Mart, Chicago; Baseball Game (Pittsburgh Pirates versus San Francisco Giants) Pittsburgh; The Museum of Technology, Dearborn; Fisherman's Wharf and Chinatown, San Francisco; Grand Canyon, Arizona; Disneyland, Los Angeles; French Quarter, New Orleans.

of the Michigan visit. At research facilities at Southfield, the Chinese guests received from Bendix a briefing on the Earth Resources Technology Satellite (ERTS).

Diesel locomotives were seen rolling off the production line—at the rate of six a day—at GM's La Grange works (see front cover), as well as railway equipment at WABCO's Union Switch and Signal Division and Airbrake Division in Pittsburgh.

The Chinese later rode General Electric's 50 KV electrified railway at Page, Arizona, where they toured a steam power plant fueled by coal carried by the railway from a computerized open-face mining operation in nearby Black Mesa. Mine safety equipment was seen at Mine Safety Appliances Allison Park plant.

Some of the world's largest planes—DC 10's—

were observed by the Chinese in production in Long Beach at the McDonnell Douglas plant there. The aircraft maker also arranged a visit to Disneyland for the Chinese. Some of the world's most advanced smaller planes were also seen in production at the Cessna and Gates Learjet facilities in Wichita, Kansas.

## **Electrical Equipment and Industrial Instruments**

Equipment and industrial instrumentation of all kinds were demonstrated for Mr. Chang and his associates. These ranged from power generation and electrical circuit equipment (Beaver Valley, Pennsylvania, Westinghouse) to air traffic control equipment (Texas Instruments at the FAA Control Center, Los Angeles International Airport). Other products in this category included oil refining facilities (Gulf Oil's Alliance Refinery in Louisiana), analytical and medical instruments (Varian), advanced integrated circuitry (Fairchild Camera) and monitoring equipment for use in oil and gas pipelining (ITT Barton Instruments, Monterey Park, California).

## **Iron, Steel and Power**

US Steel's main Homestead Plant in Pittsburgh came into a category of its own, although foundries were seen at several of the companies visited by the Chinese. At Page, Arizona, the Chinese inspected the new hydroelectric plant at the Glen Canyon Dam and a nearby modern coal-fueled steam generation power plant, both operated with major General Electric components.

It may be noted, too, that, although these trips focused on products for potential export to China, smaller importers and members of the Council also participated in the itinerary in most cities.

All in all, the three major tours were planned to provide the Chinese with a comprehensive introduction to both the scale and diversity of operations of US firms and, as well, to American urban and rural countryside and life-styles.

In keeping with the business purpose of the trips, the visits were accomplished with a minimum of local publicity. All the same, time was found to permit friendly visits with some public officials, including San Francisco's Mayor Joseph Alioto, and Los Angeles Deputy Mayor Manuel Aragon.

The trips represent important progress in the step-by-step development of Sino-US commercial relations. The National Council hopes they will be the first of many such visits and looks forward to when the first delegations from the China Council for the Promotion of International Trade and China's foreign trade corporations are able to accept pending Council invitations to come to the US. 完



# IMPORTERS NOTES

## The Rocky Road to MFN Continued . . .

Hopes that a compromise between Secretary Kissinger and Senate sponsors of the Jackson Amendment would clear the way for MFN for China continue to rise and descend like this fall's leaves in the wind.

The trade bill, cleared by the House with the Jackson-Vanik amendment included, is still languishing before the Senate Finance Committee. What appeared to be a satisfactory compromise between Jackson Amendment forces and the Secretary of State has temporarily stalled over such procedural questions as whether the Soviet Union should publicly give assurance to the US that it will relax its emigration restrictions.

Under one possible formula, the Jackson Amendment would be kept intact in the final bill, but with a one-year suspension of its provisions. The way would thus be open for the US to conclude a trade agreement with China incorporating MFN. Failure of any country to observe the law's conditions for MFN would after the allotted time be cause for withdrawal of the tariff benefits.

Another Finance Committee decision toughens the requirements for MFN. Under the version now before the Committee, it would not be possible for a country to secure most-favored-nation treatment by becoming a signatory to the General Agreement on Tariffs and Trade (GATT), as would be permitted by the House bill. The only way a country could obtain MFN tariff treatment under the Senate bill would be through bilateral negotiation of a trade agreement with the United States.

## Fall Activities

On September 23 the Importers Steering Committee met in New York to plan a program of activities for the fall. At the meeting, attended by Christopher H. Phillips, President of the Council, and Kurt Reinsberg, Chairman of the Importers Committee, decisions were made about the agenda of discussion for a luncheon at the Chinese Liaison Office on October 4.

## Between Fairs

Is an invitation between Fairs now a trend? A number of importers of Chinese products report having been invited to China for business discussions between the semi-annual Kwangchow Fairs. This has many positive aspects, but a negative side too. Importers now ask: will there be enough quantities available at Fair time for those who only attend the Fair?

## Complaint

One importer, who has brought in Chinese goods for several years now, found, sometime after returning from the Spring Fair where he purchased the goods, that the Chinese reduced the price of that item (of which China is a leading world supplier) by 20 percent, thus bringing the importer losses of thousands of dollars. How

friendly is this? asks the importer. In most cases of difficulties of this sort, importers are able to engage Chinese negotiators in discussion at the following Fair if the matter has not been resolved by correspondence. Usually the Chinese find a satisfactory compromise solution, and we wish this aggrieved importer well.

## Imports Continue to Rise

Imports from China in the first six months of 1974 were up to 274 percent from the same period in 1973 to \$52 million. Leading categories were—

	\$million
Unbleached, woven, cotton fabrics	14.6
Materials of animal origin, principally bristles	4.5
Tins and Tin alloys	3.1
Wood and resin-based chemical products	2.9
Shellfish except prepared or canned	2.2

Other categories valued at over \$1 million are unmanufactured tobacco; raw silk; essential oils and resinoids; woven, bleached and finished cotton fabrics; works of art, collector's pieces and antiques; brooms, brushes, dusters and plaiting arts. The items with the biggest increases by far were knotted rugs and carpets, knitted and crocheted clothing and accessories, fresh frozen fish, edible nuts, and salted, dried and smoked fish.

Imports from China, now running at about \$12 million a month, should reach the \$100 million mark before year end. 完

## GEORGE BUSH NEW US CHIEF IN PEKING

George Bush, former US Representative to the UN (1971-1973) and Chairman of the Republican National Committee, has been appointed new Chief of the US Liaison Office in Peking by President Ford. He will take up his new post in early November. Christopher H. Phillips, President of the National Council, served as Deputy Representative to the UN during Mr. Bush's service there. Mr. Bush served for two terms as a member of the US House of Representatives from Houston, Texas, from 1966 through 1970. He was born in Milton, Massachusetts, and is the son of the late Prescott Bush, former US Republican Senator from Connecticut.



Liuhua Park and lake as seen from a window of the  
Tung Fang Hotel.





# The China Trader's KWANGCHOW

*The Chinese name for Canton, location of the famous Chinese Export Commodities Fair, is Kwangchow. There is another transcription, "Guang Zhou," from pin yin, an anglicized phonetic system in official use in China, which you will find on posters or signs at railway stations and bus terminals.*

*This city of two million inhabitants plays host twice every year to many thousands of foreign traders: about half of China's total exports are sold at the twice-yearly Fair. Though some trade negotiations do take place in other cities and between Fairs, Kwangchow remains of prime importance as a businessman's perennial venue in China.*

*For fairgoers who want to know their way around, for newcomers, for executives stopping off en route to Peking, and for anyone else with an interest in this part of China, the following guide to Kwangchow is presented.*

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Few people arriving in Kwangchow know much about the city and its environs. To most visitors, Kwangchow is the end of the line from Hong Kong, the place to do business and leave, China's trading post. Kwangchow has historically been a busy place, but at Fair time is a tumult of out-of-towners packed into a small area, as colorful and exciting an arena for business as exists anywhere in the world.

Kwangchow's climate resembles that of Miami or New Orleans. Its rainfall and temperature range is close to that of Miami, and also, generally speaking, its location on the Chinese map is similar to that of Florida in the US—the deep southeast. As you step off the train in Kwangchow, at the new railway station, you'll be on the south side of the Tropic of Cancer.

Kwangchow's urban landscape is fairly uniform: few buildings rise above the three or four story plateau of roofs. At first glimpse, their soft brick and brown chessboard diagonals paint a subtle Buffet or Cezanne in the imagination.

What you see now was begun two thousand years ago: one source cites 214 BC as Kwangchow's

founding date, though others say four thousand years ago is more correct, its origins a fishing village on the Pearl River. Curled in a meander of the river, Kwangchow is still the home of fishermen, though the pursuits of its people and its economy are now as varied as world trade itself.

Curiously enough, this thriving port city has a history of rebellion, helping to fight China's wars for independence. Americans especially are usually interested to learn that in 1839 Kwangchow had its own Boston Tea Party, only tea was not destroyed but opium, and the first Opium War was begun. Sun Yat-sen founded the Kuomintang in Kwangchow in 1923. Almost fifty years ago, in 1925, Mao Tse-tung taught at the Peasant Movement Institute in the city, along with Chou En-lai and Kuo Mo-jo.

Kwangchow was the first Chinese port open to foreign vessels in the early 16th century, and today is one of China's largest foreign trade ports. Seagoing vessels of 10,000 tons can reach Whampoa, Kwangchow's main harbor within the municipality. Smaller vessels, of up to 4,000 tons, can reach Kwangchow proper, and 2,000 ton vessels can go up the West River (Hsi Chiang) more than 150 miles.

Without a special map of the area, few of which exist with the full details, you may not know that the region around Kwangchow has much to offer. New Orleans is the American city most nearly like it, for Kwangchow is on the famous Pearl River braided delta on which sugar cane, bananas, and rice are floated, shipped and exchanged in commerce.

And if you order oranges, pineapples, or tangerines in Kwangchow you can be sure they will be fresh, for they are the region's specialties. The region, too, is China's principal source of tungsten. South of Kwangchow, at Maoming, oil shale is mined.

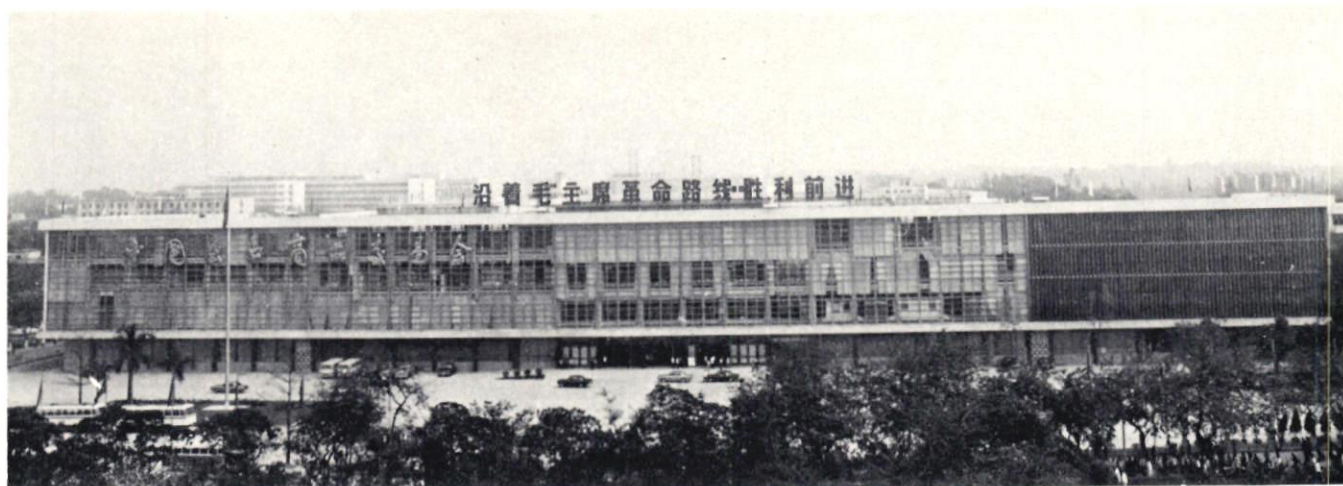
An introduction to Kwangchow, whose chief industries are cement manufacture, chemicals, newsprint production, sugar refining and shipbuilding, would be incomplete without mention of a fascinating symbiotic process to be found in the nearby delta. There fish are bred on silkworm by-products, and the mulberry trees on which the silkworms are

# **ROUND THE CLOCK IN KWANGCHOW** **Daily Operating Hours of Facilities at the Fair Complex and the Tung Fang Hotel**

Hours of the Day	6	9	12	15	18	21	24
<b>FAIR COMPLEX (Except Sunday)</b>							
	08:30	11:30		14:30	17:30		
Bank	08:30	11:30		14:30	17:30		
Bookstore	08:30	11:30		14:30	17:30		
Cable Office	08:30	11:30		14:30	17:30		
General Business Hours	08:30	11:30		14:30	17:30		
Post Office	08:30	11:30		14:30	17:30		
Restaurant	08:30	11:30		14:30	17:30		
Retail Store	08:30	11:30		14:30	17:30		
<b>TUNG FANG HOTEL</b>							
Bank*			12:00	14:30		18:00	21:30
Bookstore*			12:00	14:00		18:00	20:30
Cable Office*			12:00	14:30		18:00	24:00
China International Travel Service	08:00	09:00		16:30	17:30	18:30	20:30
Hotel Bar						21:00	24:00
Hotel Restaurant	06:00	09:00	11:00	14:00	17:30	21:00	
Fair Liaison Office		08:00	12:00	14:30	20:00		
National Council for US-China Trade†			11:00	13:00	16:00	18:00	
Post Office*			12:00	14:30		18:00	22:00
Mail Collection			10:45		17:10	20:00	22:00
Retail Store	07:30					21:00	
Telex Office*		08:00			18:00		24:00
Bookings stop at 24:00							
Circuit close 01:00							

\*On Sundays, open afternoon hours only.  
†Consultations at other times by appointment.





Kwangchow's new Export Commodities Fair complex.

sustained are fertilized by rich alluvia from the ponds in which the fish breed.

Here, in Kwangchow, where the fish are eaten and the silk sold, the symbiotic process seems especially apt. Across Kwangchow's negotiating tables, China meets the rest of the world to sell its wares, and there is no closer symbiosis than that between sellers and buyers.

## Arrival at the Hotel

Upon arrival at the Kwangchow Railway Station, visitors to the Chinese Export Commodities Fair board a bus for the short three block ride from the station, past the new Fair buildings, to the Tung Fang Hotel, where most Americans stay during the Fair.

Immediately after arriving at the hotel, it is necessary to go to the Liaison Office on the fourth floor where one registers for the Fair and receives a ribbon, which serves as a pass for entrance into the Fair building and a convenient form of identification for all activities in Kwangchow. Within 48 hours of arrival, it is also necessary to register your presence in Kwangchow by presenting your passport to the China International Travel service on the second floor of the hotel. The passport may ordinarily be claimed 24 hours later.

After settling in at the hotel, activities in the Fair building, some 600 yards directly across the street from the Tung Fang, are of course the focal point of interest for the China trader. The preoccupation of most, at least initially, is in obtaining appointments with appropriate people in the foreign trade corporations, all of whom are located in the Fair building.

Most Chinese trade officials are located in special discussion rooms, apart from the principal display areas, while others conduct their business at tables located amidst the displays of their products in the exhibition halls themselves.

Businessmen are allowed in the Fair complex only

during business hours: 8:30-11:30 AM, 2:30-5:30 PM. Because access to Fair negotiators is limited there is generally a scramble among business men to "get there first" as soon as the building opens in both the morning and afternoon, in order to minimize the time spent making appointments or waiting for scheduled business discussions to conclude.

Another interesting aspect of doing business at the Fair is the "public nature" of negotiations. Competitors are often seated nearby while discussions take place. In addition, all negotiations must be conducted in person so that Fairgoers should be prepared to move quickly throughout the one million square feet of building to be on time for scheduled appointments.

## Conversions and Cost

All dollar conversions from Chinese currency are given here at a ballpark rate of one yuan equals 50 US cents. (The actual rate fluctuates.) The figures given below are those prevailing in April-May, 1974, at the Spring Fair but may well be changed by the next Fair.

## Communications

The availability, cost and management of communications facilities at the Fair, given the number of people seeking to use them, differ significantly from what American businessmen are accustomed to, and may prove especially frustrating for those who feel a need for quick access to market information or instructions from the home office.

Many businessmen therefore make arrangements to exchange information through Hong Kong by telephone, where communications with the rest of the world are more accessible.

Communications services are available during Fair hours on the second floor of the post and cable office at the Fair building, and in the Tung Fang Hotel during the hours indicated below. Telephone calls can be placed and received in one's hotel room.



Cables and telex messages can only be sent from the communications desk on the ground floor of the hotel, but incoming messages can be delivered to rooms, if the guest has registered his cable or telex address at the desk beforehand.

There is no provision for two-way telex service unless the party at the other terminal is prepared to send a message immediately after receiving the message emanating from Kwangchow—i.e., while the circuit is still open. Therefore, those wishing to receive information other than an acknowledgment of "message received" must advise the other party of the approximate time that he will be sending a telex and have the other party prepared to send a telex back immediately upon receipt of the incoming and before the direct circuit is closed.

## Telex

(Available at the Tung Fang Hotel only)—

08:00-24:00 (Monday-Saturday)

18:00-24:00 (Sunday)

Circuit closes at 01:00 for incoming messages.

Rates are the same to all places, except Hong Kong.

Rates (in Yuan): Minimum charge is ¥21.60 (or about \$10.80); charge per minute is ¥7.20 (\$3.60).

## Cables

12:00-14:30; 18:00-24:00 (Monday-Saturday)

18:00-24:00 (Sunday)

Rates—to all countries—regular ¥2.60 per word (\$1.30). Night letter ¥1.30 (\$0.65) per word.

International cable credit cards are accepted in payment for cables.

The Tung Fang Hotel and part of its new wing on the right.

## Telephone

Overseas telephone calls may be made from the hotel 24 hours a day, and from the Fair communications office during Fair hours, and must be placed with the operator in advance. Charges to the US, which can be reversed, are: ¥37 (first three minutes, \$18.50) plus ¥10 (\$5.00) for each additional minute. A service charge ¥4 (\$2.00) is made on all calls, whether or not the call goes through. Connections are ordinarily very good.

## Post Office

Post offices are located in both the Tung Fang Hotel and, during Fair hours, in the Fair complex.

Hours at the hotel are:

12:00-14:30; 18:00-22:00 (Monday-Saturday)

18:00-22:00 (Sunday)

	(First 20 grams)	(Additional 20 grams)
<b>Surface Mail</b>	¥0.22	¥0.13
Post Cards	¥0.13	
Printed Matter	¥0.09 (first 50 grams)	¥0.04 (additional 50 grams)

## Airmail

A surcharge of ¥0.30, ¥0.15 and ¥0.10 is made per ten grams for all letters, postcards and printed matter respectively.

Aerogrammes cost ¥0.35. Airmail to the US normally takes 7-9 days from China and surface mail 4-8 weeks. Mail may be registered at a cost of ¥0.32 per item. For collectors, a complete selection of China's postage stamps is available at the Post Office for ¥22.00, and a selection of albums is also available.

## Banking

China's currency, called the Renminbi, is denominated in Yuan, Chiao and Fen. Yuan notes are available in units of 1, 2, 5 and 10. Chiao notes are available in units of 1, 2 and 5; 10 Chiao = 1 Yuan. Fen, 100 of which equal 1 Yuan, are coins in units of 1, 2 and 5.

China accepts US dollars in cash or in traveler checks issued by American Express, Bank of America or First National City Bank. Travelers checks defined in Japanese yen or pounds sterling are also accepted. Additionally, travelers letters of credit are also negotiable, though businessmen with travelers letters of credit transactions may be directed to a main bank branch in downtown Kwangchow rather than permitted to negotiate the letter of credit at the hotel or Fair branch bank.









With the exception of International Telegraph charge cards, no credit cards are accepted in the PRC. Several American businessmen at the 1974 Spring Fair said they were allowed to pay for goods with personal checks.

All exchanges of currency should, at the time of conversion, be recorded on the Chinese Currency Declaration form with which all visitors are provided upon entering China. Customs officials will check this form when you leave the country and may ask that any discrepancies be accounted for.

China traders who anticipate repeated visits or long stays in China, may wish to consider opening a bank account in China (see UCBR, July-August 1974, pages 43-44).

## General Business Services

In deciding whether a given service is available in Kwangchow, it is best to inquire about its availability either at the Fair Liaison Office, at the hotel, or at the General Service Counter on the hotel's ground floor.

For example, the General Service Counter can arrange to print business cards, develop film and make restaurant reservations. The hotel's Fair Liaison Office can sometimes arrange for visits to business-related facilities, such as factories, laboratories, mines and communes.

## Support Services

The National Council maintains an office in the Tung Fang Hotel for the duration of the Fair. It is open 11:30 AM to 1:00 PM and from 5:30 to 7:00 PM, but is available for consultation at any hour, by appointment. In addition to offering consultations with experienced staff members, the Council Office has

Kwangchow office of the National Council for US-China Trade located in the Tung Fang Hotel.



electric typewriters, a photocopying machine, office supplies and a library of commercial reference works, such as the Tariff Schedules of the United States, USDA and FDA regulations.

In addition, the United States Liaison Office in Peking maintains an office at the Tung Fang Hotel manned by experienced foreign service officers. These economic/commercial officers are also available for consultation with businessmen.

## News from the Outside World

Both the National Council and the U.S. Liaison Office receive current newspapers and magazines from Hong Kong, *Time* and *Newsweek*, which are available to businessmen. In addition, the Council has a shortwave radio with which to receive foreign broadcasts in English. No foreign books, newspapers or magazines of any kind are offered for sale in China.

## Transportation

The city of Kwangchow has an extensive public transportation network of buses which, though usually very crowded, may be used by the more adventurous. Maps indicating the bus routes can be purchased at the bookstore on the ground floor of the Tung Fang Hotel.

Most foreigners in Kwangchow travel by taxicabs which are reasonably priced (¥0.45 per kilometer). They are readily available at all the major hotels. Most taxi drivers do not speak English and travelers are wise to obtain the name(s) of their destination(s) in written Chinese from the dispatcher's office or from the Hotel Liaison Office before engaging a cab.

If you are planning to visit several places, it may be desirable to have the driver wait, as cabs do not "cruise" the streets and are available only at specified taxi stations, such as the hotels. At restaurants, where having a cab wait is impracticable, the restaurant staff will call for a cab shortly before your departure and notify you when the cab arrives. A typical fare for a one-way trip to almost anywhere in Kwangchow is ¥1.35 or about US 70 cents.

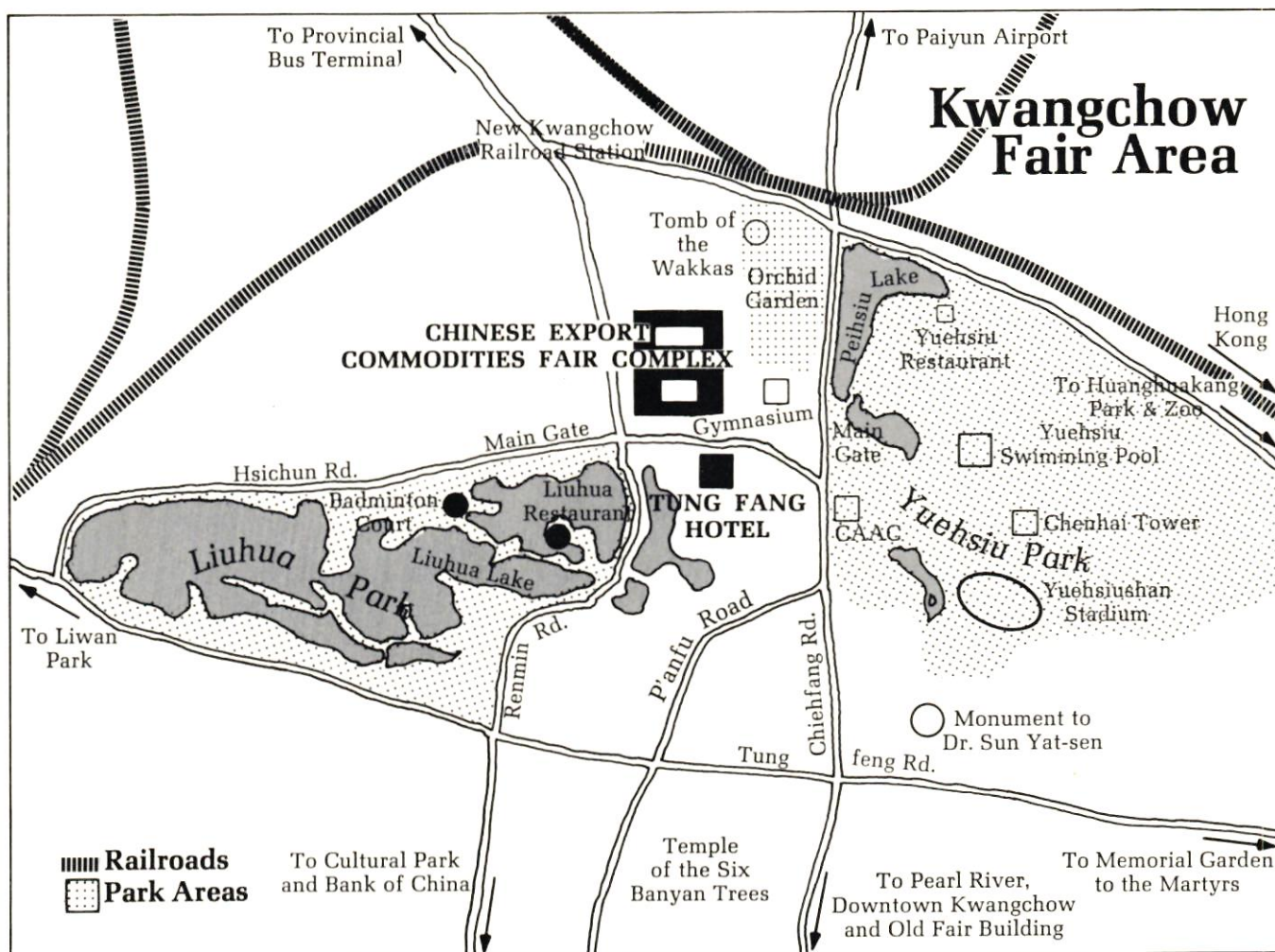
Drivers and interpreters are also available through the Hotel Liaison Office for all-day tours and other extended trips. One all-day taxi trip around the Canton area during the Spring 1974 Fair cost ¥35.20, or about \$17.50.

## Leisure Hour Activities

Access to Chinese trade officials during the Fair, with the exception of occasional social functions, is generally limited to meetings in the Fair building. For this reason, a fairgoer has some time available for nonbusiness activities.

At the Tung Fang Hotel complex itself, there are





facilities for ping pong, badminton, billiards, volleyball and, for a relaxing pause, there is the outdoor pavilion where chairs and tables are arranged around a fountain and reflecting pool, and where refreshments are served.

In the evening, a bar on the top floor of the hotel offers a place for meeting other China traders over beverages, sandwiches and light meals. Only Chinese wines and spirits are served; foreign alcoholic beverages are not available in China, though they may be brought in by fairgoers.

Another possibility is shopping on the ground floor of the hotel, where there is a bookstore, with phonograph records, postcards, maps, silk screen paintings, posters, books and traditional Chinese papercuts. Another retail shop at the hotel offers a wide range of arts and crafts, such as porcelainware, jewelry, jade carvings and embroidery. This shop also sells virtually everything needed to meet one's personal needs during the Fair, including fresh fruit, pastries, candy, liquor, cigarettes, toiletries, stationery, nylons and umbrellas.

The hotel bookstore is open from 12:00-14:00 and 18:00-20:30 on Sunday; the retail store is open from 07:00 to 21:00 daily.

A barber shop for both men and women, located on the ground floor of the hotel's new wing, is open daily from 08:00 to 20:00, and does most satisfactory work at a very reasonable price.

Besides shopping at the hotel, one can purchase furs and other wearing apparel at a small retail store on the ground floor in the center of the Fair Building. On the second floor there is a large bookstore and a display area where antiques are sold.

## Parks and Walks

Within easy walking distance of the Tung Fang are several beautiful parks where, for a very modest entrance fee, one can take leisurely and interesting walks.

In Liuhua Park, situated adjacent to the Tung Fang Hotel, there is a large lake, encompassed by a palm tree lined walkway, dotted with numerous pavilions



and benches that beckon visitors to rest in the welcome shade. Built in 1958, this 185-acre park is a favorite jogging track for some businessmen, and is well used by the Chinese before dawn for badminton, table tennis, and a fascinating variety of traditional physical exercises.

A short walk from the Tung Fang is Yuehsiu Park which, with 232 acres, is Kwangchow's largest park. The principal attractions here, in addition to the beautifully landscaped grounds, are two olympic size swimming pools and a championship diving pool which are available to foreign guests in the early morning hours, and Yuehsiu Stadium where Fairgoers are allowed to jog or play soccer.

The Chenhai Tower, more popularly known as the Kwangchow Museum, is a rectangularly shaped, five-story building located adjacent to the stadium. It houses a beautiful collection of Chinese porcelain-ware. This pagoda style edifice was originally built in 1380, during the Ming Dynasty, when it served as a lookout post. Also located in the park is the Statue of Five Goats. Kwangchow is called the City of the Goats, for the goat, according to legend, brought the first grains to the people of the area.

The Orchid Garden, a comfortable ten minute walk from the Tung Fang, offers perhaps the most beautiful and tranquil spot in Kwangchow, as well as tea for 50 fen. Here over one hundred varieties of orchids, as well as other exotic plants and flowers, may be found amidst a traditionally landscaped garden.

Normal tourist type pictures may be taken freely in Kwangchow, such as pictures of monuments, gardens and landscapes. However, one should not attempt to photograph individual Chinese without first obtaining their permission. The rule is—"be discreet and, when in doubt, ask permission." Places of interest further from the Tung Fang hotel include the following.

### **Memorial Garden to Martyrs of the Kwangchow Uprising (Hung Hua Kang)**

Also known as Red Flower Garden, this garden was built in 1957, to memorialize those killed in the December 11, 1927, uprising in Kwangchow. In addition to a mausoleum honoring the martyrs, there are two artificial lakes spanned by a number of arched bridges and an eight-cornered pavilion in the middle of a lake. On both sides of the high, red-fenced main entrance gate are large slabs of red marble bearing inscriptions from Premier Chou En-lai.

### **Tomb of the 72 Martyrs at Huang Hua Kang**

Yellow Flower Park, a mile or so out of town, is the location of a tomb for 72 martyrs who were killed on March 29, 1911, in an uprising against the

Ching Dynasty. The tomb was repaired in 1918 from funds donated by Overseas Chinese, including many Chinese-American communities and has many interesting features, most of which may be attributed to Western influence. The park derives its name from the many yellow flowers, including jasmine, planted there.

### **Kwangchow Cultural Park**

The 20 acre Kwangchow Cultural Park is the city's largest recreation center. In addition to seven exhibition halls, there is an opera house, a concert hall, a sports stadium, an aquarium, and much more. It is often crowded at night.

### **Sun Yat-sen Memorial Hall**

An elegant octagonal building, in traditional Chinese style, this hall was built between 1929-31 on the site of Dr. Sun's former presidential residence at the foot of Yuehsiu Mountain. In front of the hall stands a 13-story high, imposing granite statue of Dr. Sun. The hall is often used for meetings and theater.

### **Kwangchow Zoo**

The Kwangchow Zoo is said to be second only to Peking's in its size, beauty and variety of animals. The principal attraction for most are four pandas who've resided here since 1965, when they were brought from mountainous Szechwan Province. The only places outside China where this rare animal can be found are in a handful of foreign zoos, including the National Zoological Park in Washington, D.C. The Kwangchow Zoo is spread over 82 acres and has more than 200 species of animals and birds.

### **National Peasant Movement Institute**

The people of Kwangchow take pride in their city as a focal point of revolutionary struggle in China. The National Peasant Movement Institute founded in July 1924 was the original party school whence cadres were sent out into the countryside. Mao Tse-tung was headmaster of the Institute in 1926. Others who lectured at the Institute were Chou En-lai and Kuo Mo-jo. Originally the building was a temple of Confucius dating back to the 16th century.

Nearby the Institute is a major historical museum called Hsing Huo Liao Yuan (A Single Spark Can Light a Prairie Fire). For an insight into China's recent history, a visit to these two sites is a must.

### **Entertainment**

During the Fair, Chinese officials schedule various events for evening entertainment. Visitors may attend these events, though it is necessary to check period-



## ADDRESSES & TELEPHONE NUMBERS IN KWANGCHOW

Hotels	Address	Telephone	Restaurants		
Ho-ping (Peace)	Renmin Rd., S.	22440	Chiang-hai (River & Sea)	Shih-san hang Rd.	25760
Hsin-hua (New China)	Renmin Rd., S.	22990	Chin-sheng-hsi (Better than Before)	Ch'ang-ti	25259
Hsin-ya (New Asia)	Renmin Rd., S.	25828	Ching-chi (Economical)	Sha-mien	20763
Hua-chiao (Overseas Chinese)	Hai-chu Square	31030	Hua-chiao Hotel (Overseas Chinese)	Hai-chu Square	31030
Jen-min (People's)	Yen-chiang Rd.	23419	Hua-pei (Northern China)	Chung-shan 5th Rd.	33837
K'uang-chuan (Mineral Spring)	San-yuan Li	32540	Hui-ju	Chung-shan 5th Rd.	32704
Kwangchow	Hai-chu Square	30690	Hui-min (Moslem)	Peking Rd.	30475
Kwangtung	Ch'ang-ti	21524	Kuang-chuan Villa (Mineral Spring)	San-yuan Li	32540
Liu-hua (Floating Flowers)	Renmin Rd., N.	30840	Kuang-hui (Glory)	Chang-ti Rd.	23504
Nan-fang (Southern)	Hsi-ti	25233	Kwangchow	Wen-ch'ang Rd.	21139
Peking	Ch'ang-ti	21799	Kwangchow Hotel	Hai-chu Square	30690
Sheng-li (Victory)	Sha-mien	21754	Li-wan	Hsiang-yang 2nd Rd.	26165
Tung-fang (Eastern)	Renmin Rd., N.	33070	Liu-hua Hotel (Floating Flowers)	Renmin Rd., N.	30840
Theaters and Movies			Nan-yuan (Southern Garden)	Chien-chin Rd.	50532
Chien-chin (Step Forward)	Hsiu-li Rd.	23700	Pan-chi (Riverside)	Hsiang-yang 1st Rd.	20350
Chin-sheng (Golden Sound)	Hsiu-li 1st Rd.	25936	Pei-hsiu (Northern Elegancy)	Ta-pei Road	32471
Ho-nan	Hung-te Rd.	50420	Pei-yuan (Northern Garden)	Tung-feng Rd., N.	31154
Hsi-hao	Hsi-hao 2nd Rd.	21455	Peking	Hsi-hao Kou	21186
Hsin-hua (New China)	Chung-shan 5th Rd.	32292	Renmin Hotel (People's)	Yen-chiang Rd.	23419
Hsin-hsing (New Star)	Chung-shan 5th Rd.	32399	San-ju	Nan-hua Rd., E.	50844
Hsin-wen (News)	Peking Rd.	30721	Sha-ho (Sand River)	Sha-ho Rd.	70956
Hung-chi (Red Flag)	Chung-shan 4th Rd.	32573	She-tsan kuan (Snake)	Chiang-lan Rd.	24679
Kuang-ming (Brightness)	Nan-hua Middle Rd.	51436	Sheng-li Hotel (Victory)	Sha-mien	21754
Kwangchow	Yen-chian 1st Rd.	25730	Ta-tung (Great Harmony)	Ch'ang-ti Hsi-hao Kou	24902
Nan-fang (Southern)	Chiao-yu Rd., S.	30195	Tai-ping (Peace)	Peking Rd., N.	32599
Renmin (People's)	Ch'ang-ti	22917	Tao-tao-chu (Content)	Hsiu-li 2nd Rd.	25897
Sun Yat-sen Memorial Hall	Tung-feng 2nd Rd.	—	Tsai-ken-hsiang (Vegetarian)	Chung-shan 6th Rd.	23733
Tung-shan (Eastern Mountain)	Chung-shan 2nd Rd.	71539	Tung-chiang (Eastern River)	Chung-shan 4th Rd.	32473
Yen-an	Yenan 3rd Rd.	70800	Tung-fang Hotel (Eastern)	Renmin Rd., N.	33070
Yu-i (Friendship)	Renmin Rd., N.	33402	Tung-san (Eastern Mountain)	Tung-shan-kuei-kang	70556
Yung-hung (Forever Red)	Peking Rd.	32630	Yeh-wei-hsiang (Games)	Peking Rd.	30997
			Yu-yuan (Happy Garden)	Liwan Rd., S.	24362

ically at the Hotel Liaison Office regarding tickets and information.

Examples of what was offered at the 1974 Spring Fair: performances by the Shenyang Acrobatic Troupe, the Shanghai Opera Company, the Sinkiang Song and Dance Ensemble, basketball games (Peking

versus Nanking and Shanghai versus Shantung) and various films.

### Restaurants and Cuisine

One of the most delightful and talked about diversions for fairgoers is sampling Chinese cuisine





Negotiating in the display area of the China National Textiles Import and Export Corporation's Exhibition Hall.

in Kwangchow's restaurants, many of which are situated in beautiful gardens or on peaceful lakes. Most are also decorated with fine antiques, carvings and traditional paintings.

When planning to visit these restaurants, a selection of which are described below, it is best to call ahead for a table, specifying the number of people, the amount you wish to pay per person and the menu. If you do not speak Chinese, this can be done through the Hotel Liaison Office, which is accustomed to helping guests make such arrangements.

During the 1974 Spring Fair the cost of meals was \$4-\$10 per person depending on how sumptuous a repast was wanted. Given a group of 8-10 people, \$5 per person would afford a very good six or seven course meal, though as high as \$11 per person is possible.

## Dining Spots

Perhaps the most beautiful and famous of Kwangchow's dining spots is the *Pan Chi*, situated on a lake with an excellent view and lovely gardens. Specializing in Cantonese foods, the restaurant is best known for its stewed chicken in vegetables, a dish called "mushroom shoots a la king," and *din sum*, a wide variety of delicious, attractively prepared, bite-size pastries.

The *Northern Gardens Restaurant* (Pei Yuan) is a favorite among regular fairgoers. It has ten dishes

of special note: stewed pork, roast duck, barbecued chicken liver, steamed chicken with Hua Tiao wine, stewed fish head with vegetables, fried crabs, steamed fish, fried boneless chicken, fried snow-white shrimp and stewed duck legs in oyster sauce.

## 11-COURSE MENU FOR 10 PEOPLE IN CANTON

**Appetizer:** Platter of Cold Cuts, Sliced Steamed Chicken, Egg, Vegetables, Duck, Pork Shrimp—All arranged in the form of exotic fish or birds.

### Main Dishes:

Roast Peking Duck	(Crisp skin served separately with bread wafers, small sprigs of spring onion & sauce
or	
Roast Suckling Pig	
Sautéed Prawns	
Steamed Chicken	
Shrimp Balls	
Sliced Roasted Chicken	
Sautéed Whole Mushrooms	
Steamed Fish	
Steamed or Fried Rice	

**Soup:** Duck with Vegetables

**Dessert:** Apple or Banana Toffee

**Beverage Selection:** Hot Tea, Mineral Water, Beer, Wine, Carbonated Orange Drink

**Approximate Cost—\$11 Per Person**



The Mongolian Hot Pot Restaurant has many fairgoers among its customers. As the name suggests, this restaurant specializes in Mongolian-style food.

The River and Sea Restaurant (Chiang Hai) in the center of the city and the Liu Hua Restaurant in the park next to the Tung Fang Hotel are both noted for their seafood; the latter is especially known for serving fish in a hot soy sauce with shredded vegetables.

The Wild Game Restaurant (Yeh Wei Hsiang) affords an opportunity to sample exotic Chinese dishes, such as tiger meat, snake, venison, bear paws, monkey, fox and dogs in season.

The Economic Restaurant (Ching Chi) is famous for western dishes. The People's Restaurant (Renmin) is famous for its salt baked chicken and Hakka dishes. The Moslem Restaurant (Huimin) offers barbecued lamb (called mutton hot pot) and the Great Harmony Restaurant (Ta Tung) with its bamboo decorated rooftop, offers outstanding crisp fried chicken and roast suckling pig.

Some other restaurants of note are the Southern Gardens Restaurant (Nan Yuan), known for Chaochow dishes, the Snake Restaurant (She Tsan Kuan), the Kiang Hai Restaurant, known for its Shunteh dishes and the Ta San Yuan Restaurant which is known for its Cantonese dishes.

## Eating at the Tung Fang

Not to be overlooked are the restaurants in Kwangchow's various hotels. The Tung Fang Hotel Restaurant has a kitchen staff of 55 people to prepare a large menu of Chinese and western dishes. Most visitors are unaware that, in addition to regular dining rooms, the hotel has special rooms on the top floor for private dinners. Those who have arranged to dine in these rooms say that the food is outstanding and served with style. One such dinner for a group of 12 people at the recent Spring Fair cost \$11 per person. The dinner comprised twelve courses and was truly scrumptious. See box on page 34 for the menu.

A buffet-style luncheon is also available during the Fair for businessmen who prefer a speedier but still superlative meal.

Prices in the hotel's regular dining room vary from a quick, hot, delicious congee with egg for breakfast at the equivalent of 25 US cents to a dinner with several courses costing \$4-\$6.

## Visits Beyond Kwangchow

Fairgoers are allowed to visit virtually any part of Kwangchow without special permission. Visits beyond the city limits require special visas, however. There are special trips arranged for visitors by the Hotel Liaison Office, generally on weekends, to such places as Seven Star Cliffs, the Hot Springs and other noted tourist spots. Trips are also arranged to allow businessmen to visit factories and communes.

Information about trips may be obtained from the Hotel Liaison Office.

## Shopping Downtown

As the possibility of buying Chinese antiques appears to be of special interest to many visitors to China, two downtown shops may be worth noting, namely the Art Gallery on Wen Teh Road and the First Cultural and Antique Supplies Store on Peking Road. But experienced China traders claim that the best buys are to be found at the Fair buildings.

A most interesting and rewarding experience for most new visitors to Kwangchow is to shop at the city's largest department store, the Nanfang. Located in downtown Kwangchow on the bank of the Pearl River (49 Yin Chiang Road), this is the principal retail store for the local population. This store affords the visitor an excellent opportunity to see what goods are available to the Chinese population.

The goods displayed are sold at fixed prices and can be purchased by foreigners at the stated price. Examples of goods brought by visitors to the 1974 Spring Fair include harmonicas, children's clothing, blouses, paint brushes and headwear.

Another store frequented by fairgoers is the Friendship Store on Liu Erh-san Road. Only fairgoers are allowed to buy in this store, which is stocked with a wide range of goods. These include jewelry, ivory and wood carvings, embroidery, silk-screen paintings, alcoholic beverages like Mao Tai, silks, cloisonne and lacquerware.

While the above listed stores are those most frequented by foreigners, visitors may purchase goods at virtually any store in Kwangchow. Should there be items of interest which cannot be found, information regarding its availability may be obtained from the Hotel Liaison Office. 完

## YOUR BUDGET IN KWANGCHOW

If you're wondering how much to budget for your stay in Kwangchow, count on spending at least \$25.00 a day. This includes, as of Spring 1974, \$13.00 for your room, \$8.00 for meals, and \$4.00 for miscellaneous personal needs. But that is a minimum. A first class evening meal alone may cost as much as \$11.00, as indicated in another box in this section, which will push up the average cost.

Most businessmen must factor in the cost of cables, telex, and telephone calls to their offices overseas, details of which are given in the main article. This adds considerably to the minimum.

In addition, many traders may take weekend trips which may cost as much as \$17.00 a day or more. Personal purchases also add to the total.

A realistic budget, by one New York businessman's assessment, for two weeks at the Fair, using cable services extensively, is \$2,000.



# FINANCING IMPORTS FROM CHINA

Katherine Schwering

*The experience of U.S. importers of Chinese goods has been various, unpredictable and at times even exasperating. The progressive development of commercial relations between China and the U.S. has been an education for both sides. One area of particular interest to U.S. firms buying from China is that of financing. Most importers would like to leave the details to their bank, and not get too involved in banking complexities. Since the Bank of China has a first-rate reputation, they believe they have a trustworthy institution at the other end of the transaction.*

*Yet there are questions to be asked—how much difference does it make that there are no direct banking relations with China. Can one arrange to buy Chinese currency forward? Are China's Letter of Credit terms different from those of other countries, or from one to another? What differences are there between the way foreign firms buy from China and the way China buys from foreign companies? For some importers, knowing how the payment process works, and the various ways that payment can be made to China, may be of interest. The following article by Ms. Katherine Schwering of Chase Manhattan Bank sheds some light on some mysteries or misconceptions a firm may have about financing imports from China.*

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The financing of imports from China is quite similar to the financing of most imports in the U.S. However, financing itself is an area not often completely understood, and hopefully the following discussion will clarify its mechanics as well as practices peculiar to trading with the People's Republic of China.

This article is almost wholly based on the experience of Americans importing from China but the basic transactions outlined here seem to hold true for trade with the PRC by many other non-socialist countries, as it is usually China who determines how trade will be conducted regardless of the nationality of the importer.

In international trade, the Chinese insist on using their own contract form, which for American importers are either in English or in both Chinese and English. Although the Chinese invariably require that a Letter of Credit (L/C) be opened by the importer, at least one company that had a representative traveling in China found that the Chinese would accept a check drawn on an American bank in payment for a shipment of goods to be made.

The U.S. is a unique country in terms of banks able to open L/C's for trade with China, for no American bank has yet been permitted this privilege. In the absence of direct banking relations, there are a number of "third-country" banks in the US so authorized cited on pp. 48-49 of the UCBR Vol. 1, No. 1, p. 37 Vol. 1, No. 3, and p. 56 Vol. 1, No. 4. To help clarify the different roles which banks can play in any L/C transaction, some definitions are given in the box on page 38.

## Chinese Contract Terms

Most Chinese contracts are now denominated in Renminbi (RMB) or "the dollar equivalent of \_\_\_\_\_ Renminbi," which is also considered a RMB contract since the importer must still carry the exchange risk. (A number of US importers have been trying to negotiate contracts denominated in US dollars, to lessen the exchange risk, and at least one has succeeded).



It is specified in the contracts that the L/C must be opened within a given period of time before shipment, usually 25-30 days. Since the shipment "date" given is often a two-month period (such as July/August), this means that the L/C must be opened 30 days before the beginning of this period, i.e. by June first. Failure to be prompt can mean a delay in shipment.

There are exceptions to this time requirement, however. The period may be longer, such as 45 days, or the Chinese might require that the L/C be opened within a given period of time after the contract is concluded. One company was asked to open its L/C within 15 days of when the contract was signed, which was more than two and a half months before shipment. On the other hand, some companies are well enough known to the Chinese that no lead period at all is required. One importer has an arrangement by which the L/C is not opened until the Chinese have cabled the company that the goods are ready for shipment. This company had experienced delays in shipping, as have a number of the U.S. importers, and did not want its bank lines of credit tied up in L/C's which might be unused for months. After explaining their position to the Chinese, they were able to obtain the above arrangement.

The reason for this requirement is unclear. In a recent letter from one of China's Foreign Trade Corporations (FTCs) to a company in the US, it was explained that it takes twenty-five days for the L/C to reach the branch (presumably of the FTC) concerned after it is established. Although the meaning is not very clear, it may be interpreted to mean that after the L/C has reached China, it is sent on to the FTC branch located near those enterprises which are in fact supplying the goods, and that this process may require time.

One importer, when asked about the thirty-day period, had a different interpretation. He ventured that the time lag is probably simply to assure that the Chinese do not go through the effort of packing and shipping the goods to a port only to find out that no L/C has arrived.

It is always required that the L/C remain valid in China for fifteen days after the shipment period ends. This date may be called either the expiration date or *negotiating* date of the L/C. It is the date by which the documents and a draft must be presented to a bank under a Letter of Credit if the shipper is to receive payment.

Many importers have remarked that the Chinese often request extension both in the shipping date and the expiration date of the L/C. The Chinese do not seem to be aware of the reasons why a company may be reluctant to extend the terms. Since the extension requires an amendment to the L/C, there is, of course, the extra paperwork and fee charged the importer.

More important is the fact that as mentioned

above, an importer may have his credit facilities tied up in outstanding L/C's for a longer period of time than planned, which cuts down on credit lines available for other L/C's or uses. It can also be very important to the importer that he receive the goods in time to meet a seasonal deadline or contractual delivery date.

## Asymmetrical Practice

The L/C's used in China trade are *sight documentary* for 100% of invoice value payable in China. This means that the paying bank will pay the exporter, the Chinese Foreign Trade Corporation, when the exporter presents a draft, accompanied by whatever documents are specified in the L/C to the negotiating bank.

Chinese sales contracts are usually vague on just what documents will be presented, although the "Terms and Conditions" printed on one contract specified the following: a full set of clean-on-board Bill of Lading, invoice, inspection certificates issued by the China Commodities Inspection Bureau, and insurance policy (if shipped CIF). A packing list, list, certificate of origin, etc. may also be included.

These arrangements are asymmetrical, however, to the terms China demands when she imports. There is no similar obligation on the buyer's part to open an L/C by a certain date before shipment in many contracts, although some do specify that an L/C will be opened with the seller a certain period of time before delivery. There are also usually considerably more detailed requirements for documents, and the seller may be required to send documents to China weeks before delivery or even shipment.

## LETTER OF CREDIT TERMS

All Chinese sales contracts seen by this writer require that the L/C opened by the buyer be irrevocable, assignable (or transferable), and divisible, allowing partial shipment and transshipment. Irrevocable means that the terms of the L/C cannot be changed without the consent of all parties to it. Assignable means that the beneficiary of the L/C can assign the L/C to another entity as beneficiary. The words "and/or assignee" are added after the name of the beneficiary. To make it transferable (in effect, only a difference in terminology from "assignable"), the buyer requests his bank to type in a transfer clause as one of the terms of the L/C; most banks have a standard clause they insert. Divisible Letters of Credit are not permitted in the U.S., so in effect this requirement is inapplicable to American L/C's, as is the requirement for partial shipments, since all L/C's allow partial shipment unless a term to the contrary is inserted in the credit.



Also, when China purchases, the L/C opened by the FTC may be for only 90% of the value of the invoice, with the remaining 10% to be paid if there are no claims or penalties against the exporter. And while the Chinese require L/C's without recourse when selling, they do not necessarily issue them without recourse when buying. Typically, the Chinese buy FOB while they sell C&F, CIF, or CIF&C.

One bank which negotiates Chinese L/C's described the documents normally provided by the Chinese as "all of the usual and a little more." There is a universally high opinion of the accuracy of the documents and their handling by the Bank of China. Even though the shippers have fifteen days in which to present documents, the Chinese normally are quite prompt in sending them to the Bank of China for negotiations after the goods have been shipped.

Incidentally, it should be remembered that banks are not responsible for the *validity* of the documents but are only required to assure that documents conform exactly to those required in the terms of the L/C.

## Payment Transactions

Once the paying bank receives a sight draft accompanied by proper documents, it can pay the seller's draft and in turn reimburse itself in one of several ways. It may debit the account of the importer or of the opening bank if either maintains an account with the bank. If not, the paying bank can debit the account of a third bank which does maintain accounts with both the paying and the

opening bank, with instructions to this third bank to receive its reimbursement from the opening bank.

Not all reimbursements are by interbank transfers, however: one US importer who was overcharged received a check drawn by the Bank of China on a British bank for the refund.

Payment transactions under an L/C can all occur within a day or two, long before the documents which have been airmailed to the opening bank by the paying bank reach their destination. As a result, the importer's bank may have to pay the L/C before it ever sees the documents on notification or cable. An opening bank can, however, require in its L/C that no payment is to be made until the documents have reached the opening bank. Upon receiving and inspecting the documents, the opening bank then issues instructions to debit the importer's account and credit the paying bank's account (or a third bank's account, as above).

The importance to the importer of where the documents are presented lies in the interest costs. If the L/C is presentable for payment at the exporter's bank, this bank can charge interest on the amount it extends to the exporter under the L/C until it receives reimbursement from the opening bank. On the other hand, if the L/C stipulates that payment is due only when the documents are presented at the issuing bank, the importer is liable for interest charges only from the time the opening bank pays the draft. If the importer has money in his account obviously there will be no interest charges since his account may be debited immediately.

The importance to an exporter of where presentation occurs is that if he must wait for payment until the documents reach the opening bank, the exporter is without either goods, title documents, or payment for a short period of time. The Chinese have used this locational aspect of L/C negotiation to their advantage. When they sell, they require the buyer to open an L/C payable in China. When the Chinese buy, however, they stipulate that payment will not be made until the documents have reached the opening bank in China.

## The Bank of China's Arrangements with Third-Country Banks in the US

Most banks that are US correspondents of the Bank of China and which are authorized to open L/C's with the FTCs by the Bank of China (BOC) have an arrangement which provides the Bank of China to be the negotiating bank. Upon presentation by the shipper of the documents and L/C to the appropriate branch of the BOC, the BOC then carefully checks them to see if they are in conformity with the terms of the L/C. Once they are found to be in order, the BOC debits the account of the opening bank for the amount of shipment and

### LETTER OF CREDIT BANK FUNCTIONS

An *opening bank* or *issuing bank* is that bank which issues, or opens, a Letter of Credit on behalf of a customer. As long as the terms of the L/C are met, this bank is obligated to pay up to the amount of the L/C regardless of whether or not its customer pays the bank. A *confirming bank* is one which guarantees that as long as all the terms of an L/C are met, the exporter's draft will be honored by the confirming bank if for some reason it is not paid by the opening bank. An *advising bank* is the bank which informs the beneficiary of the credit that it has been opened. The *negotiating bank* is the bank which examines the documents to see if they conform to the terms of the L/C. The *paying bank* is the bank on which the exporter draws drafts. A bank may perform two or more of these functions at the same time. A *correspondent bank* is one which maintains accounts with another bank and/or performs banking services for the other bank according to an agreement between them.



charges. (The correspondent banks maintain RMB accounts with the BOC in Peking and most of them have authorized the BOC to debit their accounts without first obtaining permission.)

The BOC then cables the opening bank, informing them of the fact that the goods have been shipped, documents presented and negotiated, and that their account has been debited for X amount. The BOC also includes the exchange rate for RMB as of the date they debit their correspondent's account so that the correspondent knows how much to charge its customers.

It should be emphasized that the Dollar-RMB rate which holds is that of the date on which the correspondent bank's account is debited in Peking, not the date the L/C is opened.

At least one correspondent bank in the US, however, has made a different arrangement with the Bank of China. They requested that they be the negotiating bank, and that the Bank of China not receive reimbursement until the documents reach the US and are inspected. Upon finding the documents in compliance with the L/C, the New York bank cables China, giving them permission to debit their RMB accounts with the BOC for the amount of the draft.

This particular bank set up this system for at least two reasons. Firstly, it is the same method the Bank of China uses to pay for imports to China, i.e. requiring the exporter to wait for payment until the documents are examined in the importer's country. Secondly, as they are only allowed to maintain a limited amount of RMB in their Peking account, they wanted to avoid overdrafts in this account. By requiring the BOC to inform them of the charges to be made to their account, the New York bank has time to provide funds to that account if they are needed to meet the payments. This bank also said that an L/C simply confirmed by a correspondent of the BOC would be acceptable in China, though this may be true only for L/C's opened by non US banks.

## Reimbursement by the Importer

The importer provides for payment of the L/C his bank opened in one of three ways. If the company has enough funds in its account, the bank can simply debit the company account for the amount of the exporter's draft (plus charges). If the buyer does not have the funds, the bank can loan the funds by debiting what is called an "advance account" in the name of the importer.

The third way that an opening bank can receive reimbursement is under a Letter of Credit in which the importer is the beneficiary. This sort of arrangement is called a back-to-back letter of credit.

For example, the importer A requests his customer B to open a domestic Letter of Credit with A as

beneficiary. A in turn opens his own international L/C with the Chinese foreign trade corporation as beneficiary. Company A pays under the international Letter of Credit, but may present a different invoice including A's commission, under the domestic L/C opened by B. Unless the domestic L/C is assigned to the importer's bank, it is not a direct means of repayment, since the importer is the beneficiary.

It is often used by a company which is importing for a customer of its own and does not want that customer to know the specific commission being charged.

Another reason why this type of arrangement might also be used in the China trade is that some of the companies which have sprung up as importers from China are relatively young, perhaps two or three years old at most. Since banks are reluctant to open L/C's for companies thinly capitalized and with little or no track record in foreign trade—and who deal with far off and mysterious China—they might require that an importing company secure an L/C from its customers in order to assure the bank that the importer does have a market for the imports. Banks naturally do not want money paid out under an L/C tied up in inventory which might not be sold.

What is often found in China trade is a similar arrangement between banks where two L/C's are used. If an importer's bank is not authorized to open L/C's with China, as is the case with American banks, and if the importer does not want to establish a new relationship with a bank that is so authorized, the importer's bank can open an L/C by going through a correspondent of the BOC. In this case, what happens is that the importer's bank (a US bank) makes out an L/C in favor of the importer with either the Chinese FTC or the correspondent institution (third country bank) as the beneficiary. The third country bank then opens an L/C directly to China with the FTC as beneficiary.

This is technically not a back-to-back L/C for at least three reasons: the beneficiary may be the same in both L/C's, the account party (importer) is the same, and the amount of the L/C's will be the same. They both may also have the same tenor (time period for which they are valid), although the third country bank may shorten the tenor by a few days in order to give itself time to check the documents and still be covered by the first L/C.

In cases where the third country bank has agreed to act as agent on behalf of the US bank two L/C's are not necessary. The US bank can simply pass on the third country bank the importer's application along with a form appointing that bank as its agent, requesting that it open its own L/C. Although this second L/C will also show the importer as the account party, under this agreement the third country bank



is required to obey instructions from the US bank alone.

## Fees

Common fees charged by banks are perhaps \$10 for issuing the L/C, 1/4% of the amount of the L/C when payment is made under it, amendment fees if necessary, and foreign exchange transaction commissions, as well as any fees that the Bank of China might charge (advising fee or negotiating fee, etc.).

If an importer is using a bank which in turn must open the L/C through an authorized bank, the two banks will often split the fees. For example, where the correspondent views itself as acting in the role of a confirming bank, it will charge standard interbank fees to the original opening bank for "confirming" the L/C: 1/20% for confirmation plus 1/10% for payment when the documents arrive. Whether or not the US bank decides to pass these fees charged it by the third country bank on to the importer is up to the US bank. A good number of them, if not all, absorb these costs. Other authorized banks, instead of charging "confirming" fees, however simply ask for half of the fees charged the importer by the bank that opened the first L/C, since they feel the importer should not be penalized because his bank must go through another for a standard transaction.

## Forward Contracts

Forward contracts for RMB are not obtainable in the US, and none of the US-based banks or companies interviewed went to London, Hong Kong or other overseas cities, where they can be obtained, to get forward cover. Contracts for periods up to six months can be made in these cities, though almost exclusively for importers who have a purchase agreement with an FTC.

The usual procedure in London, as an example, is for a company to ask a bank which is authorized to sell RMB to obtain a forward contract (Sterling-RMB) for the Bank of China. This bank then calls the BOC and obtains a quote for the date the importer wants the RMB delivered, giving the contract if the company is unknown to the BOC.

The BOC then mails a confirmation of the amount and rate previously given on the telephone or wire to the purchasing bank. When the RMB is "delivered" it is credited to the first bank's account with the Bank of China for the account of the importer. The purchasing bank in turn debits the customer's account for the Sterling amount and credits the Bank of China's Sterling account with them for the same amount. Banks cannot, however, purchase forward RMB for their own account as far as this writer is aware, and thereby take a position in it.

Some companies that have traded with China for a

time and are well known to the Bank of China are permitted to call the Bank of China directly and make a forward contract. The confirmation is then mailed directly to the importer, although the interbank transactions will be the same if the company does not maintain an account with the Bank of China.

The premium paid for future RMB varies with the currency being used to purchase the RMB. One non-US importer that frequently buys forward contracts said that depending on the currency, the premium could be as low as 1/2% for six months to as high as 1% a month.

In addition to the use of DM, Sterling, and Hong Kong Dollar for RMB forwards, this importer has bought RMB against other currencies, such as the Swiss Franc, Belgian Franc, Dutch Guilder, and French Franc, and feels that contracts would probably be available against any major, stable currency.

## After the Thaw

Because no US bank has a full correspondent relationship with the Bank of China, many potential importers and exporters in the US have felt that US companies' ability to trade with China is therefore restricted in some way. Outside of the governmental restrictions on the types of commodities that can be traded, this is not the case.

There are no actual US legal restrictions on banking relations or methods of financing trade with China. It is because of the assets that each country claims in the other that there are outstanding claims on each government. Until these claims are settled, an individual or company which has a claim validated by the Foreign Claims Settlement Commission, against China may, theoretically, levy upon assets of the PRC brought into the US. Thus while there is no US restraint on the Bank of China barring full relationships with American Banks or opening deposits in the US, the Chinese are unlikely to agree to do so until the claims question has been settled by the two governments.

Once settled, there may be no immediate change in financial transactions, as the Chinese already use third-country banks in the US to handle US related business directly. What is likely to occur is simply an expansion of current banking relationships: the establishment of accounts here by the Bank of China, and correspondent relations with major US banks, the establishment of RMB futures contracts against the US dollar, and possibly an RMB foreign exchange market in New York.

At present, however, almost any normal financial transaction can be arranged by US companies through the current banking system. The expansion of types of financial services is presently up to the Chinese to decide as commerce between our two countries continues to grow. 完



# 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

Source: NCUSCT based on data supplied by the Chartered Bank





Left side, top to bottom: West Lake at Hangchow, the Stone Boat at the Summer Palace, Peking bicyclers in the early morning.

Right side, top to bottom: The Great Wall, the Summer Palace in Peking.

*All photographs in this article are by James P. Woolsey*



# TOURISM IN CHINA

Suzanne Reynolds

*In the more than two weeks you will spend in China, you will see four major areas, as well as pass through the most highly developed rural areas of the country, from the Great Wall that marks the ancient northern border of China to densely populated Kwangtung Province of South China. You will visit China's capital, Peking, and tour its surrounding area; Shanghai, the thriving seaport and industrial center; Hangchow, one of China's oldest and most attractive resort areas; and Canton, long China's gateway to the western world.*

*In addition to a country, you will see a people unique in many ways—products of the oldest continuing civilization in the world, yet involved in one of the newest and most fascinating social experiments of today's world.*

*Your trip will indeed be an adventure.*  
From an Illinois Travel Company's Pamphlet, late 1971

The trip indeed was so adventurous that it never came off, and it wasn't the only one. During 1972 alone twenty-eight tourist trips to China were advertised by US travel companies, beginning March 3, less than a week after the Shanghai Communique was signed, through October 15. Included among these firms was an internationally-known US travel service. None of the tours materialized.

In the past three years about ten thousand Americans have been to China, few as bona fide tourists. There have been hints, nevertheless, that

tourism may develop in China in the next few years. As early as February 1973, representatives of the American Society of Travel Agents met Premier Chou En-lai in Peking, who told them he hoped an increase in American tourists to China would occur "very soon."

Since then China's tourist activity has shown positive signs. What are these signs? What could tourism mean to China's foreign exchange earnings? What kind of tourist policy can China be expected to have?

Taking all China's major cities into account it is not unreasonable that China could be earning \$100 million yearly from foreign travellers.

It is interesting to speculate that if all the 26,000 visitors to the Spring 1974 Kwangchow Fair spent \$1-2,000 each on various services in Kwangchow, some \$26-52 million could accrue to China during the course of one Fair alone, or \$52-104 million a year for both Fairs.

The figures involved are not small, even though they may be quite exaggerated. Tourism could thus add significantly to China's foreign exchange earnings, especially from the US. Indeed a slice of China's \$64 million export proceeds from sales to the US last year could be earned by tourism without too much difficulty.

## Cost of Tourism in China

Earnings by China International Travel Service (Luxingshe) for package trips seem to have varied over the years. In 1966 the China Travel Service,



## THE ORGANIZATION OF CHINA'S TOURISM

The top-level administrative organ of China's tourist system is responsible directly to the State Council, China's highest operational body in Peking. Two lower level organizations, concerned with Chinese and non-Chinese tourists, provide the actual travel arrangements for visiting groups and individuals. Locally, municipal travel services assist in these arrangements. Thus China's tourist system has some similarities with the operation of those in such countries as Ireland and New Zealand, where government-run tourist boards have broad responsibilities.

Externally, agencies in Hong Kong handle visas and onward travel schedules in cooperation with China's domestic travel services, and the Cultural Affairs sections of Peking's diplomatic posts abroad provide information about travel to China.

### **The China Travel and Tourism Administration Bureau (CTTAB)**

Founded in June 1964 and responsible to the State Council, this Bureau administers and coordinates all tourist activities except those of the Overseas Chinese. CTTAB sets policies and quotas and is divided into sections relating to geographic regions of the world. Its members occasionally go abroad to study facilities for tourism in other countries perhaps with regard to developing domestic tourism. During the last two years officials from the Bureau have visited Australia, Iran and Pakistan.

### **Guoji Luxingshe—China International Travel Service (CITS)**

The head office of Luxingshe, China's domestic travel agency, at Xidan Building, Peking (Cables: LUXINGSHE, address letters to Liaison Department), is subordinate to CTTAB and may share some of its responsibility. It has at least five regional offices, in Kwangchow, Nanking, Peking, Shanghai, and Tientsin, and perhaps a few other branch offices, as well as border crossing offices. The regional offices of Luxingshe work closely with local municipal travel services, and in those cities such as Kwangchow, Changsha, Nanking and Sian, where Luxingshe may not have offices, the local travel service, associated with local revolutionary committees, may be called upon to assist with arrangements.

Operating the same way as any large tourist operation, such as Cooks or American Express, CITS administers tour groups of foreign visitors, arranging itineraries, guides and accommodation, notifying local domestic travel services of inbound travelers and booking local flights and trains. It

probably runs a special training course for interpreters and guides. The indications are that tour guides, under the supervision of CITS's head office, have important responsibilities in managing tourist itineraries.

Guoji Luxingshe may also be charged with supervision of tourist-related facilities such as development of hotel space. Luxingshe also acts as a travel agent locally, arranging trips, guides and onward travel arrangements, including those for Kwangchow fairgoers.

### **Overseas Chinese Travel Service—Huaqiao Luxingshe (OCTS)**

The OCTS is subordinate to the Overseas Chinese Affairs Commission, which is directly responsible to the State Council. This service, separate from CITS, has its offices in special hotels for those with Chinese nationality or origin but operates in similar fashion to CITS, with branches in major cities of interest to tourists including Kwangchow, Nanking, Peking, Shanghai and Soochow.

In Shanghai, for example, it is reported by Ruth Malloy that OCTS has twenty guides, two of whom speak English, and has its office in the Overseas Chinese Hotel. In some cities, such as Wusih, OCTS has just an office. It also operates with local municipal travel services.

In areas outside major cities, many hotels for overseas Chinese are available and being expanded for those with nearby relatives. Visitors are usually, though not always, required to report to the local Foreigner's Registration Office. The OCTS can arrange local trips in these outlying areas, if required.

### **China Travel Service (HK) Ltd. (CTS)**

The agent of Luxingshe, incorporated in Hong Kong, CTS makes onward travel arrangements for trips to and around China, processes visas, and sees to connections for visitors to and from China's border with Hong Kong. In the same building, the relatively recently built China Travel Building, the Overseas Chinese Travel Service and CITS have administrative offices. Head Office Address: 77 Queen's Road, C, Hong Kong. (Telephone 5 - 259121. Cables: TRAVELBANK. Post Office Box 16106.) CTS also has two offices in Kowloon, at 27-33 Nathan Road, 1st Floor, Alpha House, Kowloon (Tel. 3 - 667201-10) at Tsimshatsui Railway Station, Kowloon (Tel. 3 - 664127), and in Macao, at 33-35 Rua Vis. Paco De Arcos, Macao (Tel. 3770; Cables: 9999). Invitations for tourist trips should be obtained prior to arrival in Hong Kong.



Luxingshe's agent in Hong Kong, was offering 6-to-22 day trips around China at per diem rates equivalent to US\$40-43 while in China, including fares, board, meals, transfers and guides.

In November 1973, a two week trip visiting a number of cities including Peking, cost \$36 a day per person in China. In March 1974, the cost to S.S. France passengers visiting Kwangchow was \$47 per day.

A US couple visiting China for three weeks in April 1974 were charged about \$50 per person per day for their itinerary.

The all-inclusive daily rate has been much higher if the trip begins in North America. In 1972 five advertised itineraries inclusive of airfare from North America, from 10-to-22 days, ranged in price from \$63 a day for Vancouver departures to \$127 a day for trips leaving from New York.

Interestingly, US travel agents in China in 1973 were given prices by Luxingshe for 13-to-31 day itineraries that worked out at the equivalent of \$21-\$27 a day.

### Comparison with Hong Kong

In 1973 some 227,921 American tourists spent about 4 days each in Hong Kong, spending an average US\$381 each, or US\$93 per day. (More than twice that many Japanese tourists visited Hong Kong, spending only slightly less per person.) China thus has a substantial number of potential visitors on its doorstep, (which might swell if the opportunity to visit the PRC was available) with enough money to spend over \$90 a day staying there. Indeed, in 1973 some US\$433 million was spent by foreign tourists in Hong Kong.

### Positive Signals

What are the positive indicators that tourism may amount to something in China in the future, even if it is a small something? How has it developed since 1964, and what are the prospects?



China has been a source of curiosity and interest for the western world since Venetian merchants Niccolo and Maffio Polo, father and uncle of Marco, set out from Venice in 1256 for the first of the journeys that took them to Peking and other parts of China. China's long history, achievements and contributions to the rest of the world continued to draw visitors for centuries after the Polos. But distance and isolation were always a challenge and a lure.

Following the establishment of the People's Republic in 1949, Western travelers were excluded from China. China later opened up for Asians and Africans, though by 1958, the emphasis changed in favor of Europeans. Three years of severe economic crises closed the doors again until early 1963.

The first tourists to receive visas in 1963 were the Swiss. By 1964 westerners, apart from Americans, were allowed to visit China on escorted tours. The British firm, Progressive Tours, was able to arrange five trips, taking in comprehensive itineraries through many parts of China. By the middle of 1965 Luxingshe was offering about thirty exclusive itineraries that included trips to Canton, Peking, Shanghai, Hangchow, Nanking, Soochow, Wusih and Wuhan.

Itineraries departed from Hong Kong and cost up to \$804 for the longest, twenty-two day tour. Private trips for individuals were also available. Later in the year an inexpensive package tour to Kwangchow was introduced by China Travel Service from Hong Kong.

During 1965 and the next year, French diplomats and students accumulated guide books, maps, timetables and other published information available within China which was later published as *Nagel's Encyclopedia-Guide to China*, one of the best and most comprehensive handbooks the traveler to China could use.

By 1966 tourism in China was in its fullest swing to date. Available itineraries increased by nearly twenty. The Canton package tour from Hong Kong was running once a week and visas took only five days to obtain. From England, Progressive Tours were taking thirty-six-day expeditions to China with twenty days in China costing about \$938.

The tourist-boom was short lived, however, ending with the start of the Cultural Revolution in mid-1966. The only Western groups allowed into China during the Cultural Revolution were two student parties from Australia.

### Visitors from the US

Since then, until March of this year, no American, Canadian or European bona fide tourist groups were invited to China. The way opened for select American citizens (not tourists as such), however in late 1971. Since that time, the average length of



stay for three-fourths of these travelers has been three weeks.

The largest group of these visitors, accounting for about two-thirds of all US travelers, has been Chinese-Americans, with professional people, including scientists, physicians, athletics groups, journalists, architects, archaeologists, educators and scholars, civic and cultural leaders, performing artists and businessmen making up most of the rest. A small group (about 5 percent) has been "friends" or individuals in public life known to be sympathetic to Chinese society.

## Encouraging Signs

In the past year or so there have been small-but-good signals that China may be open to tourism in the near future. One indication has been the publication in mid-1974 of a guidebook, *Travel Gazette 1974*, by China Travel Service. (See box)

For the first time some travel agencies in the US and Europe have been receiving replies to their inquiries concerning tourist possibilities. Although the letters from China often state that China lacks the facilities at present, the replies in themselves are hopeful.

Recently it was reported that groups of Japanese tour agents have been invited to China to study group travel possibilities and facilities. (Last year Japanese visitors to China amounted to 10,000.) In addition, at least two large groups of Hong Kong-based travel agencies together with hotel and airline representatives were invited to visit China this year by Luxingshe to assess China's tourist potential and facilities. Among the airline representatives were those from Cathay Pacific Airways, Alitalia, Singapore Airline, Lufthansa, Canadian Pacific, Malaysian Air System, and Japan Airlines.

A breakthrough in British tourism to China was made in April 1974 when Seremissina Travel was invited to take a group of twenty travel agents on a fifteen-day tour of China.

## American Travel Agents in China

A handful of American airline representatives, travel agents and travel journalists have been on unofficial visits to China. Last January top executives of Pan American and their Hong Kong representatives were invited on one of these unofficial visits. Hong Kong regional managers of Northwest Orient Airlines and T.W.A. and the manager of the Travel Section of American Express also visited China on invitations issued to Hong Kong travel personnel and government officials.

More American tour and travel representatives visited China on the invitation of Ethiopian Airlines when it made its inaugural flight to Shanghai in February 1973. Members of this group included writers Jim Woolsey of *Air Transport World*, Eric

Friedheim of *The Travel Agent* and Richard Joseph from *Esquire*; travel representatives Wallace Lawrence of Orbital International Tours, Inc.; Mel Dultz of Travcoa; Ms. Freddy Henderson of Henderson Travel, Atlanta; Rudy Gruber, American Travel Abroad; and Tom Keesling, past president of ASTA.

At least one member of this group was able to speak briefly with Chou En-lai. When asked about tourism in China, Chou politely replied that China would welcome American tourists but for the moment China lacks the facilities.

## Recent Tourist Developments

One of the most fruitful trips this year was made by Arie Von Tol, president of the Holland America Line. With him were J. R. Soetens, manager (planning and tours) of the Holland American Cruises, K. L. Lee, business manager of the Royal InterOcean Lines (Hong Kong) Ltd., and Bernd Paul, manager of Lisind International (Hong Kong) Ltd.

From discussions with Chinese authorities in Peking, came permission for passengers of the liner Veendam to visit Kwangchow on a package tour arrangement. Following the Veendam's invitation, the S.S. France was granted permission for its passengers to visit Kwangchow under a similar deal. The France was actually the first European liner to escort a group of tourists from the US and other countries into China since 1949. Its passengers arrived in Kwangchow in March 1974.

It was reported in January 1974 that the first ship to visit China was the "Coral Princess," a British ship chartered to the Hyogo Prefectural Government Youth Bureau in Japan. The "Coral Princess" carried 480 passengers, local government workers, to Tientsin and Shanghai as part of a Far Eastern cruise.

She was shortly followed by the "Brazil Maru," a ship which formerly carried emigrants and other passengers on a regular service to South America. On the "Brazil Maru's" trip to China, she brought a youth group from Japan hoping to improve friendly relations. These trips were reported to be the first of a regular series of cruises to China.

## Other Priorities

For the moment it would seem that China does not want to expend manpower or finances on the expansion of Luxingshe. Facilities needed for tourism are being improved but the reason for new hotel construction is not merely for tourism, but to facilitate trade and to provide adequate accommodations for visiting diplomats, technicians, scientists, businessmen and "friends." Nevertheless it is helping to create the necessary infrastructure for tourism.





Peking Hotel and waiting taxis.

## Tourist Facilities

One of the reasons China gives for limited tourism is the lack of hotel space and the need for improving existing facilities. True the hotels are not new, (pre-1949) but they are comfortable and what they lack in cosmetics they make up for in hospitality and quick service.

Where else would a guest be provided with fresh fruit, a thermos of hot water and canister of tea, cigarettes, a pair of bath shoes, and a thermometer? As they are now, the hotels are perfectly acceptable to the well-traveled tourist.

There may never be a Hangchow Hilton or a Shanghai Sheraton but the Chinese are definitely going into the hotel business. An official of Luxingshe told a journalist accompanying Ethiopian Airlines that China wants to learn more about modern hotel operations.

Expansion of accommodations is already being undertaken in several cities. In Peking, a 600-bed annex is being added to the Peking Hotel, which presently is the best hotel for foreigners. Also in Peking, the Hsin Ch'iao, another top-grade hotel for foreigners and the only hotel with a bar, is being refurbished.

In Canton, which has about 14 hotels, including those for the overseas Chinese, the Tung Fang already has a new 800-room eleven-story wing, and a new 37-story hotel of at least 1,000 rooms is under construction. By the end of 1974 a 10-story hotel, exclusively for foreigners, will also be

completed in Tientsin. Shanghai has seven known tourist hotels.

Other cities with hotels include Nanking, (Nanking and Victory Hotels), Wusih (Tai Hu and Li Gardens Hotels), Soochow (Soochow Hotel), Hangchow (Hangchow and Overseas Chinese Hotels), and Changsha, Kweilin, Tientsin and Wuhan. There are also hotels in Shangtung Province (e.g. at Tai Ding) and in Kwantung Province.

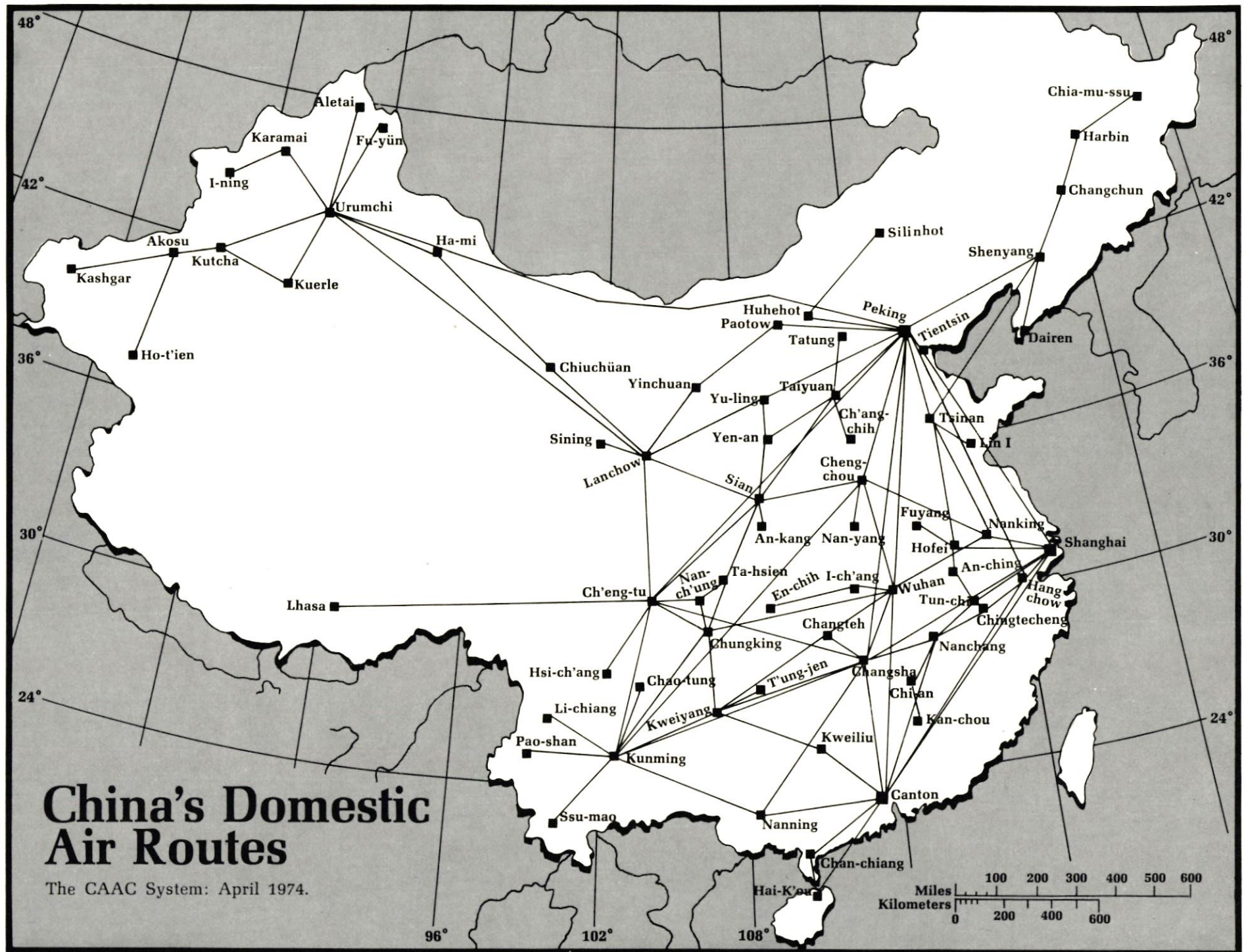
Rents in 1973 varied from ¥3 to ¥26 (\$1.50 to \$13.00) a day per person, averaging ¥9-12. Perhaps the most expensive is the Tung Fang in Kwangchow, which charged \$13 a day for Americans at the Spring 1974 Fair.

## Improvements

From reports of returned travelers, improvements in existing facilities could be made in the area of decor and training of staff, although most visitors to China characterize their rooms as "adequate." Hotel rooms are sparsely furnished and little effort has been made to brighten them with draperies, plants, attractive pictures or other decorative objects. Frills do not receive any priority in China.

Hotels are staffed with floor attendants who provide prompt and polite service. Laundry is picked up in the morning and returned in the evening and cost is extremely modest. Hotel workers in some cities, however, seem to have had little hotel experience and often do not speak much English. All are honest and courteous, but many are young people who







appear to be there temporarily, perhaps to practice their English.

Hotels for foreign visitors have restaurants which offer both Chinese and western dishes. (Chinese dishes are recommended.) Breakfast is western and eggs are served.

Most of the larger hotels have a cable office and a Luxingshe bureau. Cable and telephone service from the hotels to the US and Canada is fast and efficient.

There are a few air conditioners in the Peking Hotel but, by-and-large, hotels do not have air conditioning or heating. They do have electric fans.

One of the greatest joys for a tourist in China is the fact that there is positively no tipping allowed. Any coins left will be returned to the visitor.

## Air Transportation

Coinciding with the expansion of its international relations, China has begun enlarging its air service. This expansion, however, will most likely be cautious and methodical with practical needs receiving priority.

Presently, CAAC, the Civil Aviation Administration of China, which runs the nation's airlines and all other aspects of civil aviation, has limited air service relative to the size of the country. There are, for example, only fourteen flights per week between Shanghai and Peking and, until recently, international routes extended only to Hanoi, Rangoon, Pyong Yang and Ulan Bator.

Service should expand in the near future as CAAC has signed bilateral air agreements with an increasing number of countries and is negotiating others that will open routes to Europe, Africa, North America and other parts of Asia. Recent agreements also include those with CP-Air, Pakistan International, Ethiopian, JAL, Air France, and Aeroflot.

On January 30, 1974, CAAC began service to Moscow from Peking. This was CAAC's first intercontinental connection between Asia and Europe. Soviet and Chinese airlines each handle one weekly return direct flight, both using Ilyushin-62s.

China's fleet, which has until recently consisted of old Russian twin engine Ilyushin IL-14s, Russian turbo props, a few Vickers Viscounts and five IL-62s used only in special services, has been revamped with purchases of thirty-five Hawker Siddeley Trident 2Es, Australian Nomads and ten Boeing 707-320s. Preliminary contracts have also been signed for three Concorde, and China may well be negotiating for other types of aircraft.

Air traffic control systems and ground transportation reportedly lack sophistication. China has instrument landing capabilities in Shanghai, Peking and Canton. Passenger terminals are surprisingly modern, spacious and clean but limited in their passenger handling capability. Airline



Airport at Hangchow

representatives report, however, that primary emphasis is being put on developing airport facilities at Peking's Capital Airport. This airport is to become China's major international gateway.

Cabin service on CAAC flights is basic but clean. Although no meals are served, filling snacks are. Most of the attendants are bilingual as well as being polite and attentive to passenger needs. One up on US airlines, CAAC gives out free notebooks, calendars, postcards, and pens.

Fares for foreigners on Chinese domestic airlines have increased 150 percent since January 15, 1974. The single air fare from Peking to Canton went from 91 yuan to 244 yuan (about \$122) while the fare from Peking to Shanghai has increased from 64 yuan to 150 yuan (\$75). These rises bring Chinese domestic air travel rates into line with I.A.T.A. rates and those of other countries. Fares in China average about 9-10 US cents a passenger mile for longer flights, as against 8-9 cents per mile for comparable flights in the US.

In its passenger information book, CAAC warns that passengers will be charged 25 percent of their fare if they cancel two hours before departure and \$75 for no-show on international flights.

## Ground Transportation

Another area being improved to accommodate visitor travel is in China's automobile transportation. Over the past two years almost two thousand passenger cars have been purchased by Peking along with nearly 200 small buses. The majority of the vehicles now in use are for transporting visitors as most Chinese ride bicycles. These additions should help ease the restraints on the number of visitors in a city at one time.



## INTERNATIONAL FLIGHTS TO CHINA

### Air France

Leave Paris, Orly, Mondays only, Flight #180, at 18:10. Arrive Peking Tuesday, 18:15, via Athens and Karachi. Round trip from New York connecting with Paris Flight to Peking is \$936.00 (excursion rate for a minimum of 7 days and a maximum of 45 days).

### PIA

Leave Karachi Thursdays and Sundays at 7:30, Flight PK 750. Arrive Peking 19:45. Round trip from New York connecting with Karachi flight is \$936.00. Flight PK 704 from Kennedy International makes a good connection with PK 750 out of Karachi.

### Ethiopian Airlines

Leave Addis Ababa Wednesdays, Flight #772 at 16:30. Arrive Bombay 23:50. Depart Bombay 12:50. Arrive Peking 10:20 Thursday. There are flights from London, Paris, Athens, Rome and Frankfurt to Addis Ababa.

### CP Air

Expected to begin service late Fall 1974 from Vancouver to Shanghai and Peking.

### Japan Airlines

Expected to begin late September 1974 from Tokyo to Peking.

### British Airways

Negotiations still in progress.

Travelers are often surprised to find the train from the Chinese border to Canton more modern and cleaner than the Hong Kong train. Generally trains run on time. They are comfortable and tea is served to passengers. Tourists should note that bathrooms on Chinese trains are not western style.

It should be mentioned that for the more adventurous tourists who are able to get visas, one of the most interesting ways of getting to China is via the Peking Express which takes about six days from Moscow and costs about \$182.

## Ports

Chinese ports are undergoing large-scale construction in a bid to handle the country's increasing foreign trade and relieve the growing congestion at major ports. This should also make more room for passenger vessels.

By the end of 1974, China will have a five-berth pier at Hsinkang, near Tientsin, handling cargo traffic for industrial areas in Tientsin and Peking. Port facilities in Shanghai are also being expanded to include a passenger liner terminal. The impression in 1973 was that China might be ready to accept cruise vessels by the end of 1974 or 1975. Cruise

ships from North America and from most countries in Europe have yet to dock at China's ports.

## Guides

China now has about two hundred guides fluent in foreign languages. This is not enough, admits China. Now that foreigners are being admitted, a stepped-up program of language training is needed if tourism is to be increased. English is now the principal language being taught, having supplanted Russian. The number of guides is important because foreigners—even if fluent in Chinese—do not travel in China without a guide in attendance.

Usually there are two guides per tourist group, and the most desirable number of persons per group is fifteen to twenty. Guides are well trained and are praised by their guests for their attentiveness and friendliness. Restrictions on where the traveler can go are few and where they do exist, they are for the traveler's safety. Many a visitor has wandered freely through the streets day and night.

## Package Tours

Tourism sources in Hong Kong have reported that Luxingshe began planning a new series of package tours to China in mid-1973 for foreign visitors. From reports of groups returning to the US, it seems to have developed rates subject to change, as noted above.

Length of tours range from one week to four depending upon the status and interest of the particular group. Fortunate persons receiving visas are usually taken to Canton, Peking, Shanghai and, time permitting, to Nanking or the resort town of Hangchow, famous for its beautiful West Lake.

More extended itineraries have allowed stops in Shaoshan, Changsha, Wuhan, Yennan, Sian and sometimes to lovely Kweilin, famous for its Li River.

Much of China's territory, however, is still off limits to everyone either because there are inadequate facilities or the areas are sensitive. These areas include Sinkiang, Yunnan, Kweichow and Szechuan. The limited itinerary often frustrates students of Chinese are who would like to see such places as the caves at Loyang, repository of priceless Buddhist frescos. When China is ready for tourism, agents requesting itineraries must keep in mind what China is likely to allow.

In December of 1973, Japan-China Tourist Agency's president, Fujio Suganuma, who visited China recently as leader of a Japan Tourist Industry delegation, announced that China had agreed to open another eleven cities, including Tsingtao and Changchun to Japanese tourists "in the interest of deepening mutual understanding between the Japanese and Chinese Peoples."



## The Success of the Veendam and S.S. France Tours

Mr. Arie van Tol's trip to China a year ago was the culmination of a series of long drawn out delicate negotiations which had sometimes been carried on through intermediaries via other intermediaries. Negotiations began two years ago and were concluded a few weeks before the Veendam set sail from Florida. Visas were received two weeks before entry.

Groups from both the S.S. France and the Veendam made excursions to Canton by land from Hong Kong in March 1974 for two nights and three days. How the Chinese assessed the excursions is not known but it was certain that they regarded these tours as test groups and seemed to be reasonably pleased with how things went.

The only black mark on the experiment was the discovery that several passengers from the S.S. France had taken "souvenirs" such as cups, saucers and ash trays. Hoteliers in America take note: the ever-efficient Chinese, who kept a meticulous inventory of guests and of the contents of the rooms, presented the tour leader with a list of names and the objects missing. All "souvenirs" were returned.

Later, a well-meaning Veendam passenger left a few of the ship's ash trays in her room in Canton. But, as she was leaving, a maid rushed to the bus to give her the ash trays she had forgotten.

Reactions from passengers to their excursions were very favorable. Words used to describe their trip were "fantastic" and "memorable." They praised the Chinese for their overwhelming hospitality, efficiency, responsiveness and cordiality.

The trips were especially well organized by the Chinese. Schedules were tight and well-planned permitting no time for individual excursions nor for afternoon rests. At the Chinese request, the 201 Veendam passengers were divided into groups of eighteen and the 350 France passengers into groups of thirty with a group leader in addition to one or two Chinese guides.

Formalities at the border were unusually efficient. For the Veendam visit, passports were taken at the border and returned on passenger exit from China. Customs' examinations were quick and there was no problem with currency declarations. During the time it took to process the group, an admirable lunch was served. For the France group, passports were returned with visas aboard the train to Canton. Luggage declarations, currency exchange and program arrangements were also taken care of at this time by CITS personnel.

Upon arrival in Canton both groups were housed in the newly-constructed wing of the Tung Fang Hotel. They were supplied, free of charge, with tourist literature, laundry service, hairdressing and medical care. Other services were available in the old wing of the hotel which contains a barber shop, cable office, post office, currency exchange counter, a "Friendship" shop selling everything from records to arts and crafts and food, a conference room, airline and government offices, billiard and ping pong rooms and a restaurant for snacks—in addition to the main dining room.

Sightseeing groups were assigned to small buses which took them to a school, a commune, a factory and a hospital. Buses were preceded by official cars in which CITS officials and the most elderly tourists

One of China's many "Friendship Stores".





rode. Passengers from the France reportedly went in rotation to the sights whereas each group from the Veendam had a separate itinerary. Dinner and evening activities were always en masse. Both groups were treated to a "cultural performance" in a local theater and to an extremely memorable farewell banquet at the famous Pan Chi or "Friendship Restaurant." Photographic restrictions were loosely defined. No pictures were allowed around the border area, or of bridges, military installations, or of the insides of factories. One tourist who had sophisticated camera equipment and took a photograph during a banquet toast had his film confiscated.

The tight schedule did not allow much shopping but some purchases were made at the Friendship store.

The well-planned and executed excursions, the price, the novelty of visiting a city in the People's Republic and the favorable publicity have reportedly whetted the tourist appetite for more such tours. A Chinese official is recently reported as saying that tourist travel to Kwangchow could now become a regular occurrence as hotels in that city which have hitherto been filled only during the semi-annual trade fair should not remain empty during the rest of the year.

### A Market for China Travel

The lure of China is tremendous and it is fascinating to think what the market might be if China were ready for tourism.

To give some idea of potential demand in the US for trips to China, the number of inquiries concerning travel to China to one company in a year reached approximately ten thousand. In 1973, fifty to one hundred thousand Americans applied to China for visas.

Travel agencies in the US are still advertising tours although most of these claim to serve some interest group with a technical mission. So far no travel companies have actually taken a group into China.

A Hangchow Hotel.



Many have prepared itineraries for groups bound for China but only as far as Hong Kong.

### The Situation for US Companies

Travel firms are aware that they will probably not be the first to take tours to China as air and maritime agreements which usually precede tourist trade have been concluded only with countries which have diplomatic relations with China. A representative for an American airline was told by the Chinese that tourism would not open up until most-favored-nation status was granted China.

Even without diplomatic relations, the US cannot hope for air or maritime agreements until the claims settlement question is resolved. The question, relating to \$196 million in US private claims in China and about \$80 million worth of Chinese claims in the US, is a difficult one with significant problems. When an agreement between Washington and Peking is signed though, the way will be prepared for scheduled air flights from the US to China and for direct maritime relations, thus allowing for increased tourist trade.

The US has removed all restrictions which once prohibited US air carriers from making unscheduled charter stops in China. But, to date, the Chinese have not yet granted any air carrier permission to land any tourist charter flights. For the time being, of course, US tourists can go to China by third country carriers—the most direct of which will be via a Canadian airline later this year—if they can obtain a visa.

### The Future

What can be projected or expected of tourism in China? Does it have a future? US travel firms should consider the following possibilities.

- The amount China can earn from tourism could be considerable, if one is thinking in terms of ten-to-twenty years conscious development, but tourism is unlikely to be anything but a low Chinese priority for various reasons. There is, nevertheless, hope that, as China's international horizons expand, she will become more open to foreign tourist visitors.
- In planning any itineraries in China, a travel firm in the US should be in touch with Luxingshe in Peking, but will need to be patient and persistent in its efforts. Expect no overnight miracles! It may be years before any regular tourist arrangements are made between US travel firms and China. Developments in this area will hinge, to an extent, on the development of Sino-US relations as a whole.
- China is a magnificent country with a size and scenic variety comparable to the US, and a history many times longer. There will be an unflagging interest on the part of ordinary people throughout the US in visiting China—especially as ordinary people. 完



## A GUIDE TO GUIDEBOOKS OF CHINA

**Ando, Hikotaro, *Peking*, 1972.**

Kondasha International Ltd.,  
599 College Ave., Palo Alto, Calif., 149 pgs.,  
\$2.75.

Enticing photographs with a general description of Peking, its history, its places of interest and its customs.

**Cail, Odile, *Fodor's Peking*, 1973.**

David McKay Company, Inc., New York, 210 pgs.,  
\$6.95.

Fodor's excellent guide includes history and general information, maps, addresses, sightseeing suggestions, shopping information, restaurants and transportation. Helpful for those who are seeking Peking on their own without a guide.

**Jones, PMH, *Golden Guide to East and Southeast Asia***

Covers all major cities with short histories of each city and general information on places of interest.

**Hsin Yuan, *Pei-ching Yu-lan chih-nan (Tourist Guide of Peking)*** Wen-feng chu-pan-she, Hong Kong. 108 pgs.

For those who can read Chinese this paperback contains information on the history and geographical setting of Peking. There are directions to places of interest and background information on each of the sights.

**Lor Malloy, Ruth, *A Guide to the People's Republic of China . . . For Travelers of Chinese Ancestry***, 60 pgs., Box 706, Adelphi, Maryland.

A booklet designed primarily for travelers of Chinese ancestry but containing valuable information for any visitor or dreamer. Included are a check list of things to do before setting out, a description of services for travelers in China, hotels and rates, a list of Chinese holidays, important addresses and telephone numbers and information on major Chinese cities.

***Nagel's Encyclopedia—Guide: China***, Nagel Publishers, Geneva, 1973, 1504 pgs. \$20.00.

An enormous and outstanding reference work of 1504 pages with 92 black and white plans, 15 large colored maps and an atlas of 25 pages. There are detailed sections on history, art, religion, philosophy, literature, economy, in addition to in depth descriptions of the attractions in each province and city of China. This amazing book even includes explanations of Chinese games and use of the abacus. All Chinese names are written in Pin Yin, the official Chinese communications system.

**Tao, Hsiu-Chuan, Wan-Yeh Chu-Pan-She, *Chung-Kuo Lu-Yu Shou-Tse, (A Handbook of Traveling in China)***

190 Johnston Road, Hong Kong, 118 pgs., paperback.

Written in Chinese, this little book covers sights not to be missed in major cities open to tourism. It includes city maps, photographs, suggestions on what to eat, and what to buy. The appendix includes a timetable and prices for train travel.

**Tao, S. C., *The Guide to China***, Marco Polo Publications, 1204 Metropole Bld., 57 Peking Road, Hong Kong. 143 pgs., \$3.60.

A concise paperback guide to fifteen major cities covering places of interest, hotels, restaurants, city maps and special products from each area. The Peking section includes addresses and telephone numbers of major tourist attractions, restaurants, railroads, theaters and foreign traveler service centers. At the end of the book is additional information concerning train and flight schedules, fares, information for passengers, and rent-a-car offerings and rates.

***Trades and Tours***, Hong Kong, Trade and Service Press, Knok Wah Building, 342 Hennessey Road, Hong Kong.

A semi-annual publication containing articles by Chinese visitors to China, descriptions and photographs of the latest trade items displayed at the Chinese Export Commodities Fair, articles on Chinese industries, handicrafts, and other pieces of general interest.

***Travel Gazette 1974***, edited and published by China Travel Service (H.K.) Ltd., 77 Queens Road Central, Hong Kong. 48 pgs., Free.

This is China's first bilingual guide to China which contains essential information on visas, quarantines, transportation, customs regulations, currency, accommodations and meals. Services provided by Luxingshe are listed and include guides, internal and external tour arrangements, baggage service, a list of the best hotels and "meeting and seeing off" services. Charts include domestic and international plane and train fares, a train timetable, a seasonal temperature diagram for major cities, and a graph showing time differences between Peking and all major cities of the world. Only the attraction sites of Peking are highlighted in the English section of the guidebook. The descriptions and the lovely color photographs are alluring to any hopeful traveler.

In addition to these guidebooks, there are small booklets put out by the embassies in Peking. The US Liaison Office, for example, offers a guide to shops and restaurants in Peking.



# AMERICAN INDUSTRIAL REPORT

The *American Industrial Report* is a bi-monthly magazine whose purpose is to disseminate information about US products and companies in the People's Republic of China in Chinese. Since the magazine is distributed solely in China, to Chinese foreign trade agencies, end-users and technicians, it is a good way for US firms—both exporters and importers—to convey information to the Chinese. The magazine has a glossy format, over 30 pages, in black and white and full-color, and illustrated text type-set entirely in modern simplified Chinese characters.

The magazine is published by Chinese Consultants International, a member firm, in cooperation with the National Council for U.S.-China Trade. It is distributed in China with the permission of the Chinese trade corporations, and early editions have received comments from the CCPIT in Peking, China Resources in Hong Kong and the Chinese Liaison Office in Washington, D.C.

Distribution is throughout China, initially to the national trade corporations and provincial branches.

These agencies then distribute copies to end-users. End-users, as described by Chinese authorities, are engineers, teachers, commune leaders, factory managers and workers in a position to place requirements on the foreign trade corporations.

Current distribution in China is more than 15,000 copies, and officials in China estimate that *American Industrial Report* has a potential readership of a quarter million end-users. Direct mailings are now made to principal medical universities, hospitals and medical associations in China.

Chinese officials have also approved the insertion of this statement in the magazine, "Inquiries concerning any of the articles and advertisements contained in the Publication may be directed to the Editor through China's Foreign Trade Organizations," which is for the purpose of obtaining reader reactions.

*American Industrial Report* includes a special importers section in which American importers can identify themselves and their import requirements. Chinese officials in Canton, Swatow, Shanghai and Peking have expressed verbal and written acceptance and approval of the publication and Chinese officials in Washington and in China review each issue, often recommending technical topics they would like to see covered in future issues.

The publishers of *American Industrial Report* are Mr. Chou Tsai-fei, a Peking born and educated executive, and Mr. William E. Donnett, a retired American Foreign Service officer who spent more than 20 years abroad as a China specialist. The publishers write technical articles accompanied with glossy prints and diagrams on new subjects of interest to the Chinese. Advertising in the magazine is available to American firms interested in determining the export market for their goods. Advertising by US importers of Chinese products is particularly welcome.

Advertising rates are modest, the magazine's translations are technically competent and the Chinese are likely to look to the *American Industrial Report* as an effective and helpful medium to identify American products, technology, and services. The National Council recommends consideration by member firms of use of the *American Industrial Report* as one of the mechanisms for reaching Chinese end-users.

For ad rates, publication dates and other information, members should contact China Consultants International, Ltd., at 3286 "M" Street, N.W., Washington, D.C. 20007, phone (202) 338-2388; or China Consultants Ltd., Hong Kong at 53 Printing House, Ice House Street, Hong Kong, phone HK 227501 or HK 246515. 完





# INTERNATIONAL CHINA NOTES

## China Buying Reports

**US-China Sales**—Chinese imports from the US amounted to \$86.5 million in July bringing China's total imports from the US for 1974 to \$605.6 million.

**High Density Polyethylene Plant**—After three months of negotiation, the West German firm of Uhde has sold Techimport a high density polyethylene plant, which is slated to go onstream in 1977. The total value of this contract, covering engineering, installation and equipment is about 100 million Deutsche marks, or approximately \$25 million.

**Navigation Systems**—Techimport has ordered a shipboard navigation system from Magnavox Research Laboratories. The unit, used to get position fixes from the US Navy's transit satellite, had an undisclosed price tag.

**Scrap Metal**—China has reportedly dispatched a team of senior trade officials to Hong Kong to negotiate the purchase of scrap metal. Though the price of scrap in the colony has recently risen from \$125 to \$135 per ton, the Chinese show no signs of being discouraged and are expected to place a large order.

**Computer**—The People's Bank of China has ordered a small scale series 60 computer from Honeywell Bull SA of France. It is the model 61/60 system which was displayed last June in Peking at the French exhibition.

**Flight Recorders**—Lockheed Aircraft Service Company will furnish 15 aircraft flight recorders to be used on board the Trident aircraft recently purchased by the PRC. The Chinese will be buying Lockheed's Model 209 which maintains a continuous record of 25 hours of flight.

**Mining Rock Bits**—Houston's Reed Tool has made public the sale to China of more than \$1 million worth of blast hole bits including both steel tooth and tungsten carbide models. Negotiated by C. J. Wang of the International Corporation of America, this contract will probably be the first in a series between Reed and the PRC.

**Pipelayers**—The world's second largest manufacturer of construction machinery, Komatsu Ltd. of Tokyo, has sold 12 pipelayers to Machimpex valued at 300 million Yen, slightly more than \$1 million. The Japanese firm is expecting additional orders for the same type of equipment from the Chinese in the near future.

**Jeeps**—Volkswagen's "Safari" model jeep, manufactured in Mexico, may be headed for China in considerable quantity. Peking has already obtained three or four of the jeeps and has reportedly begun serious discussions with VW of Mexico for additional imports.

**Geophysical Exploration Equipment**—According to manufacturers who exhibited at the Canadian electronic and scientific instruments exhibition held in Shanghai in April, geophysical equipment was a top priority item on the Chinese shopping list.

**Radio Equipment**—Northern Electric Company (US) recently sold about \$150,000 worth of multiplex radio equipment to the People's Republic of China.

**Chromatographs**—Applied Research Laboratories Ltd. of Luton has received a major order from Machimpex, the China Machinery Import and Export Corporation, for seven gel permeation chromatographs. Total value, which includes nearly 100 ARgel gel permeation columns and many accessories, is about £150,000 or about \$359,000.

**Fishmeal**—Officials of EPCHAP, the Peruvian fishmeal export agency, and China's Ceroilfoods, are expected to discuss possible PRC purchases of Peruvian fishmeal later this year. The Chinese are said to be seeking a two-year contract which would bring them 150,000 tons per year. The bulk of the fishmeal would be used for feeding swine in communes surrounding major coastal cities.

**Milling Machinery**—Japan's Enshu, Ltd. has secured a ¥40 million order from the PRC for 12 milling machines. The transaction was negotiated by Taiyo Bussan as a sequel to its participation in the Spring Kwangchow Fair.

**Loaders**—Canada has recently sold 39 front-end loaders to China scheduled for delivery this fall.

**Ladles**—Orders have been placed with Asea, Sweden, for two Asea-SKF ladle furnaces for the degassing and refining of steel. The two furnaces, costing roughly \$3 million, are intended for steel melts of 30 tons and 100 tons. Delivery is scheduled for August 1975. Associated vacuum equipment will be manufactured by Stal-Laval Apparät AB, Linköping, Sweden, a member of the Asea Group.

**Corn**—Contracts to buy 48 million bushels of corn, worth about \$140 million, have been cancelled by China, because the corn contained too much moisture. Fresh orders have been placed for 22 million bushels of soybeans worth approximately \$121 million.

**Sugar**—Jamaica and China are negotiating a five-year agreement for the shipment of 10,000 tons of sugar in 1974, 40,000 tons in 1975 and 50,000 tons in each of the following three years. Price has not yet been agreed upon.

**Wheat**—Australia has sold another one million short tons of wheat to China. Depending on the quality of the wheat, the sale could be worth \$172 million. This would bring total Chinese purchase of Australian wheat to 1.6 million short tons.

**Air Powered Tools**—Desoutter Bros. Ltd. have received two orders from Machimpex. Two hundred air powered tools have been sold to China so far.

## China Selling Reports

**Oil Price Reduction**—China has agreed to lower prices for its previously contracted (August-September) one



million-ton oil consignment to the Japanese International Oil Trading Company. The new price, \$12.85 per barrel, represents a 13.2 percent reduction over the previous price of \$14.80 per barrel and is now in line with the price for Indonesian Minas crude.

**Eggs**—Despite a policy of limiting egg and egg product imports, Japan has contracted to purchase 8,000 metric tons of frozen eggs from the PRC at 45¢ a pound. Tokyo's limited egg imports had been coming primarily from Australia, but the Australians have been reporting a shortage of frozen egg products.

**Shrimp**—The largest contract for the import of shrimp into the US was recently placed by Seabrook Foods. The shrimp will be marketed under the Billows and Sea Swallow brand labels.

**Cigarettes**—Reports from Hong Kong indicate that the PRC may be gearing up for a large-scale campaign to export its domestically produced cigarettes. Some tobacco industry observers feel that Chinese tobacco is too bland to succeed on the international market but significant imports of more aromatic US flue-cured leaf suggest that the PRC may blend their home grown filler tobacco with the imported flavor leaf.

**US-China Purchases**—Chinese exports to the US amounted to \$10.7 million in July bringing total exports to the US to \$62.5 million.

## Air and Sea

**Shipping Talks**—Japanese and Chinese officials have begun talks in Tokyo on replacing the semi-official maritime accord between the two nations. The proposed government-to-government treaty would extend mutual Most-Favored-Nation treatment in the use of port facilities.

**Containers**—Reports from Hong Kong are that China may begin using container ships of 4,000 tonnage to replace conventional cargo vessels. Goods will then be unloaded in Hong Kong and transferred to smaller container ships heading for Chinese ports. A container terminal is reportedly under construction at Hsinking near Tientsin.

**Oil Terminal**—China has reportedly constructed a new facility at Tsamkiang in Kwangtung Province for handling oil tankers. The terminal was commissioned on July 11 and is expected to ultimately serve tankers in the 50,000 ton range.

**Cargo Ships**—The China National Machinery Import and Export Corporation has indicated interest in purchasing 20-30,000 ton vessels, both new and second-hand. They are interested in general cargo ships, bulk carriers and tankers.

**Tax**—As of July 1, 1974, China has reportedly imposed an industrial-commercial unified tax of 2½ % plus an income tax of ½ % on foreign ships carrying exports and/or passengers out of China, levied together at 3 % of gross transportation income derived from each voyage. An additional local surcharge has been added at 1 % of the amount of the tax assessment. The tax payer is the carrier of any such foreign vessel who must pay as soon as possible after departure.



First Lockheed built products, LAS Model 209 flight recorders, slated for the People's Republic of China are shown here in final assembly.

**China Joins ICAO**—The PRC has joined the International Civil Aviation Organization (ICAO), after a November 1973 visit to Peking by ICAO officials and formal request for membership by Peking in February.

## Late Tourist Developments

**Canton visit.** The first Australian cruise passengers to visit China arrived in Hong Kong on board the SS Marco Polo on July 4. On disembarking at Hong Kong's Ocean Terminal, 150 of the ship's 350 passengers boarded a train for Canton.

### New Guidebook

**Felber, John E.,** *The American's Tourist Manual for the People's Republic of China 1974.*

International Intertrade Index, Box 636 Federal Square, Newark, N.J., 224 pgs., \$5.95 plus 25¢ postage.

Just released, this optimistic guide for Americans contains the latest information on sightseeing details, weather, visas, currency, transportation and regulation forms the tourist will encounter. There are sketch maps of principal cities such as Peking, Kwangchow and Shanghai, floor plans of the Forbidden City and route maps of the air and rail services. There are also chapters on the Chinese language, on China's history and geography, and on present-day economics.

## NEW TELEPHONE NUMBERS

For

National Council for U.S.-China Trade

Effective Immediately

Main Office: 202-331-0290

Publications: 202-659-7681

Translations: 202-659-1456



# POSTAL RATES AND STAMPS FROM CHINA

For the foreign visitor to China, posting mail presents no special difficulties. All hotels catering to foreigners have postal facilities where English is spoken. Letters, post cards and small packets may be sent abroad and items may be registered for a small fee.

Chinese postal authorities have published comprehensive rate schedules for both regular and air mail. Air mail usually requires from 5-9 days to reach the US from one of China's large coastal cities (Peking, Shanghai, Kwangchow). Sea mail can be expected to take considerably longer and is not recommended for foreign visitors to the PRC.

The following table gives rates (in RMB) for various categories of mail from China to overseas areas:

	SEA	AIR
Letters (first unit of 20 grams)	0.22	sea rate (SR) plus 0.30 for every 10 grams or fraction
(for each successive unit of 20 grams or fraction thereof)	0.13	
Postcards (per article)	0.13	SR plus 0.30 for every 10 grams or fraction
Printed Matter (first unit of 50 grams)	0.09	SR plus 0.15
(for each successive unit of 50 grams or fraction thereof)	0.04	SR plus 0.10 per 10 grams of newspapers and periodicals
Small Packets * (for every 50 grams or fraction thereof)	0.09	SR plus 0.15 per 10 grams or fraction
Aerogrammes (per article)	—	0.35

\* Minimum charge per article 0.45. Contents of packets will be examined by Chinese postal clerks.

Mail may be registered for RMB 0.32 per article. Acknowledgement of receipt is available for RMB 0.24 per article and the fee for express service is RMB 0.48 per article.

## Chinese Stamp Exports

For American philatelists unable to visit the PRC in person, the China Stamp Export Corporation (CSEC) offers a wide range of items that can be purchased through the mail. Visitors to China can purchase stamps directly through the Post Office located in their hotel.

Thematically, Chinese stamps are often political in content, showing colorful scenes in the history of the Chinese revolution and notable accomplishments made since the founding of the People's Republic in 1949. The native Chinese Giant Panda, currently enjoying popularity in the US, is the subject of no less than six different prints, one of which wives and friends of US traders may recognize on their postcards from Canton.

An illustrated catalogue of Chinese stamps can be obtained by writing to CSEC at 28 Donganmen Street in Peking. Quotes for mint sets are in Renminbi and special discounts are given with large orders. Price per set range from RMB0.04 to RMB3.00, and stamps are available for years 1949 through 1974.

China Stamp Export Company stipulates that payment be made to accounts at the Bank of China in Peking or London using bank drafts or checks in RMB, Swiss Francs, Sterling, etc. Stamps and/or International Reply Coupons cannot be used for prepayment of goods ordered.

Buyers should inform CSEC of the mode of delivery of each order. All mailing costs or freight charges are the responsibility of the purchaser and once the order is dispatched, no returns or exchanges are accepted.

## Some Sample Prices

### PRICE LIST

Stock No.	Year of Issue	Description	Vls.	Price per set (RMBX) (Mint)
70.1-6	1970	"Taking Tiger Mountain by Strategy"	6	0.48
70.7	1970	Ready to Severely Punish the Invading Enemy	1	0.04
71.8-11	1971	Commemorating the Centenary of the Paris Commune	4	0.44
71.12-20	1971	Celebrating the 50th Anniversary of the Founding of the Communist Party of China	9	0.78
71.21-24	1971	Afro-Asian Table Tennis Friendship Invitational Tournament	4	0.67
71.25-28	1971	Celebrating the 30th Anniversary of the Founding of the Albanian Party of Labour	4	0.76
72.29-32	1972	Ships	4	0.32
72.33-38	1972	Commemorating the 30th Anniversary of the Publication of "Talks at the Yen'an Forum on Literature and Art"	6	0.48
72.39-43	1972	Promoting Physical Culture	5	0.40
72.44	1972	Iron Man, Wang Chin-hsi—A Vanguard Fighter of the Chinese Working Class	1	0.08
72.45-48	1972	1st Asian Table Tennis Championships	4	0.46
72.49-52	1972	The Red Flag Canal	4	0.32
73.57-62	1973	Giant Pandas	6	0.93
73.63-65	1973	Women of China	3	0.24
73.86-90	1973	Children's Songs and Dances	5	0.40
R. 14	1971 1972	Historic Revolutionary Sites	11	2.00



美中貿易全國委員會



為慶祝

中華人民共和國建國二十五周年

(一九四九年十月一日——一九七四年十月一日)

向

中國國際貿易促進委員會

中國對外貿易和其他對外業務機構

致

熱烈和衷心的祝賀！

THE NATIONAL COUNCIL FOR US-CHINA TRADE  
Extends its Congratulations and Best Wishes to the  
CHINA COUNCIL FOR THE PROMOTION OF  
INTERNATIONAL TRADE  
and  
CHINA'S FOREIGN TRADE CORPORATIONS  
on the Occasion of the 25th Anniversary  
of the Founding  
of the  
PEOPLE'S REPUBLIC OF CHINA  
October 1, 1949 — October 1, 1974