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U.S. CHINA BUSINESS REVIEW

NO. 5 VOL. 2

TRANSLATION SERVICES OF THE NATIONAL COUNCIL

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

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

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

Services Offered

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

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

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

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

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

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

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

Charges

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

VOLUME 2—NUMBER 5—SEPT.-OCT. 1975

U.S. CHINA BUSINESS REVIEW

EDITOR: NICHOLAS H. LUDLOW • ASSISTANT EDITORS: SUZANNE R. REYNOLDS AND PETER D. WEINTRAUB

Design
Louise Levine

TABLE OF CONTENTS

Front Cover: The CCPIT Delegation at the White House: His Excellency Huang Chen, Chief of the Liaison Office of the People's Republic of China in Washington D.C., Secretary of State Henry Kissinger, President Gerald R. Ford, Li Chuan, Vice Chairman of the CCPIT, leader of the delegation, with other members of the CCPIT mission and members of the board of the National Council during their visit to the White House, September 8, 1975. Photo: Mark Godfrey (Magnum/Fortune)

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.

CHINA TRADE EVENTS

NATIONAL, September 6-24
A delegation from the China Council for the Promotion of International Trade visited the US at the invitation of the National Council.

NATIONAL, September 11-October 18
A delegation from the Arts and Crafts Division of the China National Light Industrial Products Import and Export Corporation, will tour the US sponsored by the National Council.

WASHINGTON, D.C., September 25
Nicholas Ludlow, Director of Publications at the National Council, will speak at the School for Advanced International Studies (SAIS).

GREENBRIAR, WEST VIRGINIA, September 26
Melvin W. Searls, Jr. new Council Vice-President, will speak to the Refractory Metals Association on "The World of The People's Republic of China."

NATIONAL, September 29-October
A delegation from the China National Native Produce and Animal By-Products Import and Export Corporation will visit the US hosted by the National Council.

KWANGCHOW, October 15-November 15
Vice-President Searls, Suzanne R. Reynolds and Peter D. Weintraub will represent the National Council at the 38th Chinese Export Commodities Fair, assisted by James Schweitzer and Charmaine Lam of Amcham, Hong Kong.

NEW YORK, October 30-31
Former Council Vice-President Eugene Theroux will speak at a conference on Transportation and Distribution in the Far East, at the World Trade Center, sponsored by the World Trade Institute. Information from Eunice Coleman (212) 466-3170.

COLUMBUS, OHIO, November 7
Council President Christopher H. Phillips will be one of the speakers at an Ohio State University-sponsored conference on the normalization of US-PRC relations. For details contact Mr. Hytien (614) 422-6681.

WASHINGTON, D.C., November 11
George Driscoll, Director of Business Advisory Services at the Council, will speak at the fall meeting of the Scientific Apparatus Makers Association, Laboratory Apparatus and Optical Sections, on "Trade with the People's Republic of China." For further information contact Anthony Fiorello (202) 223-1360.

NEW YORK, November 15
Council President Phillips will address the annual dinner of the American Institute of Marine Underwriters.

BOSTON, December 3
Council President Phillips will speak at a seminar sponsored by the International Center of New England, Inc., on "Doing Business with the PRC." For details contact Raymond Belliveau (617) 542-0426.

NEW YORK, January 22-23, 1976
Former Council Vice-President Theroux will speak at a conference on "Legal and Business Aspects of Doing Business with China," sponsored by the Practicing Law Institute. Information can be obtained from workshop chairman Howard M. Holtzmann (212) 765-5700.

ANN ARBOR, MICHIGAN, February 9-10, 1976
A two-day workshop on doing business with the PRC will be held, sponsored by the University of Michigan, in cooperation with the National Council. For information call Frixos Massialas, Program Director, Graduate School of Business Administration (313) 763-1387.

YOUR MEN IN PEKING

When in Peking, US Commercial Staff at the US Liaison Office will be happy to assist you. Please feel free to call them if you are in China's capital.

Commercial Staff:	William W. Thomas, Jr. (Chief) Robert M. Perito Frank P. Wardlaw
Telephone:	522033 Ext. 215 or 216
Address:	17 Guanghua Road Peking
Cables:	United States Liaison Office Peking
Telex:	None

Magnetometer Demonstration at Exploranium Exhibit in Shanghai, April 1974. (Photo: Briener)

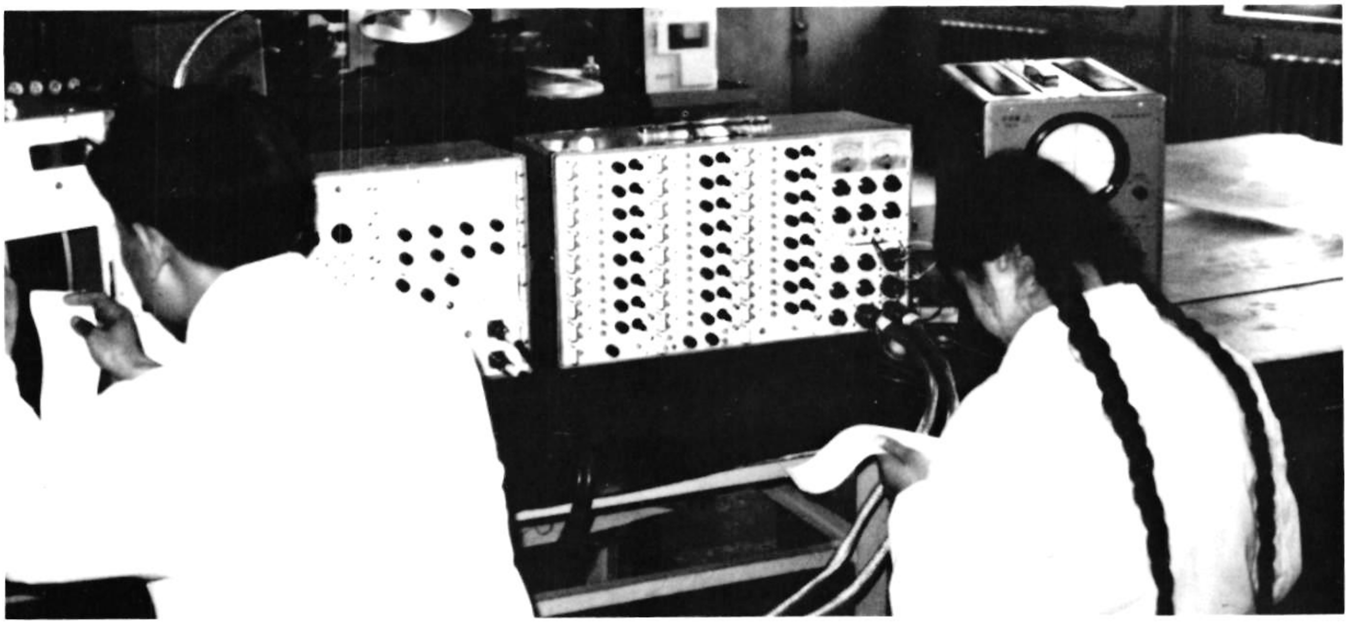
GEOMETRICS
Reaching Chinese End-Users

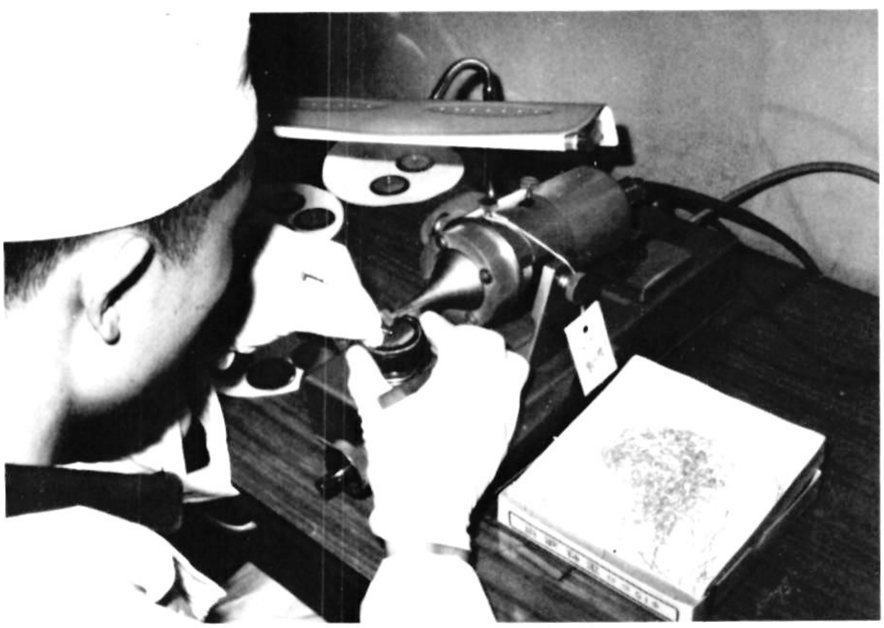
Geometrics of Sunnyvale, California, makes prospecting equipment used for the exploration of minerals, petroleum and uranium, which has proved of interest to the PRC. While the US firm's China sales to date have not been substantial, Geometrics has used an innovative approach in its China marketing program. The story below describing Geometrics' participation in a third-country exhibition in Shanghai, its opportunities to meet Chinese end-users, and visits to China's research institutes, should be of interest to all American companies, large and small, involved in making sales to the PRC.

Unlike many US firms which have sold to China, Geometrics is small, new, and relatively unknown outside of its own field. Founded only six years ago, the firm's annual sales have doubled in the past year—to $10 million—and it is today one of the largest manufacturers of geophysical prospecting equipment in the world as well as being a leading airborne geophysical survey contractor.

Much of the firm's progress has come about through the efforts of its President, Dr. Sheldon Briener, who received his PhD. in Geophysics from Stanford and currently is a consulting professor at that University in the Department of Earth Sciences. The subject of Briener's dissertation—earthquake prediction—and his use of magnetic detectors in this work, as well as in archaeological exploration, were of obvious interest to the PRC, where earthquakes, particularly in the Northeast and Northwest are a constant menace and archaeological investigation an historical and cultural priority.

Geometric's China story began in August 1972 when its wholly owned subsidiary, Exploranium of Toronto, attended the Canadian Industrial Exhibition in Peking and sold two portable instruments, a magnetometer, for petroleum and mineral exploration, and a gamma-ray spectrometer, for uranium exploration. Back in California Sheldon Briener reacted to this news with both excitement and concern: excitement because his firm was entering a new and potentially rewarding market, and concern because he realized he knew almost nothing about it. Dr. Briener decided to remedy this situation by trying to visit China himself. He set out to do this initially by contacting influential end-users in the field his company was concerned with.





While in China, Sheldon Briener had the opportunity to visit various factories. *Top:* Computer factory in Shanghai. Technicians in "clean room" manufacturing semiconductors for computers and other uses. *Center:* Geological Instruments Factory, Peking. Technicians testing a field 24-trace seismograph for petroleum exploration using a magnetic tape and chart recording drum-type oscillograph shown in the left of the picture. Amplifiers and power supply on the right. *Left:* Transistor factory, Shanghai. Technician welding leads on high current transistor. Photos by Briener of Geometrics.

Letters to Institutes

Briener wrote letters to the Institute of Geophysics, in the Chinese Academy of Sciences which is engaged in earthquake prediction; the Bureau of Geology, responsible for China's mineral and petroleum exploration; the Institute of Oceanography; and the Institute of Archaeology. His proposals were specific and comprehensive: in effect Briener offered to equip the Chinese with requisite machinery and technology to undertake a full-scale survey of their mineral and petroleum resources and at the same time to assist them in earthquake prediction efforts.

Results did not come immediately, but this campaign ultimately paid off. In March 1974, on the strength of a recommendation from the Chinese Institute of Geophysics, Dr. Briener received a visa from the Chinese Embassy in Ottawa which permitted him to represent Exploranium at the April Canadian Electronics and Scientific Instruments Exhibition in Shanghai. Of approximately 100 individuals cleared for travel to the show, Briener was the only American.

The group left Vancouver on April 10 for Hong Kong, Canton and finally Shanghai. The Exhibition itself took place between April 16th and 26th and involved 37 firms, organized by the Canadian Department of Industry, Trade and Commerce. About 60,000 Chinese, mostly low to middle level technicians attended. Briener sold what he had brought along—updated versions of the magnetometer and spectrometer, with a combined value of about \$8,000—after four rigorous negotiating sessions. That might have been the end of this chapter in Geometrics' China story; but Sheldon Briener's relationship with the Chinese had only just begun.

After the exhibition in Shanghai, and a side trip to Wusih, the Canadians and Briener proceeded en masse to Peking, aboard a recently delivered Boeing 707. When they arrived in the Chinese capital, a representative from the Institute of Geophysics was waiting for Briener. Alone among the cortege of foreigners, he was escorted to his hotel—the Friendship—and two hours later met by Chang Chin, the Director of the Institute.

There is little doubt the Geometrics letters to the four Institutes, particularly the one to Geophysics, played a crucial role in obtaining these invitations. Briener's academic background, in combination with the interests of his company, apparently succeeded in convincing the Chinese that direct contact with him would be of value.

Visits to Research Centers

Briener was given a tour of the Institute of Geophysics Seismic and Magnetic Observatories in Peking's outskirts, and later invited to deliver a lecture on earthquake prediction at the Academy of Sciences before 120 high level researchers. But even more unusual was his contact with the Bureau of Geology. Unlike the Institute of Geophysics, China's Bureau of Geology is an organization with a very low profile. Its work on mineral exploration, including prospecting for petroleum and uranium has both commercial and geopolitical implications. Briener was somewhat surprised then, when he was invited to appear before a group of its senior scientists to talk on the subject of airborne mineral exploration, with special emphasis on the computer techniques involved.

Following the meeting Dr. Briener had further discussions with both the Bureau and the Institute and remained in Peking for a week after his Canadian colleagues had departed. He toured several factories, including ones engaged in production of computers and other scientific instruments similar to Geometrics' own equipment and he spoke with representatives of the China National Machinery Import and Export Corporation (MACHIMPEX) and the China National Technical Import Corporation (TECHIMPORT). On May 10, a month after arriving in China, Briener departed for the US.

Reciprocity

Since his return Dr. Briener and Geometrics have maintained close contact with the Chinese. Both the Institute of Geophysics and the Bureau of Geology had expressed interest in receiving LANOSAT (formally known as ERTS) satellite picture of China, and Briener obliged by providing the two organizations with 6 or 8 of these apiece. In an example of Chinese scientific reciprocity Dr. Briener has also received information related to magnetic values from the Institute of Geophysics' observations which will assist in the calculations of the International Geophysical Reference Field.

In the commercial field, which is, understandably, Geometrics first China priority, a number of promising events are occurring: The Chinese have expressed an interest in obtaining an Australian built Norad STOL aircraft and equipping it with geophysical instruments. Geometrics International, a Geometrics subsidiary in Australia is making an effort to ensure that if such equipment is purchased, it comes from the parent firm in Sunnyvale. A Chinese mission from the Bureau of Geology will be visiting Canada this fall and Exploranium in Toronto will be one of their stops. It is probably too early to tell how this visit will impact on Geometrics' overall China activities, but the initial signs are positive.

Whatever comes of these efforts, Geometrics and Sheldon Briener have already achieved what has eluded many larger and better known firms. The company has been able to deal directly with Chinese end-users at a working level and in so doing have established a line of communication to the China market which will likely serve them well in the future. 完

Contract for the Disposition of Exhibits of the Canadian Electronics and Scientific Instruments Exhibition in Shanghai, April 16-26th, 1974

Contract No.

Date: APRIL 25th, 1974
Shanghai,

Canadian ELECTRONICS & SCIENTIFIC INSTRUMENTS EXHIBITION, Shanghai (hereinafter called as the Sellers) on the one hand and China National Machinery Import & Export Corporation (hereinafter called as the Buyers) on the other agree to sign this Contract under the following terms and conditions:

I.

It is agreed by and between both parties that for the exhibits, which are accepted by the Buyers and are displayed by the Sellers at the Canadian ELECTRONICS & SCIENTIFIC INSTRUMENTS EXHIBITION held in Shanghai from April 16th to April 26th 1974, the prices, delivery, payment and settlement of claims shall be carried out according to the stipulations herein. Variety, specified in the Specification List attached to this Contract, which forms an integral part of this contract. The Sellers and the Buyers shall abide by the stipulations in the Specification List.

I.

The exhibits under this Contract shall be repacked in cardboard or wooden cases (as per entry) or as agreed in individual negotiation. Each case should only contain commodity of one Specification List and be marked with shock-rust-damp-proof conditions; bulk packing shall be allowed if agreed by both parties. On each case delivered, the Sellers shall, according to the Specification List signed by both parties, mark the case number, gross weight, net weight, dimensions and contract number and shipping marks as well as marks "HANDLE WITH CARE" "UPWARDS" as advised by the Buyers according to different category of commodities. Besides, the Sellers shall place in cases two copies of Instruction manuals (one sent by airmail the soonest possible, if necessary) one copy of technical data (drawing one Standards for Inspection) for the commodities, as specified in the annex and one copy of packing list.

III.

The prices of the exhibits shall be understood as F.O.B. Canadian port basis, which meanwhile shall be considered as prices on delivery of the exhibits at the Exhibition Site. After the signing of the Specification List of Commodities, both the Sellers and the Buyers shall, appoint their respective representatives to carry out the handling/taking over at the Shanghai Exhibition Site: checking the numbers of cases according to the quantity specified in the annexes to this Contract; fulfilling the handling/taking over formalities at the place nominated by the Buyers within the Exhibition Site; and signing the handling/taking over protocol, in the form of the Specification List, one original and one duplicate copy to be held by each party. The signing date of the protocol shall be regarded as the date of delivery. When signing the Contract between both parties the Sellers should provide the Buyers with two copies of packing list.

IV.

Before the signing of the handling/taking over protocol, all the risks of the exhibits and the expenses incurred shall be on the Sellers' account. After the signing of the protocol, all the risks of the exhibits shall be on the Buyers' account.

V.

The Buyers will effect payment in terms of Canadian Dollars against presentation by the Sellers, through the Sellers' Bank to the Bank of China, Shanghai, of the following documents:

1) One copy of the handling/taking over protocol;

2) Four copies of Invoices;

3) Two copies of packing List.

VI.

The Sellers shall guarantee that the quality, specification and normal performance of the exhibits delivered to the Buyers shall be in conformity with the Export Standard of the Sellers and the technical terms specified in the annexes (i.e. the Specification list) to this Contract. The time limit for possible quantity claims against the exhibits is 6 (six) months. The time limit for possible quality claims against the exhibits is 12 (twelve) months. The claim period mentioned above commences from the date on which the relative handling/taking over protocol is signed.

The Representatives of The Sellers:	The Representatives of The Buyers:
Canadian E & S.I. Exhibition Shanghai	China National Machinery Import & Export Corporation

FOR EXPLORANIUM CORPORATION OF CANADA

THE PROMOTION OF CHINESE GOODS IN HONG KONG

John Thomas Kamm

Subtle, but far-reaching changes in China's policies toward selling overseas markets are currently taking place in Hong Kong, the PRC's marketing laboratory. New marketing strategies, combining lucrative wholesale and retail incentives with sophisticated promotional techniques, are being experimented with by China's local commercial leadership. These strategies have already scored notable successes in boosting sales of export commodities to the local populace; their adoption in other markets will have important consequences for the future of China's external trade. This article, by UCBR's Hong Kong correspondent, reviews the major components of China's ongoing commercial offensive in Hong Kong, and describes the Madison Avenue techniques used there by the PRC.

Hong Kong is China's second largest market for export commodities, and more importantly, is the PRC's largest source of foreign exchange. According to estimates made by the US Consulate General in Hong Kong, China earned a total of U.S. $900 million * in 1972, of which approximately $200 million derived from cash remittances and other currency flows. The 1974 estimate of total earnings has reliably been placed at nearly $1.5 billion.

Table 1 traces the growth of Hong Kong's imports from China, 1966-1974. Local disturbances during the late 1960's had a devastating impact on PRC exports to the colony; hardly any absolute growth was registered from 1966 to 1970, and China's relative share of the local market for imports fell from 27.4% to 16.1%. In contrast, the total value of exports to Hong Kong more than doubled from 1970 to 1974. China currently provides Hong Kong with slightly less than 18% of her total import needs, standing second only to Japan among all trading partners.

CHINA'S COMMERCIAL SYSTEM IN HONG KONG

To provide for this market, the PRC has established an extensive commercial network involving hundreds of firms dealing in thousands of commodities. Brief descriptions of the major types of China's commercial establishments in Hong Kong follow.

*All figures in this article are in U.S. dollars, except as noted.

Table 1

PRC EXPORTS TO HONG KONG—1966-1974

(000 HK $s)

	1966	1968	1970	1972	1974
Total Imports—Hong Kong	10,097,037	12,471,547	17,606,715	21,763,931	34,120,085
Total Imports—PRC	2,769,221	2,429,419	2,830,367	3,846,940	5,990,522
Percentage PRC Imports—To Total Imports	27.4%	19.4%	16.1%	17.7%	17.6%

THE PRC'S AGENCIES IN HONG KONG

China Resources is Hong Kong's oldest and best-known PRC agency. Founded in 1948, the company is currently located on the 12th floor of the Bank of China Building, Central District, Hong Kong.

The agency's Industrial Products and Minerals Department handles business entrusted to it by:

a) China National Machinery Import and Export Corp.,

b) China National Chemicals Import and Export Corp.,

c) China National Metals and Minerals Import and Export Corp.

Sales of the China National Textiles Import and Export Corp.'s produce are handled by the agency's Textile Department. The agency maintains extensive warehouse facilities at 35 Praya, Kennedy Town.

Tel: (5) - 235011

Ng Fung Hong, headquartered on the 3rd floor of the Bank of China Building, is the Hong Kong agent for the China National Cereals, Oils, and Foodstuffs Import and Export Corporation. Rice, vegetable oils, grains, and canned food are handled by three "Business Departments" located at headquarters. The Fruit and Egg Departments are situated at 15 Connaught Road, West, Hong Kong. Fresh vegetables are handled by the Vegetable Department, 4 North Street, Hong Kong.

Tel. (5) - 222218

Teck Soon Hong, agent for a) China National Native Product and Animal By-Products Import and Export Corp., and b) China National Light Industrial Products Import and Export Corp. (Handicrafts Division), operates out of a block of offices at 37 Connaught Road, West, Hong Kong. The agency is divided into four departments: a) the Drawnwork and Porcelain Ceramic Department, b) the Tea and Native Produce Department, c) the Arts and Crafts Department, and d) the Medical Department. The company's godown is located at 3 Sai On Lane, Hong Kong.

Tel: (5) - 456041

Hua Yuan Co., the most recently-established agency, distributes consumer durables exported by the China National Light Industrial Products Import and Export Corporation. Leather, Stationery, and Building Materials Departments are located at the company's 37 Connaught Road address.

Tel: (5) - 445061

Agencies

Four Hong Kong firms act as officially appointed agents of the PRC Foreign Trading Corporations (FTC's). While agencies serve as important links between FTC's and foreign firms wishing to do business with China, their primary responsibility is to provide the local market with adequate supplies of Chinese commodities. A list of the agencies is given above.

Available information suggests that the internal organization of PRC agencies in Hong Kong closely parallels that of branch FTC's within China. Members of the staff are expected to perform both political and commercial tasks. All important managerial posts are filled by the Ministry of Foreign Trade (MOFT) in Peking. "Technical" personnel are largely local. Salaries and bonuses are determined and paid by the Chinese.

The general managers of the agencies, together with the director of the Bank of China Hong Kong Branch, make up the core of PRC official commercial leadership in the colony. While agencies enjoy considerable autonomy with respect to most commercial decisions, the local leadership refers all important matters to Peking for instruction. Thus, according to most informed observers, the major components of the current commercial offensive are sanctioned by the MOFT.

Distributors, Department Stores, Retail Outlets

Distributors are local firms which secure franchises on the wholesale distribution of Chinese brand-name products to the retail outlets. The four agencies, which conduct negotiations on behalf of the FTC's which handle the commodities, have the right to confer sole distributorship franchises. Most of the over one-hundred Hong Kong distributors of Chinese products have secured sole distributor franchises over individual commodity trade-marks.

The most important outlets for PRC exports are the *national products companies* or department stores which are, in effect, joint ventures between agencies and Hong Kong businessmen. The agencies agree to supply the stores with full consignments of all commodities at special wholesale prices; the businessman is responsible for capital expenditure, including site rental, site maintenance, salaries, etc.

The intensity of China's present trade offensive is reflected in the growth of Chinese department stores and emporiums. At the end of 1971, forty national products companies were operating in Hong Kong. Sales grew by an estimated 20-30% in 1972, prompting the establishment of twenty more "joint ventures". Growth continued throughout 1973; by the end of the year, seventy-four department stores, most of which were small neighborhood concerns, were in operation throughout Hong Kong, Kowloon and the New Territories.

The current number stands at approximately one-hundred. Of these, no more than ten are capitalized at over $1 million. Most are small neighborhood outlets capitalized at under $60,000. PRC strategy seems to aim at the establishment of a comprehensive marketing network with mini-department stores at the neighborhood level. In the first week of June 1975, two neighborhood outlets were opened in relatively remote parts. A branch of the Chung Dou National Products Store was opened in Un Long Market, New Territories, followed by the opening of the Teck San National Products Company in Kowloon City, Kowloon. Each opening was given front-page treatment in the PRC press; customers were invited to attend 'get-acquainted' receptions to celebrate the occasions.

In 1973, Chinese authorities agreed to the first department store joint-venture with a western firm. In June of that year, Hutchison International opened its $4.6 million Chinese products emporium, the Pearl City Department Store, at a plush 17,000 square feet site

Two ways Chinese products are promoted in Hong Kong—on the left, Pearl City Department Store advertises its PRC wares; on the right, an ad for a year-end sale held jointly by Chinese department stores. (See page 13.)

Table 2

COMPARISON OF LOWEST-PRICED CONSUMER DURABLES

Chinese and Non-Chinese Department Stores

(June 1975—HK $)

	Chinese	Non-Chinese
Sewing Machine	$261.000	$430.00
9-Inch Electric Fan	70.00	97.00
Transistor Radio	17.00	32.00
Rice Cooker	60.00	.81.00
Alarm Clock	19.00	23.00
Refrigerator (6.5 c.f.)	670.00	860.00
Hair Dryer	48.00	50.00
Wristwatch	70.00	94.00

in Causeway Bay. Terms of this franchise, which have not been made public, are known to differ in some respects from the usual arrangements; thus, while all other department stores stock only Chinese-made products, approximately ten percent of Pearl City's original stock consisted of foreign-made luxury items.

China Arts and Crafts

In addition to the national products companies, *"national produce" specialty shops,* selling products in individual commodity lines, are operated on terms similar to department store franchises. Particularly popular are shoe, textile, medicine, and furniture outlets. China also maintains an extensive network of Hong Kong bookstores selling PRC publications, stationery, sports goods and records. These shops are often under the management of local publishing houses sympathetic to the PRC. (e.g., Commercial Press, Ltd.).

China Arts and Crafts (HK), Ltd., the major outlet for Chinese luxury items, acts both as wholesale distributor to handicrafts, jewelry and antique shops and as retailer to upper-middle and upper-class tourists and residents. The company, which orders from Teck Soon Hong and, occasionally, directly from branch FTCs, currently maintains two stores at choice locations in Central District and in Star House, Kowloon. "They're not Saks Fifth Avenue," comments one long-time expatriate patron, "but their promotions and displays are among the best in Hong Kong."

Finally, distributors have successfully penetrated most of the colony's thousands of "daily commodity" shops. Chinese rice, vegetable oil, salt, spices, and canned goods are readily available throughout the colony. Vegetable and fruit hawkers, who dominate the city's sprawling markets, and small butcheries depend heavily on Chinese produce to supply neighborhood demand.

INCENTIVES

Much of the growth in the PRC's commercial network can be attributed to the existence of wholesale and retail incentives. Distributor firms, department stores, and the larger specialty shops can all take advantage of a wide variety of commercial benefits, including cheap credit facilities, low storage rates in PRC warehouses, low agency prices for consigned goods, deferred payment plans and participation in fairs.

Credit

Once a franchise is selected for a given neighborhood, credit facilities at PRC banks are made available. According to one source, loans well in excess of $1 million have been granted to national products companies wishing to establish branches or expand existing facilities. The PRC banks reportedly lend the money at low, preferred rates.

Provision of Goods

All goods, including the firm's original stock, are supplied by agencies and distributors on a consigned basis. The size of the consignment is determined by the wholesaler on the basis of available supplies and the firm's past sales record. Franchisees utilize a deferred payment scheme when paying for consigned goods. According to one informed source, payment is made only on goods actually sold; the most common means of payment is a letter of credit opened in favor of the wholesaler at the Bank of China.

Minimum retail prices are set by the agency after consultation with managers of the larger department stores. Retailers are apparently free to set their own prices above this minimum. Final prices reportedly assure department stores a minimum profit of ten to fifteen per cent on sales of consigned goods. Other sources quote profit margins as high as twenty-five to thirty-five per cent.

The final price paid by the Hong Kong consumer of PRC goods is typically twenty to thirty per cent lower than comparable goods produced by foreign competitors. Table 2 gives June 1975 prices of consumer durables on sale in Causeway Bay department stores. The figures illustrate a commonly known fact: For the lowest-priced functional goods, PRC department stores offer most of the best buys.

Consultation

In addition to being represented at retail price setting sessions, dealers of Chinese products are often invited to attend export commodities fairs. In addition, specialized export commodity fairs are set up from time to time in Kwangchow to accommodate local distributors and retailers of individual FTC commodity lines. Invitations are issued by fair authorities on recommendation of the Chinese General Chamber of Commerce.

ADVERTISING

Total PRC advertising expenditures in Hong Kong are reliably estimated to have totalled $2 million in 1972; of this amount, approximately $200,000 was spent on television commercials. Total expenditures had doubled by 1974, and the television budget was reported to have increased by over three-hundred per cent. Of the $4 million PRC advertising budget in 1974, $2 million was spent on newspaper and magazine advertisements, $1 million was used to purchase time on Hong Kong's two Chinese television stations, with the remainder for cinema, billboards, posters and neon displays.

Of particular interest to observers of the local scene is the rapid rise in the quantity and quality of PRC television commercials. The recommendation to engage in product promotion via television advertising was reportedly contained in a 1972 report drawn up by the MOFT on behalf of China's State Council.

Hsin Fung and China Advertising

PRC agencies, distributors, and department stores make use of two officially-sponsored advertising firms. Hsin Fung, which maintains production and sale offices in Wanchai and a managerial suite in the Bank of China Building, is responsible for designing and placing appropriate press, billboard and poster advertisements. Most of the firm's clients are distributor firms and department stores.

The China Advertising Company (CAC), which operates out of a large block of offices on the second floor of Star House, Tsimshatsui, is charged with developing and implementing the PRC's local television and cinema promotional strategy. In contrast to Hsin Fung, most of the firm's clients are agencies and large distributors; it also undertakes assignments from the Bank of China. CAC personnel maintain close ties with ad-men working for Hong Kong's two Chinese-language television stations. In 1974, CAC reportedly purchased at least $645,000 of time on HKTVB-Jade (rated most popular among Hong Kong's four channels), while limiting its purchases to $213,000 of RTV space.

Though Hsin Fung and CAC probably handle over ninety per cent of the PRC's local advertising budget, both firms are known to make frequent use of independent consultants and freelance ad-men. Moreover, PRC-oriented newspapers and magazines are showing considerable initiative in seeking out their own advertising clients. According to one well-informed observer, local PRC-oriented publications often dispatch teams of photographers and designers to secure advertisements directly from branch FTCs within China.

Aspects of PRC Advertising Strategy

The switch to more sophisticated advertising techniques has been accomplished by a toning down of political themes and a phasing out of the more militant patriotic motifs. Prior to 1972, advertisements appealed to local nationalistic sentiments by making frequent use of a popular six-character couplet: "Those who love the motherland buy national products!" Emphasis has shifted in recent years to messages which stress the commodity's high quality, beneficial effects, and/or low price.

A local research firm has supplied this correspondent with a detailed breakdown of PRC media expenditure on selected commodities during 1974. The results of this survey are given in Table 3 overleaf.

The figures reveal that the PRC is concentrating TV exposure on those products for which strong local demand already exists; foodstuffs, beverages, and cigarettes—especially those brands which possess "tonic effects"—are singled out for special treatment. China is not currently using television to stimulate demand for consumer goods whose quality is generally accepted to be below Japanese and European substitutes. The favored technique for promoting consumer durables, machine tools, and raw materials remains heavy exposure via newspapers and trade journals. Product endorsements are frequently masked as feature stories and given front-page treatment in the PRC-oriented press.

PRC commercial firms have become very skillful in coordinating advertising campaigns to 'special events' marking China's initiatives abroad. Especially important in this regard are China's successive triumphs in international sports events. The Bank of China took the opportunity of the local television screening of the 1973 world table-tennis championships to release its first full color television advertisement. The CAC scored a major coup by securing the sponsorship of the TV nightly summary of the 1974 Asian Games held in Teheran. The games marked China's return as a major sports participant.

Many PRC-oriented newspapers and magazines now issue special supplements to celebrate such diverse occurrences as the opening of the Kwangchow Trade Fair, the arrival of Chinese acrobatic, football, basketball and badminton teams, and the holding of important political conferences (e.g., the 10th Party Congress of 1974, the 4th People's Congress of 1975). Nearly half of the space in these supplements is devoted to commercial advertisements, many of which are now used by US firms.

EXHIBITIONS

The PRC maintains a permanent export commodities exhibition hall at Star House in Kowloon. The exhibitions are carefully organized by the local commercial leadership in conjunction with the relevant FTCs. Each exhibition lasts for one month and focuses on a particular commodity line; products displayed over the last few months include hardwood furniture, carpets and electronic equipment.

The mid-1975 exhibition featured Chinese pharma-

Table 3

CHINA'S MEDIA ADVERTISING EXPENDITURE
in Hong Kong for selected products, 1974 (US $)

Product	HK—TVB			RTV			Com-mercial			
	Jade	Pearl	Total	Chinese	English	Total	Radio	Cinema	Press	Total
Soft Drink										
Pearl River	—	—	—	—	—	—	—	—	2,592	2,592
Brandy	—	—	—	—	—	—	—	—		
Peking Ginseng										
Brandy	—	—	—	4,531	—	4,531	—	—	27,170	31,701
Beer										
Tsing Tao	50,895	—	50,895	27,475	—	27,475	—	—	13,362	91,732
Yuchuan	16,788	—	16,788	16,150	—	16,150	—	—	21,516	54,454
Snow Flake	43,905	—	43,905	22,007	—	22,007	—	—	44,742	110,654
Tsing Tao (Porter)	16,080	—	16,080	4,181	—	4,181	—	—	21,210	41,471
Camera										
Seagull Brand	—	—	—	—	—	—	—	—	16,696	16,696
Cigarette	9,676	—	9,676							
Double Happiness	9,676	—	9,676	12,929	—	—	—	—	31,195	53,800
Ginseng	6,056	—	6,056	—	—	—	—	—	—	6,056
Essence of Chicken										
Yang Cheng Brand (With cordyceps)	320,852	—	320,852	38,436	—	38,436	—	3,150	14,492	376,930
Yang Cheng Brand (With ginseng)	15,762	—	15,762	14,471	—	14,471	—	—	9,298	39,351
Yang Cheng Brand (With tangkwei)	500	—	500	9,511	—	9,511	—	—	10,218	20,229
Detergent										
White Cat	—	—	—	9,413	—	9,413	—	—	2,040	11,453
Panda	15,130	—	15,130	5,477	—	5,477	—	900	580	22,087
Dental Cream										
Maxam	49,710	—	49,710	7,037	—	7,037	—	—	6,223	62,970
Ginseng	—	—	—	—	—	—	—	—	3,283	3,283
Toilet Soap	—	—	—	—	—	—	—	—	4,000	4,000
Budlet Brand	—	—	—	—	—	—	—	—		
Deer Brand	—	—	—	—	—	—	—	—	2,364	2,364
Jasmine Brand	—	—	—	—	—	—	—	—	6,187	6,187
Magnolia Brand	—	—	—	—	—	—	—	—	3,141	3,141
Seagull Brand	—	—	—	—	—	—	—	—	3,141	3,141
Fang Fang Brand	—	—	—	—	—	—	—	—	2,850	2,850
Full Cream Sweetened Condensed Milk										
Panda	7,100	—	7,100	3,618	—	3,618	—	—	840	11,558
Food With/Without Cocoa or Malt Addition										
Lacovo	23,892	—	23,892	9,906	—	—	2,520	—	2,520	36,318
Chocolates										
Lucky & Feng Shou	58,959	—	58,959	27,708	776	28,484	—	—	21,440	108,883
TOTAL	**644,981**	**—**	**644,981**	**212,850**	**776**	**213,626**	**2,520**	**4,050**	**271,101**	**1,123,901**

ceutical and medicinal products. The June 20 opening of the exhibition was celebrated by a huge reception attended by over a thousand guests, including trade representatives from Singapore, Malaysia and Thailand. A sales desk was established to handle orders, and it was announced that, during the length of the exhibition, medicines on display would be sold at ten per cent discounts in all retail outlets throughout the colony.

FTCs are now cooperating with agencies and distributors in setting up independent exhibitions on company premises. Two recent exhibits have highlighted the rapid adoption of this tactic. In 1974, the China National Native Produce and Animal By-Products Import and Export Corporation held an exhibition of export commodities, featuring Kwangtung bamboo products, on the premises of its Hong Kong agency, Teck Soon Hong. More recently, the Cosmos Machinery Trading Company, Ltd., sole distributor of PRC machine tools and motors, sponsored a display of some $600,000 of light and heavy equipment.

Most observers agree that PRC export exhibitions are likely to be held with increasing frequency over the coming months. No indications have been given, however, to suggest that China will revive plans for a massive joint-FTC exhibition abruptly cancelled in January 1974. The Machinery and Precision Instruments Show, sponsored by China Resources and housed in the Chinese Manufacturers Association's 30,000 square foot exhibition hall, had already entered the final preparation stage when work was suddenly suspended.

JOINT SALES

Chinese department stores hold joint sales at regular two-month intervals throughout the year. The two-week sales are scheduled to coincide with popular festivals and public holidays—(i.e., Christmas—"Winter", Chinese New Year, Spring, Summer and Autumn festivals, etc.). Prices of all commodities are simultaneously reduced by ten per cent in all national product companies throughout the colony. The reduction is reportedly accomplished by a unilateral lowering of minimum retail prices by the agencies concerned.

Aside from cooperating in joint sales, franchises are free to employ a wide variety of sales techniques of their own choosing. A visit to the New China Products Emporium in Wanchai provides a sampling of the more popular devices at management's disposal.

The managers of this department store apparently chose June for its big "sale push" of the year. In addition to participating in the colony-wide joint summer sale, the store featured several products at specially reduced, "introductory offer" prices. Thus, Butterfly sewing machines normally priced at HK $330 were being sold for HK $280. All sizes of Snowflake refrigerators were reduced in price by HK $100; in addition, customers received free gifts such as a case of Tsingtao beer, on purchase of other goods. Other 'free gift' offers abounded throughout the store—for instance, for every purchase of a "Gold Leaf" suitcase, the customer received a free nylon outer case.

In addition to these more common promotions, the store's management has adopted two especially innovative techniques. A "Thanking the Patron" counter has been set up on the store's third floor. Customers who save receipts from past purchases are entitled to buy goods at specially-reduced prices. Possession of receipts totalling HK $150, for example, entitles the customer to purchase a tea set for HK $10, while table-tennis racquets go for HK $3 on surrender of receipts totalling HK $80.

Finally, the store's management is currently sponsoring "Deluxe Sightseeing Tours" organized by the Hong Kong-Yaumati Ferry Co., Ltd. The tours, which make three-hour tours around Hong Kong Island, feature on-board game shows which offer passengers chances to win bundles of Chinese products.

CUSTOMER SERVICES

In early 1975, Yue Hwa Chinese Products Emporium, Hong Kong's largest PRC department store, instituted the first installment purchasing plan offered by a national products company in Hong Kong. Buyers of furniture valued at HK $200 and above can now pay for the merchandise by putting twenty-five per cent down and dividing the remainder into ten monthly payments. The customer pays a ten per cent surcharge for using the service. If the furniture is purchased during a joint sale, the customer's total payments will only amount to the sticker price.

In June 1972, Yue Hwa became the first PRC department store to accept an international credit card (American Express) as a means of payment. At present, Yue Hwa and Chung Kiu Chinese Product Emporiums accept a number of credit cards, including American Express, BankAmericard, Carte Blanche and Diner's Club. The increased sales resulting from this move have prompted other retail outlets to consider adopting credit card payments. In keeping with its path-breaking role, American Express has entered into negotiations with China Arts and Crafts for instituting a credit plan.

Most large retail outlets have adopted liberal discount policies for various categories of customers. The standard discount is ten per cent off the sticker price; discounts are not obtainable during joint sales. Customers eligible to receive discount privilege cards include "old friends", that is, customers who have been good patrons of the store, members of social clubs (including clubs composed of Hong Kong government employees), employees of PRC-oriented newspapers, banks, commercial firms, etc., and Overseas Chinese with approved visas for travel in the PRC.

SINO COMMUNICATION COMPANY

The Sino Communication Company (403 Wilson House, 25-27 Wyndham Street, Hong Kong) provides professional services to advertisers of the Ta Kung Pao (TKP) and the New Evening Post (NEP), Hong Kong's largest and most influential PRC-oriented dailies. The company was inaugurated at a June 1974 cocktail party given at Hong Kong's swank Mandarin Hotel; 140 of the colony's top admen showed up to hear Fei Yi-ming, publisher of the TKP and delegate to this year's Fourth People's Congress in Peking, bestow his personal blessings on the company's efforts.

According to Victor Sze, manager of Sino Communication, the TKP is the only widely-circulated daily newspaper which can carry a firm's advertising message into the PRC. Out of a daily circulation of over 80,000 copies, 8,000 are sent into China and distributed among cadres in decision-making positions. The TKP also publishes six Trade Fair Supplements during each Kwangchow Trade Fair; in addition to the supplements inserted in the dailies, an extra 5,000 are circulated among trade officials and participants at the fair. Thus, Mr. Sze assures us, over 13,000 copies of each TKP Trade Fair Supplement are distributed in the PRC.

Sino Communication acts both as an advertising firm (it has a well-outfitted production department) and as agent for other advertisers. It runs a daily spread of advertisements, plus additional columns devoted to ads placed by firms in particular product lines (i.e. construction materials), in both the TKP and the NEP. It is also responsible for placing ads in the newspapers' increasingly popular special supplements. Besides the Trade Fair Supplements mentioned above, several full-color special features, including those covering the Asian Games, the 26th Anniversary of the TKP's Re-publication, and the Third Asian Cup Football Tournament, have appeared in recent months.

The majority of Sino Communication's clients are Western and Overseas Chinese commercial firms interested in tapping the Hong Kong and PRC markets. Recent contributors to the special supplements include Mitsui, ITT, American Express, Pan Am, Air France, Sobin Chemicals, and Esso Standard Oil (HK). In addition, it occasionally acts as consultant to PRC advertising agencies and has, in the past, accepted ads placed directly by PRC department stores.

The company has recently opened new premises on Wyndham Street and hired additional staff to handle the steadily growing business. The continued expansion of the firm's activities is made possible by support from the local PRC leadership . . . another example of China's growing awareness of the efficacy of commercial advertising.

Large department stores have also set up foreign exchange counters for the convenience of tourists. Travellers checks are now commonly accepted means of payment.

Many retail outlets offer both mail and telephone order services at no extra charge to the customer. Likewise, packing and shipping of goods is undertaken free of charge.

PROMOTIONAL MARKETING ELSEWHERE

There is little doubt that China intends to apply elsewhere the techniques of promotional marketing currently being learned in Hong Kong. Several of the promotional devices covered in this article, including extensive use of advertising, are already being used to bolster sales in the PRC's largest market, Japan. Moreover, the rudimentary beginnings of a commercial network have already been established throughout Southeast Asia. A recent issue of *Trade and Tours*, a popular left-wing trade journal published in Hong Kong, lists nearly seventy distributors and emporiums presently dealing in Chinese products throughout Singapore and Malaysia.

Recent efforts in China's export promotion bring to mind the successes of the 1958 "trade offensive" in Southeast Asia, during which PRC commercial interests first opened and extended markets by offering attractive distributor incentives, such as cheap credit and deferred payment. Then, as now, penetration of new, sophisticated markets called for the adoption of advanced promotional devices first experimented with in the PRC's commercial laboratory, Hong Kong.

During the past few months, China has entered a period of detente with previous adversaries in Southeast Asia. The establishment of formal ties with Malaysia, Thailand and the Philippines, and impending moves towards recognition by the government of Singapore assures the PRC of a period of rapid export expansion throughout the area. China undoubtedly hopes that Southeast Asian retailers, many of whom are Overseas Chinese, and consumers, most of whom have long acquired tastes for Chinese goods, will prove as responsive to the "pitch" as their Hong Kong counterparts.

China's growing use of Madison Avenue techniques in Hong Kong may portend an era that will see Chinese goods promoted in the same way in Europe and North America, spurred on by China's serious need for foreign exchange and the development of its new world image. 完

CHINA'S GERMAN AND JAPANESE SHOPPING LISTS

GERMANY'S TECHNOGERMA— SEPTEMBER 1975

Prior to the opening of Germany's huge industrial exhibition in Peking, exhibition authorities from the China Council for the Promotion of International Trade (CCPIT) presented their German counterparts with two lists. One contained the names of industrial areas in which the Chinese expressed an interest, and hoped to be represented at the exhibition; the other identified those sectors in which the Chinese expressed no interest and did not wish to see represented at the exhibition. Both of these lists are reproduced here in full.

Areas of Chinese Interest

Technology relating to energy production and conversion
Technology for channelling and distributing energy
Water distribution systems
Moulding equipment
Equipment relating to the petrochemical industry
Chemical technology
Chemicals
Pharmaceuticals
Technology and material for the plastics industry
Technology and equipment for the heavy machine industry
Component parts for small machine tools
Technology and materials for metal-working conveying equipment
Technology and parts for the automotive industry
Optical equipment

JAPAN'S TECHNOLOGY DISPLAY IN PEKING

Classification	Type A	Type B	Type C	Total*	% of Total	Type D (Unit)
Construction and agricultural machinery	3	—	63	66	13.8	—
Transportation machinery	21	—	27	48	10.0	1
Machine tools	45	—	—	45	9.4	—
Precision machinery, office machines	45	—	—	45	9.4	4
Plants	42	—	—	42	8.8	—
Light electric machinery	29	—	—	29	6.1	—
Textile machinery	27	—	—	27	5.6	1
Negotiation rooms, information on enterprises	—	26	—	26	5.4	—
Metals	25	—	—	25	5.2	2
Chemicals	24	—	—	24	5.0	1
Textiles	15	—	—	15	3.1	1
Other machines	13	—	1	14	2.9	4
Valves	13	—	—	13	2.7	—
Printing machines, plastic molding machines	11	—	—	11	2.3	—
Paper, glass and carbon	10	—	—	10	2.1	3
Air conditioners, refrigerators pumps	9	—	—	9	1.9	1
Bearings	8	—	—	8	1.7	1
Heavy electric machinery	5	—	—	5	1.0	3
Hydraulic machinery, robots	5	—	—	5	1.0	—
Tools	5	—	—	5	1.0	7
Food processing machines, packing machines	4	—	—	4	.8	—
TOTAL	**361**	**26**	**91**	**478**	**100.0**	**29**

*Does not include Type D
Source: JETRO

Tools and equipment for the electrical industry
Technology for data-processing and communications
Textile technology and equipment
Technology and material for the construction industry
Technology and materials for health services
Technology for labs and research facilities
Traffic-related equipment

Areas of Chinese Non-Interest

Mining equipment
Equipment for cottage industry
Manufactured goods and technology related to agriculture
Equipment for the cement industry
Technology for wood-working
Technology for smelting
Tools for furniture-making
Technology for paper-making
Technology for graphics
Technology and material for the leather industry
Technology for the food industry
Technology for the packing industry
Technology for the service industry
Technology relating to natural science

THE JETRO EXHIBITION—NOVEMBER 1975

The first Japanese Exhibition in Peking sponsored by the Japan External Trade Organization (JETRO), and the largest ever mounted by that organization overseas, will take place at the Peking Exhibition Hall November 18–December 2, 1975. Japan's China exhibitions have previously all been sponsored by the Japan International Trade Promotion Associations (JITPA). Plans call for 400 commercial and 100 government booths to be set up in the 16,000 square metre hall and 3,700 square metre outdoor exhibition area. The show itself will offer a comprehensive display of Japan's latest technology, an introduction to Sino-Japanese trade and economic relations, as well as a presentation on Japan. Small business symposia involving specialists from various industries will also be featured at the exhibition.

As of May 27, 1975, JETRO's list of provisional applications to the show, by industry, gave an indication of China's interests in Japanese technology. Construction and agricultural machinery are of primary interest by number of units displayed, followed by transportation equipment, precision and office machinery, and machine tools. (See page 15).

There are four booth types (A, B, C, and D) listed. Type A is an indoor booth 3 metres wide by 3 metres deep. Type B, 4 metres by 4 metres, is for indoor information booth and negotiating offices. Type C, 6 metres by 3 metres, is an outdoor commercial booth, and type D, 2 metres square, is reserved for medium and small enterprises as defined by the Japanese Minor Enterprise Basic Law. 宪

CHINA'S EEC EXHIBITION IN COLOGNE

PRC Negotiates with All Europe

The ancient city of Cologne was the site of the first Chinese Economic and Trade Exhibition in the Federal Republic of Germany (FRG) and the largest PRC show of its kind held thus far in Western Europe. The exhibition, which closed on June 25 after a thirteen-day run, attracted a record 190,000 people. Lu Feng-chen, Secretary-General and Deputy Manager of the PRC's exhibition delegation, told Cologne Fair authorities at the close of the show, that the "results far exceeded the organizers' big expectations."

Some 129,000 square feet, including an outdoor section, sales bazaar and film projection hall, were used by the Chinese. The main exhibition was divided into five sections—agriculture, light industry, heavy industry, arts and crafts, and culture—presenting an overview of contemporary Chinese economy and life.

Business discussions centered on the agricultural, arts and crafts and light industrial sectors with commercial representatives from France, Switzerland, Austria, the United Kingdom, Belgium, Netherlands, Luxembourg and the Scandinavian countries, joining German executives in product negotiations. Fair authorities say that many deals were concluded and that apart from straight product discussions, there were frequent talks between Chinese and West European businessmen on technological cooperation.

Chai Shu-fah, one of China's Deputy Ministers for Foreign Trade, together with Dr. Hans Fredericks, FRG Federal Economics Minister and Otto Wolff von Amerongen, Chairman of the Eastern Committee of German Industry and President of the German Council of Industry and Trade, officiated at the opening ceremonies attended by more than one thousand diplomats and other invited guests from over fifty nations. The Exhibition was organized by the CCPIT, in cooperation with the PRC Embassy in Bonn and the Cologne Fair authorities.

Indicative of the PRC's developing electronics industry was the display of a Chinese DJS-17 third-generation, general-purpose computer at the Cologne Fair. Chinese technicians at the Fair said the computer has been in production for two years in Peking. They described the DJS-17 as a twenty-four bit word machine rated at 100,000 operations per second with 8 K core memory and 96 K of drum memory. No disk is available but tapes can be attached; a 15 cps Dianzidaziji keyboard printer, with Roman type, acts as the console. No information was available on the number of systems so far manufactured or installed by the PRC. Many representatives of U.S. firms and their European subsidiaries visited the exhibition.

THE GERMAN COMPANIES PARTICIPATING IN TECHNOGERMA PEKING
September 5-18, 1975

A
AEG-Elotherm GmbH
AEG-Kanis GmbH
AEG-Telefunken
Aesculap-Werke AG
Agfa-Gevaert AG
J. Aichelin KG
Albeko GmbH
Akzo Chemie GmbH
Aktien-Ges. "Weser" Seebeckwerft
Gebr. Anger GmbH & Co.
Arburg
Aristo-Werke
Artos Dr. -Ing. Meier-Windhorst KG
Auergesellschaft GmbH

B
Babcock-Persta Armaturen
BASF AG
Badische Maschinenfabrik GmbH
BAFAG
Bank für Gemeinwirtschaft
Barmag AG
BAO Berliner Absatz-Organisation
Bayer AG
Bayerische Vereinsbank
Beckman Instrument GmbH
Bernex GmbH
Otto Bihler KG
Gottfried Bischoff KG
Bison-Werke
Johannes Bockemühl
Gebr. Boehringer GmbH
C. H. Boehringer Sohn
Boehringer Mannheim GmbH
Bolenz & Schäfer Maschinenfabrik KG
Robert Bosch GmbH
Brabender OHG
Bran & Lübbe
Gebr. Brasseler
Brown, Boveri & Cie. AG
Brückner Trockentechnik KG
Bruker-Physik AG
Bullmerwerk

C
Carl Canzler
CEAG GmbH
CAB GmbH
CESIWID Elektrowärme der SIGRI Elektrographit GmbH
Chemische Werke Hüls AG
Commerzbank AG
Contistahl Export GmbH
Coutinho, Caro & Co.

D
Daimler-Benz AG
DAMA
DEBEG GmbH
Deggendorfer Werft u. Eisenbau
Degussa Wolfgang
DELMAG-Maschinenfabrik
DEMAG AG
DESMA-Werke GmbH
Karl Deutsch
Deutsche Bank AG
Deutsche Lufthansa AG
Develop KG
Diskus Werke AG
Dorst Keramikmaschinen-Bau
Dresdner Bank AG
Dürkoppwerke GmbH
Dunkes Maschinenfabrik KG
Dynacord Electronic-und Gerätebau
Dynamit Nobel AG

E
Eastman Int. Company GmbH
J. C. Eckhardt AG
Eickhoff-Kleinewefers-Kunststoff-maschinen
Elb-Schliff, Edmund Lang
Erlau AG
ENKA Glanzstoff AG
Eumuco AG
Excalor GmbH

F
Fachgemeinschaft Industrieöfen, ölund Gasfeuerungen
FAG Kugelfischer
Fagus Werk Grecon
Farymann Diesel
Faun-Werke
F. S. Fehrer KG
C. & E. Fein
Wilhelm Fette GmbH
Finzer Säckinger Maschinenfabrik
Karl Fischer
Fleissner GmbH
Rudolf Flume GmbH
Institut Dr. Förster
Oswald Forst GmbH
Fortuna Industriemaschinen GmbH
Fortuna-Werke Maschinenfabrik AG
Francotyp Gesellschaft mbH
Alfred Fritsch & Co.

G
Prontor-Werke
Alfred Gauthier GmbH
Ges. für Elektrometallurgie mbH
Gildemeister AG
Gilowy GmbH & Co.
Werner Glatt
Glyco-Metall-Werke, Daelen & Loos
Theodor Gräbener
Gottlieb Gühring KG
Gutehoffnungshüte Sterkrade AG
GHH Gutehoffnungshütte Aktien-verein

H
Hacoba-Textilmaschinen
Hager & Meisinger GmbH
Hartmann & Braun AG
Hasco Normalien
Hassia Verpackung AG
Hausherr & Söhne KG
W. Hegenscheidt GmbH
Dr. Johannes Heidenhein GmbH
Helmbach
Dr. - Ing. Rudolf Hell GmbH
Hellige GmbH
Walter Hempel
Hermann Hemscheidt
Maschinenfabrik Hennecke GmbH
Dr. Kurt Herberts & Co. GmbH
Herlan & Co.
Franz Hermle & Sohn
Gebr. Herrmann
Karl Hertel GmbH
Hoechst AG
Dr. -Ing. W. Höfler
Hoesch Werke AG
Gebr. Hofmann KG
Dionys Hofmann GmbH
Otto Hollman
Howaldswerke Deutsche Werft AG
Walter Hunger KG
Carl Hurth

I
IBAG-Vertrieb GmbH
Index-Werke KG
IWKA Industrie-Werke Karlsruhe Augsburg AG
Isotopen-Technik Dr. Sauerwein

J
Erich Jaeger
K. Jung GmbH
Junker-Maschinen
Otto Junker GmbH

K
Kabel-und Lackdrahtfabriken GmbH
Kabelschlepp GmbH
Kabelmetal
Van Kaick - Generatoren und Motorenvertrieb
Kalle
Hans Kaltenbach Maschinenfabrik KG
Kaltenbach & Voigt
Kapp & Co.
Hugo Kern und Liebers & Co.
Georg Kesel KG
Th. Kieserling & Albrecht
Kilian & Co. GmbH
W. Ferd. Klingelnberg Söhne
KLN-Ultraschall GmbH
Kleinewefers Industrie-Companie
Klöckner-Werk AG
Klöckner-Humboldt-Deutz AG
Dr. Herbert Knauer KG
Knorr-Bremse GmbH
Kochs Adler AG
Kraftwerk Union AG
Krauss u. Reichert
Fried. Krupp GmbH
Künkel, Wagner & Co. KG

L
Labora Mannheim GmbH
LECO Instrumente GmbH
Leifeld & Co.
Ernst Leitz GmbH
Leybold-Heraeus GmbH & Co. KG
LESCHA Leonhard Schmid KG
LEWA Herbert Ott KG
Liebherr-Verzahntechnik GmbH
Herbert Lindner GmbH
Linde AG
Linseis GmbH
Ed. Liesegang
Lohmann & Stolterfoht AG
Theodor Loos Eisenwerk GmbH
Burr Ludwigsburger Maschinenbau
Lurgi Gesellschaften

M
Maho Werkzeugmaschinenbau
H. Maihak AG
MaKaschinenbau GmbH
Malmedie & Co.
Mannesmann AG
M.A.N.
Maschinenfabrik Reinhausen
A. Maus KG
Karl Mayer
Melchers-Ferrostaal GmbH & Co. KG
MERO
Messer Griesheim GmbH
Messerschmitt-Bölkow-Blohm GmbH
Metallschlauch-Fabrik Pforzheim
Metrawatt GmbH
Herbert Meyer KG
Meyer, Roth & Pastor
MFL-Prüf- und Meßsysteme GmbH
Mercedes Benz, see Daimler Benz
Mittenwald-Chemie KG
Maschinenfabrik Moenus AG
MTU Motoren- und Turbinen-Union
Multivac - Sepp Haggenmüller KG

N
Nagel, Maschinen- u. Werkzeugfabrik
National Machinery GmbH
Netzsch-Gerätebau GmbH
Nürnberger Hercules-Werke GmbH

O
Olff & Co. Handelsgesellschaft
Opton Feintechnik GmbH
Karl M. Reich Maschinenfabrik

P
Pampus KG
Peiner Maschinen- u. Schrauben-werke AG
Perkin-Elmer Bodenseewerk GmbH
G. M. Pfaff AG
Hermann Pfauter
Carl Aug. Picard
Pleuger Unterwasserpumpen GmbH
Polytec GmbH & Co.
Dr. Ing. h.c. F. Porsche AG
Präzisions-Technik GmbH
Presspanfabrik Chr. Authenrieth
Carl Prior
psb-Pfalzstahlbau GmbH

R
Kurt Rahmlow - Schaltanlagen, Elektronikgeräte GmbH & Co. KG
Ramisch Kleinewerfers Kalander
Karlheinz Ramm
Rammax Maschinenbau
Karl M.Reich Maschinenfabrik
Rekuperator KG, Dr. Ing. Schack
Resicoat GmbH
F. Kurt Retsch KG
Reuter Technologie GmbH
Rheinstahl AG
Eisenwerke Reintjes GmbH
Rickmers Rhederei GmbH
L. Riedhammer Industrieöfenbau
Ringsdorff-Werke GmbH
Robot Foto und Electronic GmbH
Rodenstock Instrumente GmbH
Rohde & Schwarz
Roth + Weber Maschinenfabrik
Willy Rüsch

S
Salzgitter AG
Sartorius-Werke GmbH
Sandvikstahl GmbH
SEBA Dr. H. Iann KG
SEBA-Dynatronic GmbH
Rich. Seifert & Co.
Seitz-Werke GmbH
Siebeck-Metallwerk GmbH
Siemens AG
G. Siempelkamp & Co.
Nikolaus Sorg GmbH & Co.
Spinner Werkzeugmaschinenfabrik
Spindelfabrik Süssen GmbH
Otto Suhner GmbH
System Schultheis GmbH & Co.
Schanzlin Maschinenfabrik GmbH
Maschinenfabrik Scharf GmbH
Carl Schenck AG
Schering AG
Schiess AG
Schloemann-Siemag AG
Karl Schmidt GmbH
Schön & Cie. GmbH
Schubert & Salzer Maschinenfabrik AG
Alfred H. Schütte
Ewald Schütte
Schuler Pressen
Schumag Metallwerke GmbH
Friedr. Wilh. Schwing GmbH
Staatl. Prozellan-Manufaktur Berlin
Standard Elektrik Lorenz AG
Hermann C. Starck Berlin
Steigerwald Strahltechnik GmbH
Andreas Stihl Maschinenfabrik
J. Strobel & Söhne GmbH & Co.
Maschinenfabrik Stromag GmbH

T
Technica-Guss GmbH
C. Terrot Söhne
Rudolf Then Färbereimaschinen
Thies KG
August Thyssen-Hütte AG
Transformatoren Union AG
TTH-Trockentechnik GmbH
Tuflin GmbH
Turner GmbH

U
Friedrich Uhde GmbH
Josef Uhlmann KG
Universal Maschinenfabrik KG
Joh. Urbanek & Co.

V
Varian MAT GmbH
Varta Batterie AG
VFW-Fokker, Zentralgesellschaft
Visolux-Elektronik GmbH & Co.
Vits-Maschinenbau GmbH
J. M. Voith GmbH

W
Wabco Westinghouse GmbH
Wacker-Chemie GmbH
Wälzlagerrohr AG
Heinrich Wagner Maschinenfabrik
Wandel & Goltermann
Michael Weining KG
Wendt GmbH
Fritz Werner Werkzeugmaschinen
Werner & Pfleiderer Maschinenfabrik
Westfalia Lünen
Windmöller & Hölscher
Winter & Ibe Endoskope
Ernst Winter & Sohn
H. Wohlenberg KG
Gustav Wolf
Otto Wolff AG
Richard Wolf GmbH

Z
Zahnräderfabrik Renk AG
Maschinenfabrik Carl Zangs AG
Zerssen & Co.
Zippe KG
Zwick Prüfmaschinen GmbH & Co.

CCPIT DELEGATION VISITS THE US

Hosted by National Council

At the invitation of the National Council, the first broadly representative trade group from the People's Republic of China to visit the United States arrived in Washington, D.C., on September 6, 1975. The delegation, formed by the China Council for the Promotion of International Trade (CCPIT) including representatives from five of China's Foreign Trade Corporations, reciprocated a National Council visit to Peking in November 1973. The trip provided this senior trade mission, led by Li Chuan, Vice Chairman of the CCPIT, with a view of the US economy, technology, marketing and financial practices, agriculture, and import procedures, as well as the opportunity to meet a cross-section of the American people.

The high point of the trip was a meeting at the White House with President Ford, Secretary of State Henry Kissinger and other Administration officials. In addition, Senator Mansfield, Majority Leader of the Senate, hosted a luncheon at the Capitol with key Members of Congress, including, Speaker of the House Carl Albert; Senator Hugh Scott, Senate Minority Leader; Congressman John Rhodes, House Minority Leader; Senator Abraham Ribicoff, Chairman of the Subcommittee on International Trade of the Senate Finance Committee; Congressman Paul Findley, Ranking Minority Member of the House Committee on International Relations; and other leading members of the House and Senate.

In honor of the visit of the delegation, Ambassador Huang Chen, Chief of the Liaison Office of the People's Republic of China in Washington, D. C., who also attended the meeting at the White House, held a reception at the Liaison Office prior to the group's departure for New York.

In business talks, the CCPIT and the National Council considered a number of exchanges of commercial and industrial missions, some of which are currently under active review; reached preliminary agreement in principle on several legal issues relating to Sino-US trade, including dispute settlement through conciliation and arbitration, inspection procedures, standard contract language, and industrial property rights; and reaffirmed the agreement reached in November 1973 that the CCPIT and the National Council would coordinate trade exhibitions in each other's country as soon as possible following the resolution of the claims questions between the Chinese and US governments. In the meantime, technical discussions will take place regarding exhibitions between the two sides. The Council and the CCPIT will continue to work closely to develop closer trade relations. During the talks, the Chinese indicated that China may again buy American grain if it is necessary.

The members of the delegation, which was accompanied throughout its trip by Huang Wen-chun, First Secretary in the PRC Liaison Office in Washington, D. C., were as follows:

Li Chuan (Leader)	Vice Chairman China Council for the

Gabriel Hauge addresses members banquet at New York's Plaza Hotel in honor of the visiting CCPIT delegation. All photographs: Mark Godfrey (Magnum/Fortune)

	Promotion of International Trade
Tien Kuang-tao (Deputy Leader)	Managing Director China National Metals and Minerals Import and Export Corporation
Cheng Chi-hsien	Deputy Managing Director China National Machinery Import and Export Corporation
Han Piao	Deputy Managing Director China National Native Produce and Animal By-Products Import and Export Corporation
Kao Feng	Deputy Managing Director China National Light Industrial Products Import and Export Corporation
Ho Chi	Manager, Export Department, China National Cereals, Oils and Foodstuffs Import and Export Corporation
Liu Shao-shan	Deputy Director, Department of Legal Affairs, China Council for the Promotion of International Trade
Yeh Chung-chi	Secretary to the Delegation Liaison Department, CCPIT
Han Li-fu	China National Machinery Import and Export Corporation
Wang Ken-liang	Interpreter Liaison Department, CCPIT

Accompanying the group from the National Council throughout all or most of the trip were Council President Christopher H. Phillips and Mrs. Phillips, new Vice President Melvin W. Searls, Jr., George Driscoll and Judy Poon. Council Staff Nicholas H. Ludlow, May Li Phipps, ex-Vice President Eugene A. Theroux, and Peter D. Weintraub also accompanied the group at various points en route.

During the course of the 18-day trip, the 10-man delegation visited Washington, D. C., New York City, Chicago, Moline, Houston, San Francisco and Seattle. Certain members of the group made side trips to Groton and Hartford, Connecticut; Paoli, Pennsylvania; Detroit, Michigan; and Gary, Indiana.

In each of the major cities en route the Chinese attended receptions and banquets arranged by the regional coordinators for each part of the trip. At these occasions all the local members of the Council were invited to meet and hear the Chinese visitors. The Chinese were treated to a glimpse of Americana at these banquets, beginning with country music and a rousing square dance at the first banquet in Washington, D. C.

The National Council wishes to thank all of those firms, organizations, regional committees, and individuals who contributed to the success of this first high-level trade mission's visit from the PRC. While every effort was made to include as many member firms' facilities as possible on the itinerary, the period of the group's stay and Chinese preferences did not permit visits to every firm wishing to receive the

Memories of the visit: Below, Christopher H. Phillips, President of the National Council, and Li Chuan, Leader of the CCPIT delegation, New York Harbor; below right, Mr. Yeh at breakfast with J. C. Penney employees; upper right, oil rig platform is seen by Chinese mission at Brown and Root's Houston plant. Opposite, lower left, CCPIT delegation, National Council Executive Committee pose at Washington business meeting; upper left, luncheon at the Capitol—Senator Scott addresses, from left, Messrs. Wang, Li, Mansfield, Hewitt, Rhodes, and Cheng. Council interpreter Judy Poon takes notes, Congressman Findley in foreground; lower right, Messrs. Li and Cheng discuss Deere corn harvester unit, with Chairman of Deere & Co. at left, other delegation members looking on; upper right, at Council Importer's Committee presentation in New York, Mr. Han Piao takes notes.

Chinese delegation. The Council expects more firms can be accommodated on future visits.

The Council expresses its gratitude to all those interpreters involved in making this trip run smoothly, especially Ming Yim in New York.

In particular, the National Council wishes to thank the following regional coordinators for their efforts in making the CCPIT trip a success—Mr. Harold Eddins, Executive Office, J. C. Penney Company, Inc.; Mr. James Anderson, Assistant to the President, Cameron Iron Works, Inc.; Mr. George Neiley, Public Relations Director, Deere & Company; Mr. Thomas H. Miner, President, Thomas H. Miner & Associates; Mr. Richard Harcourt, Director, International Department, The Greater San Francisco Chamber of Commerce; Mr. A. H. Coolidge, Executive Office, The Boeing Company.

Introduction to the US Market

Throughout their tour the Chinese were given presentations designed to provide them with an insight into the wide range of marketing, distribution and manufacturing activities in the US. This process began with marketing and packaging presentations in New York by member firms Young and Rubicam and Continental Can, including a case example involving Chinese products. The Chinese saw one of the largest shopping centers in the US in Wayne, New Jersey. They were able to meet with the managers of Sears and J. C. Penney stores and to survey a wide range of retail establishments. In the Mid-West the group also went to a major supermarket and a Montgomery Ward store at Rock Island, Illinois.

The activities of wholesalers and corporations in retailing were illustrated by visits to the Merchandise Marts in Chicago and San Francisco and, in particular, to the J. C. Penney Building in New York City where the members of the delegation were given a presentation on the evolution, background and operation of a modern American corporation.

The Council's Importers Committee sponsored a wide-ranging seminar at the World Trade Institute in New York on the 55th floor of the World Trade Center. This comprehensive presentation to the Chinese, chaired by Mr. Kurt Reinsburg, Chairman of the Importers Committee and a Director of the Council, included talks on customs procedures, FDA regulations, shipping, trademarks and labeling, inspection and individual product categories including porcelain,

giftware, bamboo and straw wares, canned goods, meats, frozen foods and metals. The participants in this seminar, arranged by Arne de Keijzer, were:

Mr. R. Slomowitz, Supervisory Operations, US Customs; Mr. George Boone, Director, Science Branch—New York Office, Food and Drug Administration; Mr. Joseph Devine, General Sales Manager, U.S. Lines; Mr. George Krieger, Vice President, ACLI International; Mr. Stanley Lubman, Lubman and Company; Mr. Henry Holzer, Superintendence Company; Mr. Thomas Ferugia, President, Peking Imports; Mr. Robert Eisenberg, President, Clipper Industries; Mr. Edward Swift, Vice Chairman, Chicago Corporation; Mr. Murry Berger, President, Seabrook-Carnation; and Mr. Victor Besso, Vice President, Intsel Corporation.

In addition, the group had the opportunity to visit one of the largest container terminals in the US. By the time the group left New York, it had had the opportunity to see the complete cycle of distribution of imported products, from ship to shelves at the store.

Banking

Mr. Gabriel Hauge, Chairman of Manufacturers Hanover Trust and Secretary-Treasurer of the National Council, hosted two occasions for the Chinese in New York. The first of these was the banquet at which the Administrator of the City of New York also spoke and the second, a special luncheon attended by all the banking members of the National Council. Presentations on aspects of banking, finance, and international trade followed this luncheon. David Rockefeller, Chairman of the Board of The Chase-Manhattan Bank, noted developments in financing US-China trade (dollar denomination of Chinese contracts and forward cover for RMB against the dollar) and spoke about the role played by the Euro-currency markets in international finance. Mr. Lief Olsen, Senior Vice President and Economist at the First National City Bank then gave a detailed review of the present state of the US economy, projecting gradual improvement. A third presentation was given by Llewellyn Jenkins, Executive Vice President of Manufacturers Hanover Trust, on the US banking system and methods of commercial financing in the US. The Chinese had the opportunity to meet with a number of other bankers in the US at later points en route, including Mr. A. W. Clausen, President of the Bank of America; Mr. Robert E. Anderson, Chairman of the Board of Continental Illinois National Bank and

Peking USLO Chief, George Bush, addresses Washington banquet.

Council V-P Searls, Messrs. Tien and Huang at GM.

Chinese visitors see US space achievements at NASA.

Trust Company; and Mr. A. Robert Abboud, Deputy Chairman of the First National Bank of Chicago.

Agriculture

Agricultural machinery was the center of attention at the International Harvester and Deere companies' facilities in Moline, Illinois, where the Chinese were able to see assembly of both these companies' machinery, including combine harvesters, tractors and a foundry. The Chinese also saw a range of tractors and other farm machinery at Ford Company facilities near Detroit.

In Moline, the group was hosted by the Council's chairman, William A. Hewitt, Chairman and Chief Executive Officer of Deere & Company. While in the Mid-west the Chinese visited a family farm, toured corngrowing areas, and went to the homes of several workers at agricultural machinery plants.

While on the West Coast, through the arrangements of Council Board Member William Morison, President of Foremost-McKesson, the delegation visited the Robert Mondavi winery in Oakville, one of the most modern operations of its kind. The delegation toured FMC's Contadenia tomato facilities in San Jose and the Guittard Chocolate Company in Burlingame. A Cargill grain loading terminal was later seen at the Port of Seattle. Weyerhaeuser's high yield forest nurseries were inspected by the Chinese during their Seattle visit.

Mr. Li and colleagues at Mid-west farmhouse.

Manufacturing and Technology

During their stay in New York, members of the group visited a number of Council members involved in high technology production. The Chinese visited Pfizer International Pharmaceutical Plant in Groton, Connecticut. On the same tour they visited United Technology's fuel cell project laboratory and Sikorsky Helicopter Aircraft Plant in Hartford.

The Chinese also took a side trip to the Burroughs Corporation near Philadelphia to see assembly testing and operations of computers, including a visit to a large system (B7700) model. On the way to Moline, part of the delegation stopped off at the Gary works of U. S. Steel in Indiana, where they saw oxygen process production, continuous casting and plate metal, a new blast furnace and a hot strip mill.

On a side trip to Detroit, the Chinese saw Ford Motor Company's auto assembly line at Dearborn, and automated truck production at General Motors' truck plant No. 6 in Pontiac. The Chinese also saw GM's automated warehouse storage operation, the most modern system in the world.

Later the delegation was taken on several oil related visits in Houston. The Houston itinerary included a briefing on the US petroleum industry by the *Oil and*

Gas Journal and a dinner hosted by Cameron Ironworks, Dresser Industries and M. W. Kellogg. The Chinese toured Cameron Ironworks' Cypress facility, Continental Emsco's rig manufacturing plant, and Brown and Root's rig platform manufacturing plant.

On the final leg of their trip the delegation toured the Boeing 747 plant in Everett, near Seattle.

Port and Rail

During their trip in the US the Chinese traveled a variety of ways, using private company planes, commercial aircraft, helicopters, subways and railways, and yachts and other boats courtesy of member companies. The group rode on both the PATH and BART rapid transit systems in New York and San Francisco. They also went on a special Santa Fe train from Galesburg to Chicago.

While in New York, San Francisco and Seattle the delegation was shown some of the most up-to-date facilities of these ports, including the streamlined Sealand container terminal at Port Authority of New York and New Jersey facilities at Port Newark. In Seattle the Chinese saw another modern container terminal.

Sightseeing trips were worked into the schedule whenever possible. While in Washington the Chinese visited Mount Vernon, toured the US Capitol and the White House and visited Washington's historic sites. In Manhattan, where the delegation stayed at the Plaza Hotel, they visited the New York Stock Exchange Building, the United Nations (arranged by the Chinese Mission to the United Nations), and had a boat ride round Manhattan Island on a sunny day. The delegation went for a boat cruise on the Mississippi River in Illinois.

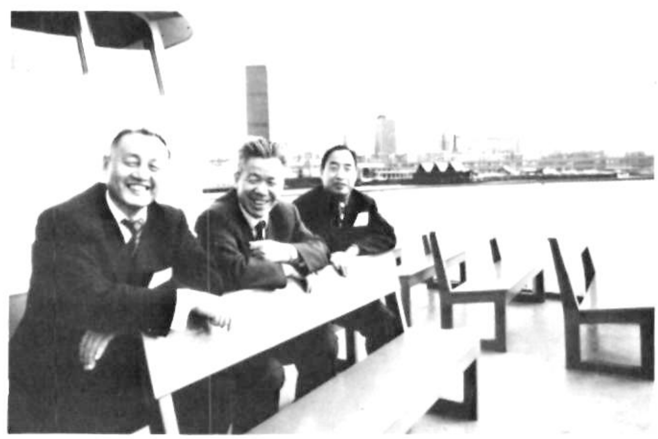
The visit to Chicago included a tour of the Museum of Science and Industry, McCormick Place, Sears Tower and the Art Institute; and the stopover in Houston was highlighted by a visit to NASA facilities. In San Francisco the Chinese toured many points of interest, including the University of California campus at Berkeley, Fisherman's Wharf, and Golden Gate Park. They also took a yacht trip in San Francisco Bay. The sightseeing ended with a cruise of the Seattle harbor area.

A highlight of the latter part of the trip was a luncheon hosted by the World Affairs Council at San Francisco's St. Francis Hotel at which President Ford was the guest speaker. The President stopped briefly to chat with members of the delegation.

Conclusion

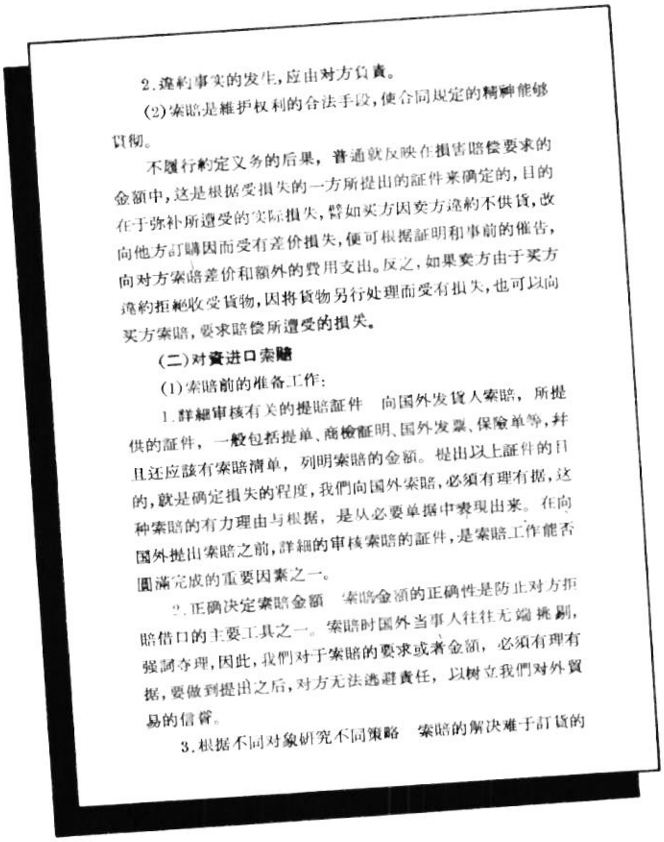
This trip provided the first high-level delegation from the People's Republic of China with a broad overview of the United States economy and business environment. Over the next few years, it is expected there will be a number of exchanges of industrial, commercial survey and technical missions between the two countries, reciprocal trade exhibitions when the claims question is resolved between the two governments, agreements on legal matters, and additional reciprocal visits by National Council and CCPIT personnel.

At the conclusion of their visit Mr. Li and his colleagues hosted a banquet to express their appreciation to the Council, member firms and the Seattle coordinating committee, for arranging the visit. At all points en route Mr. Li and his group warmly thanked all those involved in organizing the itinerary and hosting the delegation. The Chinese guests told the Council, on their departure, that they regretted not having been able to take all options available on the itinerary but hoped the visits they missed could be taken on later trips to the US. 完



Messrs. Kao, Cheng, and Han in good spirits, Seattle Harbor.

Goodbye San Francisco! Seeing off the Chinese mission to Seattle.



2.違約事实的发生,应由对方負責。
(2)索賠是維护权利的合法手段,使合同规定的精神能够
貫彻。
不履行約定义务的后果,普通就反映在損害賠償要求的
金額中,这是根据受損失的一方所提出的証件来确定的,目的
在于弥补所遭受的实际損失,譬如买方因卖方違約不供貨,改
向他方訂購因而受有差价損失,便可根据証明和事前的催告,
向对方索賠差价和額外的費用支出。反之,如果卖方由于买方
違約拒絕收受貨物,因將貨物另行处理而受有損失,也可以向
买方索賠,要求賠償所遭受的損失。
(二)对資进口索賠
(1)索賠前的准备工作:
1.詳細审核有关的提賠証件　向国外发貨人索賠,所提
供的証件,一般包括提单、商檢証明、国外发票、保險单等,并
且还应該有索賠清单,列明索賠的金額。提出以上証件的目
的,就是确定損失的程度,我們向国外索賠,必須有理有据,这
种索賠的有力理由与根据,是从必要单据中表现出来。在向
国外提出索賠之前,詳細的审核索賠的証件,是索賠工作能否
圓滿完成的重要因素之一。
2.正确决定索賠金額　索賠金額的正确性是防止对方拒
賠借口的主要工具之一。索賠时国外当事人往往无端挑剔,
强詞夺理,因此,我們对于索賠的要求或者金額,必須有理有
据,要做到提出之后,对方无法逃避責任,以树立我們对外貿
易的信誉。
3.根据不同对象研究不同策略　索賠的解决难于訂貨的

HOW CHINA VIEWS CLAIMS AND ARBITRATION IN FOREIGN TRADE

This is the second in a UCBR series of translations from *Foreign Trade Practice*, published in Shanghai, 1959. The book was reprinted in 1972 and remains one of the principal texts at Peking's Institute of Foreign Trade. This is a strict translation.

I. CLAIMS

Definition

Within the context of foreign trade, a claim occurs when one party to a transaction, owing to a loss he has suffered because of the failure of the other party to perform or his incorrect performance, of the obligations as set forth in the contract, raises a demand for compensation in order to obtain reparation for the loss he has borne.

After a transaction is completed, both sides, buyer and seller, sign an agreement acknowledging the transaction, or a contract, which serves as the basis for carrying out what has been agreed to. But sometimes, either the buyer or the seller cannot carry out his obligations according to the agreement, with the result that the other party incurs a loss. Under these circumstances, the party which has suffered the damage may then offer proof, and demand compensation from the party which has broken the agreement. This action of demanding compensation for losses suffered from the side which has broken the agreement is known as a claim.

To determine whether or not a claim will be allowed, the following two points must be considered:

1) Did the other side actually break the agreement?

2) If a violation of the agreement did occur, should it be the other side's responsibility?

A claim is a legal device to uphold one's rights, which enables the spirit of an agreement to be thoroughly carried out.

The consequence of not carrying out one's contracted obligations is usually reflected in the value of the demand made for compensation of the loss. This is based on the evidence brought forth as a substantiation by the party which has borne the loss. The purpose is to be compensated for the real loss which has been sustained. For example, if the seller has not supplied the goods, but instead resold them to a third party at a different price thus breaking the contract, the buyer may, based on evidence and the art of having given the seller prior notice, make a claim against the seller for price differential and other expenses. Conversely, if the seller, owing to the buyer's refusal to accept the goods, takes a loss because he misses the opportunity to deal with another customer, he can make a claim against the buyer, demanding compensation for the loss he has incurred

Claims Against Capitalist Importers

Preparatory work before the claim is lodged—You should carefully investigate evidentiary material related to the claim. When making a claim against a foreign supplier, the evidence offered includes, in general, the bill of lading, commercial inspection certificate, foreign invoice, and insurance certificate. Moreover, you should have a clear accounting of the claim, in order to clarify its value. The purpose of offering the above evidence is to verify the extent of the loss. When we make a claim against a foreign firm, it must have rationale and support. The rationale and support which give this kind of claim strength, comes from the required documentary evidence. Careful investigation of proof relating to the claim, prior to its being lodged against a foreign firm is an important factor in whether or not the claim work can be completed successfully. Correctly appraising the value of the claim is essential. The accuracy of the claim's valuation is an important tool in preventing the other side from prevaricating. When the claim is filed, the foreigners involved will often find fault without reason, contriving explanations to present their case. Because of this, we must have reason and support to back up the demand and amount of the claim. After this is offered, the other side will have no way of avoiding its responsibility and our credibility in foreign trade will be established.

Based on different objectives, consider different strategies—It is more difficult to resolve claims issues than to order goods, because the ordering of goods is based on the common interest of two parties, while the handling of claims does not possess this commonality of interest. Because of this, as the claim goes forward, there will be varying degrees of obstacles and arguments. Thus, if we wish to achieve victory, we should handle the claims problem in a strategic manner, particularly relatively important claims of relatively large values. We should then, based on different objectives, consider different strategies for our manner of presenting claims.

Contents of the Claims Letter—On the basis of thorough preparation, the foreign supplier can be sent a claims letter enclosing various pieces of evidence; in general the contents should cover the following two points: Clearly identify the damage or the condition which does not accord with the stipulations of the contract. If it is an article of merchandise which has been damaged, you should identify the container of the article, the damaged contents, as well as bringing forth the number of the container and corroborating evidence. If the goods to be shipped are not in accord with the stipulations of the contract; for example, if the quality of the goods does not accord, you should point out the results of the inspection. If the problem is one of quantity, evidence must also be presented.

Our Demands—With respect to the circumstances described above, put forward demands which are clear as well as rational. If the quality required in the goods does not accord with the contract stipulations, and at the same time the utilization of the goods does not permit these requirements to be lowered, or if the damage to the goods is such that they cannot be repaired, then you should demand that the goods be returned with full compensation.

If the quality of goods supplied from abroad is inferior, and inconsistent with the stipulations of the contract, but with alteration can be rendered usable; or, if the damage wrought can be repaired and the items returned to usefulness, you may, according to the situation at hand, consider reducing the price of receipt, and demand that the other side return a part of the contract price of the goods.

List in detail the items and quantity used as evidence in presenting the claim.

Experience in claim work—Pay attention to citing the quality of the contract. In foreign claims it is necessary to proceed strictly on the basis of the contract, accepted business documentation or other effective proof, because the contract is produced on the basis of the authority and obligations of both sides. If the contract clauses are not clearly drafted, or drafted incorrectly, our claim can be rejected and• we can suffer a financial loss. In order to prevent our claims from being placed in a disadvantageous position, we should from the very beginning cite the quality of the contract.

To delay the time limit for the claim, you must obtain the agreement of the other party. In general, when we import, the claim time period is stipulated. But for some merchandise the time period for investigation must be relatively long. If it appears that the investigation required to produce corroborating evidence will not be completed within the time period originally set down, you must immediately request the foreign enterprise to permit an extension of the time period for the claim and obtain agreement from the other side, in order to avoid adversely influencing our enterpriser's right to press the claim.

Clearly recognize the target of the claim to prevent the other side from changing the purpose and shifting the responsibility—If the target of the claim is on the seller's side of the contract, the seller's side must bear responsibility for the damage; this is unalterable. Though in actual practice the opposite side does not often use the excuse that the factory disagrees, thus avoiding the claim, nevertheless the assertion that "negotiations with the factory are now taking place" is often used to shift responsibility or delay. Because of this we should point out that the seller is the principal signatory to the contract, so as to insure that he will not be able to avoid direct responsibility.

You should have a good understanding of the standard of usual practice in such matters, e.g. non-compensation rate and percentage of error rate, because both of these relate to determining whether there is any loss involved. If there is, then you should press the request for compensation. If the loss is not over the standard, don't press the claim, but if it is over standard and the other side tries to deceive by cunning tricks, we must uphold our principles and continue to struggle, in order to attain the objective of the claim. "Literature" or "critiques" from capitalist countries can be supplied for examination.

A scientific basis must be used where there is disagreement over quality standards.

At the same time the claim is progressing, it is important to demand expenses for commercial inspection as well as other fees relating to the return of goods. Regarding the additional fees involved in returning goods, aside from the price of the goods itself and the inspection fee, the other expenditures involved are as follows: loading fee, payment for the foreign shipping company, warehouse rent, and interest as well as other fees for the bank handling the claim. Because of all of these expenses are the result of the other party's violation of the contract, they should be pressed in the claim.

II. ARBITRATION

Definition and Scope

In foreign trade, arbitration occurs when a dispute arises which the two parties concerned are unable to resolve, and those parties request an arbitration panel or an individual arbitrator to render a decision in order to resolve the dispute.

The decision of the arbitrator has binding authority on the two parties concerned, but the request for arbitration must be based upon the mutual and prior consent of those parties.

China's Arbitration Panel for Foreign Trade

Our country's arbitration panel is an institution of long standing, having been founded in March, 1956 under the auspices of the China Council for the Promotion of International Trade. Its legal status was set forth in a May 6, 1954 resolution of the Administrative Council and its specific arbitration rules and procedures, the main elements of which follow below, have since March 31, 1956 been carried out by the CCPIT.

The Scope of the Arbitration Panel's Organization and Handling of Cases

The Foreign Trade Arbitration Panel is composed of 15-21 individuals selected by the CCPIT, who have expert knowledge and experience in the fields of foreign trade, business, industry, agriculture, shipping, insurance and related areas.

The cases handled by the panel can be divided into three types:

1) A dispute that develops involving a written contract associated with a foreign trade transaction, particularly one between a foreign business, company, or other economic entity, and a Chinese business, company, or other economic entity.

2) A dispute where both concerned parties are foreign firms, companies, or other economic entities.

3) A dispute that arises involving a written contract and associated with a foreign trade transaction between Chinese firms, companies or other economic entities.

The Arbitration Panel's Sequence for Handling Cases—Requests from a concerned party.

The arbitration panel's handling of a dispute must be based on both party's written consent to arbitrate.

The Arbitration Court's Consistency.

The arbitration court consists of 2 associates and one chief arbitrator. However, the two parties concerned must agree on an arbitrator from the arbitration panel, or together they can ask the head of the panel to appoint one person as an independent arbitrator.

Hearing the Dispute

The date for hearing the case is set by the chief and chairman of the arbitration panel or by the independent arbitrator. Before the hearing the panel must order the two sides to produce written briefs. During the proceeding the concerned parties must delegate a representative on their behalf; this representative can be either a Chinese citizen or a foreign citizen.

Decision and Implementation

The decision of the arbitration panel is final, and neither side is permitted to request rehearing from a legal or other organ. If, after the case has gone to the arbitration panel, the two sides reach a compromise, the hearing should be cancelled forthwith.

Arbitration Expenses

In order to provide compensation for the handling of the case, the arbitration panel may collect a fee from one of the parties concerned. Aside from this fee, in its decision the panel must stipulate the other case-related expenses that the losing side must pay the winning side.

Arbitration Organs in Capitalist Countries

The Nature of the Arbitration Proceeding—The arbitration proceeding in capitalist countries serves the interests of monopoly capital, and moreover is an instrument for implementing its control.

Several relatively important Arbitration Organs—*The Arbitration Panel of the International Chamber of Commerce* is composed of representatives selected from various National Committees. The panel itself most decidedly does not take part in arbitration practice; rather it produces material on arbitration procedures and in the process passes on arbitration decisions.

The London Court of Arbitration was established in 1892 and is composed of representatives nominated by the Common Council of the Corporation of London.

The American Arbitration Association was founded in 1926. American monopoly capital, through this arbitration association, manipulates the arbitration process. 完

TWENTY LEADING US EXPORTS TO THE PRC
JANUARY–JUNE 1975
By Seven-Digit Schedule "B" Category

	$	% of all exports
Cotton, upland, 1 to 1⅛″	60,233,514	40.8
Cotton, upland, 1⅛″ & over	17,059,506	11.6
Steam engines & turbines in boilers & parts	7,956,937	5.4
Gas compressors—centrifugal & axial	7,496,321	5.1
Machines, parts NEC treatment-changing temperature	7,023,255	4.8
Geophysical prospecting apparatus	2,415,258	1.6
Heat exchangers, NEC	2,010,747	1.4
Metalwork machinery NEC, $1,000 & over	1,894,002	1.3
Boring & drill machinery, mining, etc.	1,795,259	1.2
Steam generating power boiler accessories	1,663,146	1.1
Parts & accessories, NEC, for aircraft	1,642,910	1.1

	$	% of all imports
No. 1 heavy melting steel scrap except stainless steel	1,600,000	1.1
Fabricated structural iron & steel	1,513,452	1.0
Steam condensers, power blower accessories	1,401,660	1.0
Excavators, crawler-mounted, cable-operated, new	1,344,675	0.9
Gear cutting machinery, NEC, $1,000 & over	1,246,705	0.8
Kraft wrapping and bag paper	1,223,040	0.8
Parts & attachments for elec. industrial furnaces & others	1,120,688	0.8
Non-auto valves, taps, parts	1,103,987	0.7
Gas turbines NEC & parts mechanically driven	1,006,218	0.7
TOTAL—TWENTY LEADING EXPORTS	122,751,280	83.2
TOTAL—ALL EXPORTS	147,469,475	100.0

TWENTY LEADING IMPORTS FROM THE PRC
JANUARY–JUNE 1975
By Seven-Digit TSUSA Category

	$	% of all exports
Tin other than alloys, unwrought	23,729,676	32.5
Rosin	3,431,158	4.7
Antiques, nonspecified	2,079,084	2.8
ABS Sheeting, white cotton, not fancy bleached or colored, ord.	1,799,111	2.5
Fireworks	1,711,379	2.3
Tungsten ore	1,409,217	1.9
Cyrolite or Kyrolith	1,361,298	1.9
Bristles, crude or processed	1,282,589	1.8
Mens or boys cotton wearing apparel, NES	1,243,281	1.7
Tung oil	1,203,654	1.6
Baskets, bags unspun, vegetable material NES	1,172,436	1.6
Alkaloids including artificial mixtures, natural	1,098,878	1.5

	$	% of all imports
Tea, crude or prepared	1,047,941	1.4
Silk, raw in skeins, NES	1,025,441	1.4
Twill NES white cotton not fancy bleached or colored, ordinary	925,824	1.3
Headwear, not knit or cotton	862,519	1.2
Pepper capsicum etc., unground	834,763	1.1
Antimony Oxide	807,565	1.1
Headwear other fibers, not sewn, etc., not blocked	795,686	1.1
Mens colored sport shirts, flannel	792,625	1.1
TOTAL—TWENTY LEADING IMPORTS	48,614,125	66.6
TOTAL—ALL IMPORTS	72,952,458	100.0

Source: Trade Analysis Division, Office of East-West Trade, Dept. of Commerce.

FINANCING CHINA'S STEEL IMPORTS FROM JAPAN

Alistair Wrightman

The financing of China's imports of steel for Japan this year, represents an interesting development in the PRC's payment practices in international trade. Some $361 million is to be paid to Japanese firms on 335-day terms, denominated in US dollars; never has such a large amount been involved in a single Chinese purchase agreement. Meanwhile, there are reports that China is negotiating with West German steel firms for steel production facilities worth $400-500 million. This article by Alistair Wrightman, a US specialist in international trade based in Tokyo, describes the steel financing arrangement. For details of China's steel, see the last issue of UCBR (Vol. 2, No. 4).

Among the customers abroad for Japanese steel industry products, there is no other importer like the Chinese. Just about the time the steel corporations in Japan begin to have confidence in the method of negotiation and purchase of the Chinese, Peking's negotiators change the timing and the approach. This situation practically guarantees that the Japanese steel-men will be confused and uneasy.

Until last year, when the Chinese began to hesitate, Peking and Tokyo exchanged steel missions, generally in plenty of time for arriving at agreements on quantity and prices of Japanese steel products to be exported to China between January and June, and again between July and December. The cool Japanese steel company executives, up to that time at least, thought they knew fairly well what the high-ranking officials of the China National Metals and Minerals Import and Export Corporation would propose.

It was generally assumed in Japan that there would be some difficulties, but that these would be overcome after the international steel market situation was taken into consideration. However, the apparent deterioration of China's foreign exchange reserve seems to have unquestionably caused Peking's negotiators to revise their tactics.

As one Japanese steel executive puts it: "We see an entirely new ball game shaping up rapidly. It may not be possible to predict, yet the fundamentals are no longer to be taken for granted in our dealings with Peking on our exports."

At present, it is expected that the two countries will exchange missions once again in September or October to arrange delayed steel contracts for the July-December period of this year. Four months of talks involving the Chinese corporation and representatives of Nippon Steel, Nippon Kokan, Kawasaki Steel, Sumitomo Metal Industries, Kobe Steel and Toyo Kokan ended in June with an arrangement for the Japanese mills to export 1.6 million tons of ordinary steel and 150,000 tons of seamless pipe. The total deal was valued at $461 million.

Payment Terms—335-Day Usance

Although the seamless pipe was paid for in cash, with letters of credit opened about thirty days before shipment for payment at sight, the payment accounted for just slightly less than $100 million of the total steel contract. The remainder—a little more than $361 million—is to be paid for with a 335-day usance period. Letters of credit, it was agreed, again would be opened around thirty days before shipment.

China is paying the Japanese eight per cent per annum as interest on the usance. In the recent past, Japan's steel corporations had granted the Chinese up to 150-day usance for such shipments and made it a rule to receive export payments in cash, except in the cases of export shipments to a small number of developing nations. However, the Peking negotiators appealed for this long-deferred payment and the Japanese agreed to it to facilitate a deal.

To finance the arrangement, the Japanese steel firms will have to pay prevailing interest rates to private banking institutions—8.27 per cent. However, if these rates continue to fall, instead of covering the difference, the steel companies may emerge marginally ahead. The sale was arranged with private bank financing, mainly because the Japanese Government places very strict conditions on loans by the Export-Import Bank and the fact that Nippon Steel prefers to use private banks.

There is another reason as well—loans from the Ex-Im Bank carry an interest rate of 7.5 per cent and the Chinese would only agree to pay seven per cent if the financing was arranged through the Ex-Im Bank. This was the factor which convinced the other steel firms to agree with Nippon Steel. Nevertheles, the Japanese are extremely puzzled by the Chinese stand.

Previous Japanese steel exports to China had been paid for in Renminbi (RMB), with a six-month deferred payment. The denomination of the notes this time varied along with the size of the particular order involved, but there was one for $50 million denominated in US dollars. Meanwhile, a spokesman for Nissho-Iwai, one of Tokyo's largest trading houses, reported that the company exported $10 million worth of steel products to China in the first six months of this calendar year. The arrangement provided for all cash payments, no deferred payment period and all in American dollars. Most of the funds passed through the Bank of Tokyo and the Sanwa Bank. Sixty-day confirmed irrevocable letters of credit were opened thirty days before shipment. The firm expects to do a similar deal for the final six months of this year.

An important technical aspect of these terms is that, as the notes are denominated in US currency, they may be discounted in the US among US banks.

One-Year Deferred Payments For Another Three Years?

The question of the moment is just how long the Chinese will be asking for one-year deferred payments for their steel purchases. The guess in Japanese trading circles is that the situation will remain roughly the same for at least two to three years—or until Peking begins exporting much larger quantities of crude oil to earn the necessary foreign currency. It also is anticipated that use of United States dollar denominated payment arrangements for Japanese exports to China will continue for a few years more.

Throughout all of 1974, Japan's exports of steel products to China totaled about 3,000,000 metric tons. This calendar year, it has been estimated, steel exports to China by the Japanese may reach 3,400,000 tons. However, there could be a short-fall if the next negotiating sessions are dragged out over too long a period. Officials high up in the major steel corporations in Japan, contend that much will depend on whether Peking's negotiators expect reduced prices or seek additional changes in the payments system.

Present conditions in Tokyo's steel industry considered, it is believed that there is an excellent chance the Chinese will enjoy excellent bargaining positions. But one thing the Japanese do know: Peking will require larger imports of steel for China's stepped-up industrial development programs. There is a belief in Tokyo steel circles, nonetheless, that some of the deliveries of steel products contracted for this autumn, may not take place until the end of the first quarter of calendar 1976.

Conclusion of the steel contract for the first six-month period of this year on the basis of full year's deferred payment may well be taking Japan-China trade into an entirely new phase, according to some Japanese steel company executives. But this view is countered by those who see the recent events as only a temporary situation.

Some reliable industry sources contend that the foreign exchange shortages which exist in China, plus reported short-falls in output of steel producers inside that country, are largely responsible for Peking's new approach to steel contracts with Japanese producers. Of more concern to the major steel executives in Tokyo at this time, is whether the Chinese will make strong requests during the upcoming negotiations for significant price reductions.

The Steel Plant Purchase—But Japan Likely To Sell China Steel for Some Time Yet

Meanwhile, the Chinese have started to receive shipments under provisions of a contract valued at more than $216 million arranged with Nippon Steel Corporation last year, calling for Peking's purchase of facilities for producing 3,000,000 tons of steel annually. The yen-based and yen-settled contract is resulting in construction of a massive steel plant at Wuhan in central China.

The plant, consisting of both a hot strip mill and an electrical steel sheet plant, is scheduled to begin operation early in 1977. More than 360 Japanese technicians are assisting in the construction of the facility—some of them, it is understood, will remain behind at Wuhan to assist in operating the plants, probably for as long as a decade. Chinese authorities have received assurances that the Japanese will use the time to thoroughly train three-hundred local people in the technologies necessary to keep the facilities operating following the withdrawal of Japan's technicians.

Taking part in fulfilling the contract along with Nippon Steel, are Mitsubishi Heavy Industries, Ishi-Kawajima-Harima Heavy Industries, Tokyo Shibaura Electric ,Hitachi, Ltd., and Yasukawa Electric Manufacturing. It has been emphasized by Nippon Steel officials that such a large contract involving long-term technical cooperation is an extremely rare event in Japan-China trade.

The feeling in Japanese steel quarters is that this contract is opening the way to greatly increased technical exports to China over the years ahead. Japan's missions to Chinese steel plants in the past suggested that Peking now realizes it will be a long time before China can produce sufficient steel to meet its requirements, but that the best way to close the gap is to import Japanese and West European technology.

Along these lines, there have been reports reaching Tokyo which indicate that Peking has been engaged in on-again, off-again talks with West German steel firms regarding importation of massive steel production facilities, including continuous casting equipment, which might be worth as much as $400 to $500 million. Two West German companies already have a contract to ship a similar mill (although not as valuable) to China.

Despite these moves to greatly increase China's steel production capacity, the Japanese steel companies are convinced that they will be selling Peking large amounts of steel for a long time to come. This optimistic opinion is based to a considerable degree upon projections of China's industrialization program well into the 1990's. 完

When will they settle? A Chinese bicyclist looks up at the former quarters of the First National City Bank, in Shanghai, May, 1975.

CHINA'S FROZEN ASSETS IN THE US

Their Present Status and Future Disposition

Charles H. Bayar

The settlement of the related problems of US private claims in China and of China's frozen assets in the US is of major importance to every American company and bank involved in trade with the PRC. Until these questions are resolved, no direct banking relations are possible between the US and China, no reciprocal exhibitions may be held, no maritime or aviation agreements can be signed, and there can be no official trade agreement between the two countries. Every China trader in the US would obviously like to see the claims/assets problem resolved as soon as possible, but, although agreement on resolution was reached in principle by the two governments in April 1973, final agreement has not yet been reached.

The amounts involved, $196.9 million of US claims in China and $76.5 million of Chinese assets in the US, have been defined by US agencies; simply stated the settlement ratio called for terms of about 40 cents on the dollar, Chinese versus US assets. But the complexities of the situation represented by these figures have rarely been aired, especially regarding China's assets in the US, and few companies in the US have much idea how they may be affected when, and if, the questions are resolved.

What, for example, is the definition of a "designated national" and how can such a national be "unblocked"? How can frozen assets be unblocked technically? How does the law under which China's assets are frozen affect property, business dealings, patents, trademarks, bank accounts, and insurance policies? Under what circumstances can funds from frozen accounts presently be withdrawn? More important is the question of how these assets may be disposed of: What are the possible realistic alternatives for the resolution of the assets problem, and how do these assets relate to US claims in the PRC?

This article, by Charles H. Bayar of the University of Virginia School of Law, discusses all these matters in detail, and suggests some alternative solutions, including one based on the precedent of the Litvinov Assignment. Congressional response to such solutions is also discussed. The piece, to be published with over 250 footnotes in the *Virginia Journal of International Law*, is presented here as guidance for companies, banks and other institutions involved in the China Trade in anticipation of the time when a claims/assets settlement is in sight. The article, printed with permission, does not necessarily represent the policy of the National Council.

On December 16, 1950 President Truman declared the existence of a national emergency arising out of "recent events in Korea and elsewhere." On that same day, the Department of State issued a press release regarding the economic measures to be taken against China. It discussed, among other matters, how long they might last:

> It is not our desire that this be a permanent restriction. . . . If the Chinese Communists choose to withdraw their forces of aggression [from Korea] and act in conformity with United Nations principles, this Government will be prepared promptly to consider removing restrictions, and restoring normal trade relations.[1]

These prospective events have largely come to pass, albeit not as a cohesive, cause-and effect sequence. The last Chinese 'volunteer' has long since left Korea. By taking its seat in the United Nations in 1971, China has at the least assumed an obligation to act according to the principles of that organization. United States foreign policy in the 1970's has chosen detente over containment; with regard to China, this decision has manifested itself for the most part in the realm of economic relations, with the ending of the trade embargo and the easing of other commercial restrictions.

The Foreign Assets Control Regulations (the Regulations), the most prominent of the December 1950 sanctions, remain in force today, but with greatly changed effect. Until 1971, as the mainstay of the embargo, their basic objectives were to prevent the Chinese from acquiring foreign exchange through transactions with Americans and from recovering their assets in the United States. Since the end of the embargo, the Regulations have become a largely passive factor in the statutory regime of U.S.-China trade. Their primary role now is that of a caretaker—to administer the full range of blocking controls over Chinese assets which became subject to them before May 7, 1971, with a view toward their eventual use in the settlement of U.S. claims against China.

Among the remaining legal impediments to the full development of U.S.-China trade, the claims issue has been recognized as the one whose removal is most urgent. Until it is resolved, our economic relationship with China will of necessity be conducted through an airlock rather than an open door. As has been mentioned, the blocking controls no longer contribute directly to this state of affairs: were any substantial Chinese assets to somehow materialize within the United States today, they would not be blocked, although they would be most voraciously attached. The issue of the blocked assets nevertheless has assumed a position of importance as "an interrelated and inseparable aspect of the claims settlement problem."

The Acme of Obscurity—Provision and Disposition

The purpose of this piece is both descriptive and speculative. Little has been written about the blocked assets; the Regulations themselves have been described by one international lawyer as "the acme of obscurity." On the premise that one should not decide an issue without understanding it, this article first discusses the blocking provisions of the Regulations in detail. On a less technical level, it then suggests possible dispositions of the blocked assets, discussing and weighing the advantages and disadvantage of each.

The source of executive power in the area of foreign assets control is section 5 (b) of the Trading With the Enemy Act of 1917 (TWEA). As originally passed, section 5 (b) was intended to prevent certain financial transactions which might be of advantage to an enemy during wartime, rather than to control the disposition and use of enemy alien property. It was adapted to this purpose largely through major amendments in 1933, 1940, and 1941. At present, section 5 (b)

> in effect authorizes the President or his delegate, during time of war or national emergency, to investigate, regulate or prohibit all commercial and financial transactions by Americans with foreign countries or the nationals of such countries or with respect to any property subject to the jurisdiction of the United States in which such countries or their nationals have any interest of any nature whatsoever.[2]

The constitutionality of this section as a means of foreign assets control is well established, both as a proper manifestation of the constitutional authority of Congress and as a valid delegation of this power to the Executive.

While the Secretary of the Treasury was almost always the designated agency for issuing implementing regulations for the President's section 5 (b) powers, it was not until 1942 that he was delegated the powers themselves. After a short initial period of flux, the President delegated all of his section 5 (b) powers to the Secretary except the power to vest and actively manage alien property. In 1948, the Secretary's powers were reaffirmed, even though all assets over which they might have been exercised at that time were removed from Treasury control. It was under this delegated authority that the Secretary in 1950 promulgated the Foreign Assets Control Regulations: his power to do so has been upheld in the courts as a proper administrative delegation in itself, and as an effective basis for the Regulations. Since then, the delegation of section 5 (b) powers to the Secretary of the Treasury has been reaffirmed twice.

The Issuance of the Regulations

The Regulations were issued "as an incident of" the Korean emergency declaration of December 16, 1950. A declaration of war or national emergency, of course, is necessary to activate the section 5 (b) powers. In this case, it does not appear that a new emergency declaration was necessary at the time, since the World War II emergency still in effect could legally have supported the Regulations equally as well. When the World War II emergency was ended in 1952, the existence of the Korean emergency became the necessary condition for continuance of the Regulations. As years passed, it also became a favorite point of constitutional attack against them. The courts have upheld it consistently, however, on the ground that either it still exists, or that the very inquiry as to its existence is beyond the ken of the judiciary.

In the near future, Congress is expected to enact a law terminating "[a]ll powers and authorities possessed by the President . . . as a result of the existence of any declaration of national emergency" within two years of enactment. Under its terms, however, the Korean emergency will continue with respect to section 5 (b) of the TWEA so that Regulations might remain in effect.

The Secretary's section 5 (b) authority has been delegated to the Office of Foreign Assets Control (OFAC), which administers the Regulations among its other responsibilities. The OFAC has in turn delegated much of its decision-making authority over license applications to the Federal Reserve Bank of New York. Established in 1950 as a division of the Office of International Finance of the Treasury Department, the OFAC did not become an independent office until October 15, 1962. At present, the OFAC is headed by a Director who reports to the Assistant Secretary of the Treasury for Enforcement, Operations and Tariff Affairs.

The Regulations are organized around a few sweeping prohibitions, which then are defined, interpreted and finally qualified both generally and on a case-by-case basis. This represents but one example of the "licensing" system, a method which has been used often for controlling foreign trade and intercourse.

Section 500.201 of the Regulations is the basic blocking provision. By its terms,[3] it prohibits, unless authorized by the Secretary of the Treasury or his delegate,

> (1) All transfers of credit and all payments between, by, through, or to any banking institution . . . wheresoever located, with respect to any property subject to the jurisdiction of the United States or by any person . . . subject to the jurisdiction of the United States;
>
> (2) All transactions in foreign exchange by any person within the United States; and
>
> (3) The exportation or withdrawal from the United States of gold or silver coin or bullion, currency or securities, or the earmarking of any such property, by any person within the United States.[3]

if done by, for the benefit of, or under the direction of China or its nationals, *or* if they involve property in which China or its nationals have had any interest since December 17, 1950. Similarly prohibited, but only in the latter circumstance, are

> (1) All dealings in, . . . any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States; and
>
> (2) All transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States.[4]

As a fitting conclusion, any transaction "for the purpose or which has the effect of evading or avoiding any of the [above] prohibitions" also is prohibited.

The Licensing System

The OFAC, as delegate of the Secretary of the Treasury, can authorize these transactions by issuing "general" and "specific" licenses. Very simply, the terms of a "general" license are set forth in the Regulations themselves, while those of a "specific" license are not. On an operative level, a general license is a blanket authorization for prospective transactions which satisfy its terms and conditions. For all other transactions, a specific license must be obtained for each. An application form is submitted in duplicate to the Federal Reserve Bank of New York, which usually will rule on the application. An applicant or other party may arrange with the OFAC to argue the merits of the application before decision on it; after an adverse decision, he may request written or oral explanation for its denial, and he is not barred from refiling it.

If a licensing system is designed to be "flexible and equitable," then that of the Regulations has been rather uncharacteristic. OFAC policy in the past was not to grant any specific licenses, especially with regard to transactions involving blocked Chinese assets. This policy was successfully implemented because of two factors. One is the broad language of the basic prohibitions, which allowed the Regulations to encompass any transfer of value between China and the United States, however remote. The other, and perhaps the more important of the two, is the general grounding of OFAC action in the "foreign affairs functions of the United States." On this basis, the OFAC has the all but unlimited discretion in the granting of licenses, necessary to effect a "vital interest of the government." "In fact, it is the wide discretion vested in the [OFAC] that accounts for its uniformly successful record in the courts."

Under section 500.603 of the Regulations, as originally prescribed, reports were to be filed on or before January 31, 1951, with respect to all property subject to U.S. jurisdiction, and in which China, Korea or their nationals had any interest as of December 18, 1950. Section 500.604 set forth special reporting requirements for organizations substantially owned or controlled by Chinese or Korean nationals. This census was designed both to determine the nature, extent and location of assets subject to the Regulations and to "assist in the formulation of licensing and other policies relating to these assets." Its one outstanding feature was the deliberate inclusion of Taiwanese and South Korean property interests within the reporting requirements, a measure necessitated largely by uncertainty over the situs of Chinese corporations. A total of $192.1 million was reported under the census, of which $105.4 million was blocked.

Table 1

VALUE OF UNITED STATES ASSETS OWNED BY NATIONALS OF THE PEOPLE'S REPUBLIC OF CHINA BY TYPE OF ASSETS AND TYPE OF OWNER

(000s $)

	Type of Owner							
Type of Assets	Indi-vidual	Corpo-ration	Partner-ship	Unincor-porated Associa-tion	PRC Agent or Instru-mentality	Third Country Bank	Other	TOTAL
Bullion, currency and coin	—	—	—	—	—	—	—	—
Deposits	2,940	5,939	314	429	18,335	23,591	1,615	53,162
Notes, drafts and debts	526	4,492	77	—	703	—	110	5,908
Dollar securities	10,561	2,815	263	211	669	24	1,038	15,580
Non-dollar securities	736	4	19	—	348	—	87	1,193
Misc. personal property	—	44	—	—	—	—	—	44
Estates and trusts	200	—	—	—	—	—	—	200
Insurance annuities	209	—	—	—	—	—	2	211
Other property	52	30	1	—	120	—	60	263
TOTAL	**15,224**	**13,324**	**674**	**640**	**20,174**	**23,614**	**2,911**	**76,563**

Source: Office of Foreign Assets Control, U.S. Treasury Department, 1970 Census of Blocked Chinese Assets in the United States, Appendix I (1972).

On August 17, 1970, a new census of blocked Chinese property was begun with the enactment of section 500.610 of the Regulations. Reports on this property were to be filed by October 1, 1970.

The reporting requirements were very similar to those of the 1950-1951 census. The Office of Foreign Assets Control set forth the following factors which made it desirable to conduct a new census in 1970:

> In the nineteen years since the 1951 census, many changes in the blocked assets had occurred due to appreciations and depreciations in property values, and also to authorized changes in the forms of property. Decreases had also resulted from the unblocking of assets under licensing policies. . . . On the other hand, increases had occurred as the result of new blockings instituted on an ad-hoc basis, pursuant to Foreign Assets Control enforcement actions. Changes in the physical location of property had also occurred, . . . New interests in blocked property had arisen by reason of the deaths of nationals whose property had been reported. Many reporters had changed their addresses, merged, liquidated, or simply disappeared. . . . In view of these numerous changes, and in anticipation of some form of relationship with the People's Republic of China, it appeared desirable at that time . . . to bring the 1951 report up to date. Among other considerations, it was believed that current information would be helpful in connection with any future consideration of a settlement of American property claims against the People's Republic of China.[5]

The census reported that on July 1, 1970, blocked Chinese assets in the United States were valued at $76.5 million. A detailed breakdown of this result by type of assets and type of owner appears as Table 1. At this point, it should be noted that of the $76.5 million in blocked Chinese assets, $60.8 million was blocked in December 1950 and $15.7 million by subsequent OFAC enforcement actions.

The OFAC attempts to keep its figures on the blocked assets up to date, and also enforces the Regulations to a great degree, by virtue of reporting requirements incorporated within the licensing system. A general license may contain reporting requirements which would have to be complied with faithfully in order for it to afford its protection. Specific licenses may contain reporting provisions as a condition for their issuance; furthermore, there is the possibility of reporting procedures varying between licenses. Of perhaps greater importance in the enforcement of the regulatory scheme of the Regulations is the reports "on demand" provision of section 500.602. As a preliminary matter, a person engaging in any transaction subject to the Regulations shall keep a full and accurate record of each transaction . . . regardless of whether such transaction is effected pursuant to license or otherwise. . . .

The OFAC may then require that he furnish the complete record of the transaction, under oath, "from time to time and at any time as may be required. . . ."

Such reports may entail the production of accounting books, contracts, letters and other relevant papers.

Designated Nationals and Unblocking "Nationals"

The basic abstract dividing line between blocked and unblocked assets is the determination of whether a "national" of a designated country holds any interest in them. The definition of a Chinese "national," as set forth in section 500.302 of the Regulations, is far more expansive than might be supposed from the term itself or from its meaning in other contexts. For individuals, it includes not only Chinese citizens, but also

> any person who has been within [China], whether domiciled or resident therein or otherwise, at any time on or since [December 17, 1950].[6],

any person who has served or purported to serve as an agent for Chinese interests, and, naturally, "any other person who there is reasonable cause to believe is a "national" [of China]. . . ." For organizations, it includes those

a) organized under Chinese law; or

b) whose principal place of business on or since December 17, 1950, was China; or

c) which, on or since December 17, 1950, were controlled by or had a "substantial part" of their securities and other obligations held by China or Chinese nationals. Moreover, the Secretary of the Treasury has the power to determine that a person or organization is a Chinese "national" within the meaning of this section. A person or organization who qualifies as a Chinese "national" under the above criteria and who is not "unblocked" is termed a "designated national."

There is a sub-category of "specially designated nationals" against which the blocking controls are applied with somewhat greater severity. Generally, a specially designated national of China earns this distinction by acting on behalf of the Chinese government or, in the case of an organization, by being directly or indirectly owned or controlled by it. The Secretary of the Treasury may determine who is a specially designated national and in fact does so by maintaining a list of them for use mainly by banks. This list, once confidential but now available on request, names almost a thousand persons and corporations, most of them located in Hong Kong, Southeast Asia and Japan.

The classification of persons as "unblocked nationals" is designed to free the assets of those persons and organizations who either have no connections with a designated country or who have effectively severed them. As a general rule, any person

a) who was not in China between December 17, 1959 and May 6, 1971;

b) who is not presently in a communist country; and

c) who has not acted or purported to act on China's behalf, is by general license an unblocked national. A major concern of the unblocking system has been the status of refugees who left China after December 17, 1950. In order for them to become unblocked nationals by general license, they usually must emigrate to the United States, reside here, and become American citizens. If they choose to reside permanently in a non-communist country, however, they may obtain a specific license as unblocked nationals upon submission of satisfactory evidence that they have established such permanent residence.

With regard to organizations which are designated nationals solely because persons who are designated nationals have an interest in them, they become unblocked nationals when those persons are licensed as such. Under certain conditions, specific licenses are issued unblocking partnerships and sole proprieterships established under the laws of China, Korea, or North Vietnam.

Aside from Chinese property blocked in 1950 and appreciation in its value, new property could be brought within the ambit of the Regulation before May 7, 1971 either by the creation of new designated or specially designated nationals (who brought their U.S. property with them) or by the acquisition of new interests in property by such nationals. This could also be done, and probably may still be done today under general license, by payment of previously unblocked funds into a blocked account in a U.S. domestic bank in the name of the designated national who is to receive the benefit of the payment. Perhaps a much more common way this came about in the past was by operation of law, usually testementary dispositions and intestate succession.

Although it has no further application to China in view of the 1971 removal of restrictions on direct payments, it should be noted that, in the abstract, any unlicensed transfer, or one which somehow violates the terms of the license under which it is effected, will still be sufficient to establish an interest in the transfer on behalf of the designated national; if the property or funds to be transferred are within the jurisdiction of the United States, they will be blocked. This very thing happened in 1966 with regard to humanitarian relief funds being raised by the Quakers for transfer to North Vietnam, and deposited in the Royal Bank of Canada for collection purposes. The OFAC sent letters to all U.S. banks instructing them not to pay or forward any negotiable instruments received from the Canadian bank or which were payable to or indorsed by the Canadian Friends Service Committee "or other named individuals. . . ." Moreover, the funds represented by these instruments were deemed blocked, even though they remained on deposit to the donors, because the attempted transfer has given rise to a North Vietnamese "interest" in them. OFAC policy was to license future payment of these funds upon presentation of evidence that they were not intended as contributions to North Vietnam.

Photo: Mark Godrey (Magnum/Fortune)

Reciprocal PRC-US exhibitions, discussed at Council meetings with the CCPIT above, await resolution of the claims/assets question.

New funds may still be brought within the Regulations blocking controls as a replacement or punitive measure. In the past, if a bank was engaged in a prohibited transaction with China, its funds in the United States could be and were blocked to the extent of the transaction, as best it could be determined. If the custodian of blocked assets releases them without the requisite license, he may be required to "reinstate" the assets from his own property.

How Assets May Be Unblocked

The unblocking of assets, as opposed to the usual unblocking of individuals or organizations, is accomplished by specific license. Any interested person may apply to have an account or property unblocked "on the ground that no person having an interest in the property is a designated national," and arrange for a hearing before the OFAC on the matter.

A blocked joint bank account is a good illustration of an instance in which this might be done. Under a recently announced licensing policy, a "non-blocked applicant" who claims a beneficial ownership interest in the account may apply for a specific license to have his interest unblocked. If the account is without right of survivorship, he may recover his interest only to the extent that he can establish its existence by independent documentary evidence. If on the other hand, the account includes right of survivorship, he is entitled to a proportional share of the assets merely upon assertion of his ownership interest.

A different problem arises in the case of a corporate entity which is organized under or which has its principal place of business in China. As best the material in this area can be put together, the following picture emerges:

a) If the corporation is inactive, or is merely a thin disguise for the meaningful interest of its shareholders, it is likely that unblocked shareholders can obtain a specific license for transfer to them of a proportional share of the corporation's blocked assets.

b) If the corporation is a viable designated national, and it and its shareholders are unblocked nationals but not American citizens, OFAC will likely take the attitude that the interest of the corporation itself and that of its government are too strong to allow the unblocking of any corporate assets for distribution to the shareholders.

c) If the corporation in b), however, is not controlled by designated nationals, but, on the contrary, is almost totally controlled by U.S. stockholders, then the assets of the corporation can be unblocked for distribution *pro rata* to the U.S. shareholders.

The Concept of Transferring Assets

The concept of a "transfer" lies at the heart of the licensing system of foreign assets control. The transfer of property rather than the property itself is its point of attack, and it thereby immobilizes the assets without destroying them or alienating their true ownership interest. Within the context of the Regulations, any transfer or attempted transfer on or before December 17, 1950, of property in which China or its nationals had an interest on or after that date, was effective only if the person by whom the property was held had written notice or other evidence of the transfer. Any such transfer or attempted transfer after December 17, 1950 which is not licensed generally or specifically, or otherwise authorized:

> is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property.[7]

The Regulations implement transfer controls with regard to judicial process, estates and trusts, securities, life insurance policies, bank accounts, and other areas.

Judicial Process

In the area of judicial proceedings with respect to blocked assets that the Regulations have made their greatest departure from, and also their greatest improvement upon the World War II blocking controls. Under that regime, court action involving blocked assets was not subject to prospective licensing.

> The Treasury invited litigants to litigate and courts to adjudicate in advance of licensing action, on the understanding that after judgment the transaction would be subjected to federal screening under the freezing control.[8]

Since the major result of allowing what in effect were advisory opinions was abundant and confusing litigation, the Foreign Assets Control Regulations adopted in 1950 took a "narrower and more carefully defined approach" to the issue. First of all, any judicial proceeding with regard to blocked assets, however preliminary, is classified as a "transfer" (or purported transfer) of the assets. If unauthorized, section 500.203 (a) provides that it cannot establish an interest in the assets for any purpose. Perhaps to reinforce this point, section 500.203 (e) provides explicitly that such unlicensed court action is "null and void" with respect to the blocked assets. There are some conditions, set forth by general license, by which activity in the courts with regard to blocked assets is permitted. To qualify thereunder, a judicial proceeding must be based upon a cause of action accruing before December 17, 1950. Even then, the general license does not authorize the recording of a judgment or decree, nor does it permit any payment from blocked assets pursuant to a judicial act or the execution thereof. It should be noted, however, that the Regulations do not serve to destroy preexisting claims against blocked Chinese assets, which in 1970 totalled $12 million.

Of particular interest in this area are three cases arising out of attempts by government agencies and banks of the People's Republic of China and Taiwan to recover their assets in the United States in the wake of the Chinese revolution; *Bank of China vs. Wells Fargo Bank & Union Trust Co.*, *Republic of China vs. American Express Co.*, and *Chase National Bank vs. Directorate General of Postal Remittances and Savings Bank*. In all three, American banks holding assets in the name of a Chinese entity received instructions from both its PRC and Taiwan incarnations, each directing it to hold or pay the assets to its account and to disregard all instructions from the other. All three banks chose different courses of action to meet this situation, and incurred different consequences. Certain procedural events of these cases, however, especially those which occurred after December 17, 1950, are relevant to this discussion.

In *American Express* and *Chase National Bank*, both banks sought to avail themselves of strict interpleader, by which, among other things, they would deposit the disputed funds with the court as a condition for discharge from liability. In *American Express*, interpleader was allowed on January 24, 1951, by which time the funds in question were blocked. Therefore, the court needed a specific license to enter an order that the funds be deposited in its registry, and American Express needed one to make the actual payment. These actions were carried out, but no mention is made of the Regulations or any license thereunder.

In the *Wells Fargo* case, the assets in dispute were deposited in the court's registry before issuance of the Regulations. Subsequently, however, a judgment was entered.

> which (1) directed that the sums in the registry of the court, less the amounts allowed as costs and attorney's fees, be paid to the group representing the Nationalist Government; . . .[9]

Since this took place after December 17, 1950, both entry of the judgment and any payment from the assets in the court's registry had to be licensed, and again there is no mention of this having been done. In fact, the funds involved in cases which have not proceeded to final judgment are still held as blocked assets with adverse claims registered against them.

A related issue is the degree to which courts can make determinations concerning aspects of the Regulations other than the transfer of blocked assets; for example, whether a person or organization is a designated national, or whether specific property is subject to the interest of a designated national. Such determinations could in fact be seen as attempted transfers of blocked assets and thus null and void *ab initio* if unlicensed. Moreover, statutory authority to make these determinations rests with the OFAC; a court most likely will not assume it. Finally, even if a court did make such a determination as an incident of adjudication, the OFAC could hold to the contrary and have its determination reviewed, if at all, only for abuse of its admittedly wide discretion.

Estates and Trusts

While the operation of intestate succession and the right of testementary disposition are recognized by the Regulations, the blocking controls apply so as to prohibit unlicensed transactions incident to the administration of those decedents' estates established before May 7, 1971, in which the decedent, his personal representative or any "creditor, heir, legatee, devisee, distributee or beneficiary" is a Chinese national. In the administration of such blocked estates, the general license provision of section 500.523 (a) permits the appointment and qualification of a personal representative for the estate provided he is not a designated national. He is empowered to collect and preserve the assets of the estate and to pay related costs, fees and charges, as well as funeral and last illness expenses out of the estate. All other administrative expenses are authorized by section 500.523 (b) only for those blocked estates a) in which the decedent was not a designated national; or b) in which the decedent was an American citizen and a designated national solely by virtue of his presence in China in connection with U.S. government service; or c) if the gross value of the estate's U.S. assets is $5,000 or less.

One general principle of the administration of blocked estates is that any distribution of property to a designated national is to be made by deposit in a blocked account in a domestic bank or with "a public officer, agency or instrumentality designated by the court having jurisdiction of the estate," in a manner to show clearly the interest held therein by the designated national. In the past, this provision not only lent itself to variety in the disposition of these assets, but also opened up a small area where the courts could dictate this disposition. This can be seen most

Table 2

US CLAIMS IN CHINA

AWARDS BY THE FOREIGN CLAIMS SETTLEMENT COMMISSION AGAINST THE PEOPLE'S REPUBLIC OF CHINA

Type of Claimant	Number of Claims*	Total Dollar Value	Number of Claims Under $10,000	Value of Claims Under $10,000	Number of Claims Over $10,000	Value of of Claims Over $10,000	Number Claims Over $500,000	Value of Over Claims $500,000
Individual	539	$ 14,377,726	343	$897,400	196	$ 13,480,326	3	$ 2,867,500
Corporation	44	122,823,554	1	9,049	43	122,814,505	14	119,268,900
Other Businesses	12	1,394,170	6	30,736	6	1,363,434	1	750,000
Religious and other Non-profit Organizations	82	58,266,394	13	61,460	69	58,204,934	20	53,479,150
TOTALS	677	$196,861,844	363	$998,645	314	$195,863,199	38	$176,365,550

* Number of claims 579; number of claimants 677.
Source: Foreign Claims Settlement Commission.

readily by a comparison of two cases. In *In re Nepogdin's Estate,* a California appellate court held that distribution to heirs who were designated nationals living in China by deposit in blocked accounts constituted "actual payment' of the funds, required by state law to avoid their being paid into an unclaimed property fund. In *In re Yee Yoke Ban's Estate,* on the other hand, a New York surrogate's court held that state law required payment of the distributive shares into the public treasury because the distributees "would not have the benefit or use or control of the money . . ."

In another case involving a charitable testementary trust for the benefit of a designated national, the trustee successfully invoked the doctrine of *cy pres* ("as near to") to allow the funds to be put to another use within the general purpose of the settlor, rather than be blocked. This flexibility accorded the courts in the area of estate administration however.

> was obviously not intended as authority for state probate courts to make rulings affecting the applicability of the . . . Regulations which the Secretary (of the Treasury, through the OFAC) could never subsequently contest even though he had not been a party to the probate proceeding.[10]

Section 500.524 provides liberal authorization for transactions incident to the administration of a trust or estate if a U.S. bank is acting in a fiduciary capacity, even when a designated national is co-fiduciary.

Securities

The OFAC obviously feels that dealings in blocked securities should be both closely and comprehensively regulated, as evidenced by the devotion of two basic prohibitions and no fewer than five general licenses to the subject. This attitude perhaps is understandable in light of the $16.8 million in blocked assets they represent.

The basic prohibition of section 500.201 serves to block all securities in which designated nationals had any interest before May 7, 1971 affected are securities issued by a federal, state or local government or agency, or by any person within the United States, whereever the location of the interest represented. It also blocks all securities of whatever nature if the certificate is physically located within the United States. A special prohibition blocks all securities registered or inscribed in the name of a designated national, even if he disposed of them before December 17, 1950, or afterwards by a licensed transfer. His interest in the securities thus follows them much as that of a deceased designated national follows his estate.

The five general licenses in the area govern purchase and sale, receipt of dividends, interest and redemption proceeds, transfer between blocked accounts; voting and proxies; and exchanges. They all reflect the basic principle that any assets, documents or cash, which are exchanged as part of a securities transaction must enter and leave the same blocked account so as to avoid the transfer of a designated national's interest. Otherwise, the general licenses provide as follows:

a) Since the purchase, sale, exchange, and receipt of proceeds of blocked securities requires a blocked account, such transactions may be performed only by a "banking institution" located in the United States, which includes domestic banks, branches of foreign banks, and brokers.

b) The purchase, sale, and exchange of blocked securities must be done on a "national securities exchange" as defined in section 6 of the Securities Exchange Act of 1934, 15 U.S.C. § 78F.

c) It is likely that a designated national cannot issue securities without a license, since this is in effect the creation and transfer of an interest in his property. If these are issued, or if they are outstanding at the time their issuer is declared a designated national, the general licenses regarding payment of dividends, redemption proceeds and exchanges do not apply to them.

d) The exchange of securities is authorized only if necessitated by a change in corporate name, par value or capitalization, an exchange of temporary for permanent certificates, reorganization, refunding, or conversion.

e) Securities may be transferred from any blocked account to one in a domestic bank provided that such transfer does not represent a transfer of interest therein. For example, transfer from one account to an account held in a different name is not permitted.

Finally, section 500.516 authorizes a U.S. corporation in which a designated national has an interest to solicit and vote proxies.

Life Insurance Policies

In the blocking of insurance interests, the OFAC's apparent concern has been to immobilize these assets and still allow transactions which will permit insurance coverage to continue. The general license for blocked life insurance policies (i.e. those issued before May 7, 1971) differentiates policies according to the nature of the blocked interest therein:

a) If the only blocked interest is that of the beneficiary, then all transactions incident to the "issuance, servicing or transfer" of the policy are authorized. Payments to the blocked beneficiary must be made into a blocked account in his name in a domestic bank.

b) If the blocked interest is solely that of the insured, then the "issuance, servicing and transfer" of the policy is authorized only if the insured is

1) a member of the U.S. armed forces or accompanying organizations;

2) an officer or employee of the United States; or

3) an American citizen living in China. If an insured is not one of the above, then the only authorized transactions involving his policy are the payment of premiums and interest on loans, and the application of the policy's dividends, cash surrender value or loan value by the insurer for various purposes. Any payments to the insurer can be made from the insured's blocked account.

c) If the insuree is a designated national (or is not doing business in the United States), then the general license is totally inapplicable to transactions involving any of its policies.

The May 7, 1971 general license on payments to China and Chinese nationals brought about a significant relaxation of controls in this area. Current OFAC policy is to block the proceeds of a life insurance policy on a Chinese national who died before May 7, 1971 only to the extent of the policy's cash surrender value, and to pay the rest by specific license to non-blocked beneficiaries. If a Chinese national has a currently-blocked insurance policy on his life, however, when he dies all the proceeds of his policy may be distributed to these beneficiaries without restriction. A Chinese national may give effective protection to a Chinese national beneficiary by purchasing a new life insurance policy in the United States, which would not come within the blocking controls, and then allowing his blocked policy to expire. There apparently is nothing to prevent a Chinese insurer from issuing new policies in the United States.

Bank Accounts

Since the pervasive role of blocked bank accounts has been and will be discussed in other contexts, payments from blocked accounts for living and other expenses, and for certain standard expenditures are focussed upon here. As a preliminary matter, some general principles with regard to the use of blocked accounts in the control of blocked Chinese assets should be made clear.

a) The distinction between a "domestic bank" and a "banking institution within the United States" comes to the fore in this area. It is the policy of the Regulations to favor the holding of blocked assets in domestic banks. All transfers of blocked interests of a designated national must end up in a domestic account, yet they may be made from any blocked account.

b) The name in which a blocked account is held also is of some importance. To prevent transfers of interest, payments to or by a designated national must involve a blocked account held in his name or, in certain cases, in the name of the account's ultimate beneficiary. The identity of name idea is enforced more stringently in the area of securities transactions, while the beneficiary interest is recognized where family or personal support, insurance, or decedents' estates are involved.

Among other specific provisions:

a) Any person within the United States, citizen or non-citizen, may receive up to $250 per month from a blocked account for "living, traveling, and similar personal expenses in the United States of such individual or his family." Sums of up to $100 per month may be remitted from a blocked account to a resident of a foreign country who "is within that . . . country," to be used only for the necessary living expenses of the payee or his "household."

b) An American citizen who is a designated national living in a non-communist country has certain advantages in this regard. He may withdraw up to

$1,000 per month from his blocked account for any expenditures in the United States and for living expenses abroad, as well as an additional payment of $1,000 to enable him to return to the United States.

c) Special provision is made for American citizens who are in a designated country in the employment of the United States, the armed forces or accompanying civilian organizations (*e.g.*, the Red Cross). Such citizens are designated nationals in a technical sense, but are favored with very liberal general license provisions in the areas of decedents' estates and life insurance. As for their bank accounts, they have been all but unblocked from the inception of the Regulations.

d) Payment may be made from any blocked account to pay "normal service charges" associated with its upkeep, and to pay customs duties, taxes, fees and related expenses to the federal, and to any state or local government.

Exports and Domestic Business

There are two general licenses in the Regulations which cover business transactions by and with China and Chinese nationals. Activitiy in this area has been all but uncontrolled since 1971, but the two licenses are still of interest. One is an ongoing and rather thoughtful authorization, the other is a vestige of a little-known attempt to keep open the legal channels of trade with China.

Section 500.511 dates from the inception of the Regulations, and deals with businesses which qualify as designated nationals. Normally, all their assets in the United States would have been blocked, and in effect they could not have conducted any business. This would have worked too great a hardship on some designated nationals, however; rather than freezing their assets, it would have made it all but impossible for those persons organized as small businesses, partnerships and proprietorships to make a living. Apparently, it was felt that, for certain types of businesses and with appropriate safeguards against abuse, the restrictions could be relaxed in this area. Thus, section 500.511 allows any organization which, on December 17, 1950, "was actually engaged in a commercial, banking or financial business within the United States," and which is a designated national of China,

> to engage in all transactions ordinarily incidental to the normal conduct of its business activities within the United States.[11]

It may engage in transactions with China and Chinese nationals subject to license, like any other entity. Prohibited, however, is

> any transaction . . . which, directly or indirectly, substantially diminishes or imperils the assets of such organization or otherwise prejudicially affects the financial position of such organization.[12]

The result is somewhat of an anomaly; from the business' view, it may function relatively normally, but from China's perspective, its resources are as inaccessible as any other blocked assets. Considering the effect of the 1971 general licenses, a business which previously operated under this provision may obtain new assets without their being subject to the blocking controls, but it is likely that the OFAC policy is not to allow their total assets to decrease below their May 7, 1971 value. A different, and thus far unanswered question is whether corporate reorganization, dissolution, or declaration of bankruptcy is a transaction which "imperils the assets of such organization."

Section 500.533 affects transactions incident to the exportation of goods to China, an area squarely covered by the 1971 general licenses. It still serves, however, to prohibit the financing of exports from blocked accounts and the exportation of any person's blocked assets to any country other than the one in which he is located. In 1950, however, both this section and section 500.534, which is now "Reserved," provided a system whereby the blocked accounts could be used for controlled trade with China. Section 500.533 (b) (1) authorized the financing of export transactions from blocked accounts in the name of Chinese nationals in China (except specially designated nationals). Section 500.534 (b) (1) authorized all transactions relating to licensed imports from China, provided that

> (1) payment . . . be made only by deposit of the dollar amount thereof with the banking institution in the United States for credit to a blocked account in the name of the seller, . . . or in a blocked account in the name of a banking institution in China . . .; and that
> (2) Any other payments in which a Chinese national has any interest . . . be made by deposit in the name of such national in a blocked account in a domestic bank.[13]

It was hoped, perhaps, that the Chinese would be willing to trade by, on one hand, sending goods to the United States in return for payment they could not readily utilize and, on the other, accepting goods from the United States in return for funds in a similar position. The ultimate effect of this system would have been to insure that all money used in trade with China could be used for no other purpose. In any event, the system's expectations were not fulfiled. In June 1952, section 500.534 was revoked; in April, 1953, section 500.533 (b) (1) was amended to its present form.

Patents, Copyrights, and Trademarks

The Regulations take a liberal view toward patent, copyright, and trademark protection for designated nationals, probably because they represent rights which if not exercised would be lost rather than preserved. They impose almost no restrictions on the actual administrative process of both obtaining a U.S.

patent, copyright, or trademark, and of registering foreign ones from designated countries. Currently, there are quantitative restrictions in this regard on the payment of legal fees from blocked accounts and otherwise, and a prohibition of payments from blocked accounts to foreign governments and attorneys.

Safe Deposit Boxes

The Regulations prohibit access to any safe deposit box within the United States which was in the "custody" of a Chinese national before May 7, 1971 or which before that date contained or may reasonably have contained property in which a Chinese national had an interest. A general license specifies conditions under which access to these boxes is permitted, which generally serve to insure that no blocked assets are misplaced.

Powers of Attorney

Creation of a power of attorney over property in which a designated national has an interest is included among the "transfers" of interest prohibited without a license. The major concern of the Regulations, however, has been its exportation to designated countries in order to collect assets in which persons in the United States have an interest. The provisions in this regard have likely lost their relevance in the wake of the 1971 general licenses.

Disposition of the Blocked Assets

After twenty-five years, it may be said that, in regard to China, the Foreign Assets Control Regulations have served their purposes well. Their degree of success may be indicated by, first, the absence of any significant adjustment in their regulatory scheme and, second, the effective preservation of the blocked assets. Relations between China and the United States have now improved to the point where some attention should and has been focused on the best way of resolving the situation which the Regulations have done so much to preserve. The alternatives in dealing with the blocked Chinese assets reflect different values and priorities, and carry certain consequences and implications which should be appreciated fully before any conclusive action is taken. This conclusion briefly discusses these alternatives within various suggested courses of action.

The issues of the $76.5 million in blocked Chinese assets and the $196.9 million in certified U.S. private claims against China should be resolved together, with emphasis placed on "resolved." The United States has always looked toward achieving this result by means of an inter-governmental agreement with China, and this is truly the only way in which it can be done. In this regard, an agreement in principle to settle the claims and assets issues, perhaps as part of a more comprehensive accord, was reached in February 1973, with negotiations on the details of the agreement to follow. There is no surer way to permanently damage US-China relations than to impatiently resort to self-help in this matter. The United States has chosen to vest, liquidate and distribute blocked assets in the past, and no doubt Congress has the constitutional authority to do so again with respect to the blocked Chinese assets.

The best argument against this is that it most likely will not resolve the claims issue at all. If all the assets were processed and distributed, over $100 million in claims would be unpaid. Based on past experience, specific congressional authority would likely classify them as still outstanding. Moreover, the Chinese, for their part, would view unilateral vesting of the blocked assets as consummating their claims against the United States. For this reason, and as a reaction to what they would consider a diplomatic affront, the Chinese would likely refuse to consider the claims issue resolved on an ex post facto basis. The claims issue would thus remain as much of an impediment to the normalization of U.S.-China relations as ever, if not more so.

Perhaps the basic question regarding the blocked assets is whether they should be incorporated in the funding of the settlement, or whether payment should come solely from a lump-sum payment or other source, thus allowing the assets to be unblocked. The latter alternative is attractive if one considers appearances, since the Chinese will have regained the very assets they lost. On the other hand, this course of action has several practical disadvantages. A major uncertainty is the source of funds to compensate U.S. claimants; China may well be both unwilling and unable to pro-

Photo: Mark Godfrey (Magnum/Fortune)

Wall Street, where many of China's assets are frozen: the members of the CCPIT delegation look at the sights, September 1975.

vide a large sum by way of settlement, and the U.S. Government most certainly will not appropriate any money for this purpose.

A more subtle difficulty, but one which colors the entire question of the blocked assets, is the prospect of intensive and embarrasing litigation. Unblocking the Chinese assets removes the prohibition on unlicensed legal proceedings to establish claims against them. While a claims settlement with China would serve to prevent any U.S. claimant from seeking compensation from a source other than the settlement fund, it would not bar the claims of foreign creditors and claimants. The crucial point in this regard is the major foreign claimant will be Taiwan. As of now, only $9.6 million in adverse claims against the blocked assets have been registered by Taiwanese interests, but these represent only those claims in existence in 1950 and acted upon to some extent. It is possible that Taiwanese banks and emigre corporations each will lay claim to the previously-blocked assets of the whole of China, which amount to some $57.1 million.

This is not to say that any such challenge will be successful, especially given some sort of executive determination that the blocked assets must be returned to China in the interest of establishing good diplomatic relations, to which the courts will no doubt defer. The point is that the outcome of this litigation will be of secondary importance to the fact that it will have occurred at all. As the result of an agreement by the United States to unblock the assets, China will regain them only after attachments, court appearences and other manifestations of the law's delay for which she might even have to bear no small expense.

It is submitted, therefore, that utilization of the blocked assets in the claims settlement funds will have the advantages both of providing a substantial sum for compensation and of sparing China the experience of fighting for its property in the courts. In this regard, favorable consideration should be paid to the blocked assets of natural persons in regard to whether they should be included in the settlement fund. Their exemption would leave over $60 million available for possible distribution. Moreover, one of the purposes of the Regulations is to protect Chinese assets from confiscation, and

> such "protection" would be illusory indeed if, after the freezing program had succeeded in keeping the funds from (Chinese) hands, those funds are not to be returned to . . . the person for whom the protection was designed in the first place.[14]

It might be argued that an attempt to return the assets to their individual owners would prove futile, but the general consensus is that the property of private individuals should not be used for settlement of claims against their government.

The Litvinov Assignment—Model for a Solution?

In regard to the manner in which the blocked assets might be awarded to the United States, the mechanism most often suggested is the Litvinov Assignment, by which the Soviet Union in 1933 assigned to the United States all present and future claims against American nationals due it as the successor to previous Russian governments. When its substantive features and past history are examined, the advantages of the Litvinov Assignment within the context of a U.S.-China claims and assets settlement become based upon more than mere analogy. As a species of international accord, it has been held to be a "compact" which does not require ratification by the Senate. This feature would provide not only for rapid implementation of the claims and assets agreement, but would also avoid the spectacle of the Senate's refusing to ratify a lump-sum agreement or other settlement treaty with China, the compensatory terms of which it found to be unsatisfactory.

The implications of the Litvinov Assignment with regard to property rights and domestic law have already been "extensively litigated"; it is well established that such an assignment from China to the United States would validate China's title to all the blocked assets and assign such title to the U.S. Government, which would then vest, liquidate, and distribute the assets according to Congressional mandate. Since this transaction would be intimately connected with the conduct of foreign affairs, its recognition of China's title to the blocked assets would be binding on the courts, and no private claimant could successfully contest either it or the Government's succession to China's interest. The collection process under a successful Litvinov-type assignment would thus be infinitely less difficult and protracted than was that of the original Litvinov Assignment. Also, any vesting litigation would be an *internal* matter, conducted by the United States on its own behalf, rather than a concern for the Chinese.

One aspect of the Litvinov Assignment which must be considered, however, is that it possessed a certain

Table 3

US CORPORATIONS WITH CERTIFIED CLAIMS IN CHINA OF ONE MILLION DOLLARS OR MORE

1. Shanghai Power Company	$53,832,885
2. Esso Standard	27,026,602
3. Caltex Limited	15,443,700
4. I T & T Corporation	7,765,315
5. General Electric Company	4,546,200
6. International Standard Electric Corp.	3,228,853
7. Western District Power Co. Shanghai	1,758,685
8. First National City Bank	1,562,145
9. Shanghai Wharf and Warehouse Company	1,042,862

"confiscatory" nature of its own. Since it assigned to the United States only those claims which the Soviet government had at the time, it should not have operated to deprive any creditor of his vested rights. The Supreme Court, however, determined that the Assignment extinguished the vested rights of foreign creditors, in the interest of satisfying U.S. claimants. Within the context of a U.S.-China Assignment, the overall result would be to divest about $10 million in foreign interests in the blocked assets represented by reported adverse claims (plus all unreported interests of non-U.S. nationals). Moreover, it has been suggested that use of a Litvinov-type Assignment will precipiate a domestic political crisis of sorts.

> The recent spate of criticism of presidential usage of the executive agreement would probably mean that a decision to consummate such a transaction would precipitate a congressional-executive confrontation which the President would be well-advised to avoid. If a decision to settle claims with China through a self-executing executive agreement is made, we might expect certain elements in Congress to initiate a legislative effort to define and limit the scope of the executive agreement power. We may also expect cases in the courts contesting the legality of such an agreement.[15]

Congressional Response to a Chinese Assignment

Four comments on this position are in order. First, congressional concern over executive agreements appears to have centered around those which Congress either disapproves of or at the least feels it should have been consulted on, for instance, the provision of nuclear technology and assistance to Israel and Egypt. Improved relations with China, on the other hand, had received such general congressional support it would make it a poor issue upon which to base a challenge to the self-executing executive agreement, especially if the claim settlement is not unsatisfactory or is accompanied by diplomatic recognition.

Second, even if a confrontation with Congress did occur over a Chinese Assignment, the present state of the law heavily favors its use over use of a lump-sum agreement, which must go before Congress. An effort to change the law in this regard may not be successful; and if successful, it may not effect a previously-concluded agreement.

Third, while Congress may well have the constitutional authority to require that executive agreements settling U.S. claims be submitted for approval, such legislation may, by its terms, effect their domestic rather than international validity.

Fourth, a court challenge to the legality of the Assignment will almost certainly arise in any event, but only because it is the very nature of litigation that even the best-established legal principles will not escape challenge when the reward for success is sufficiently great. The courts, however, have not shown any marked tendency to resist such executive prerogatives in the foreign affairs field as suggestions of sovereign immunity. Given the present state of the law, there is no reason to believe that they would not defer to such a conceptually similar device as a Chinese Assignment, especially if concluded as part of a clear foreign affairs function such as recognition of a foreign state, as was its predecessor.

THE CHINA CLAIMS PROGRAM

Title V of the International Claims Settlement Act of 1949 [78 Stat. 1110], as amended by Public Law 89-780 [80 Stat. 1365], approved November 6, 1966, authorized the Foreign Claims Settlement Commission of the United States to receive and determine in accordance with applicable substantive law, including international law, the amount and validity of claims by nationals of the United States against the People's Republic of China for: (1) losses resulting from the nationalization, expropriation, intervention, or other taking of, or special measures directed against, property of nationals of the United States; and (2) disability or death resulting from actions taken by or under the authority of the People's Republic of China. Such claims must have arisen since October 1, 1949.

The purpose of the China Claims Program was to obtain information concerning the total amount of valid claims against the People's Republic of China. The statute did not provide for the payment of such claims. Upon completion of the program, the Commission certified to the Secretary of State the amount of each loss in order to assist the Government of the United States in the negotiation of a claims settlement with the Government of the People's Republic of China at some future time.

The termination date for the filing of claims was July 6, 1969, and the program, as required by law, was completed on July 6, 1972.

The Commission received and determined a total of 576 claims. Favorable decisions were rendered in the matter of 384 claims resulting in certified losses in the aggregate principal amount of $196,861,834 with interest at the rate of 6% per annum from the date of the respective losses to a date in the future when the claims may be settled by agreement with the Peoples Republic of China. The Commission wholly denied 192 claims.

Depreciation of Assets—Write-Offs Set Against Awards?

The politically counterproductive nature of unilateral vesting and distribution of the blocked Chinese assets has already been demonstrated. A similar proposal, however, may be somewhat less irrational. One problem in resolution of the claims is appreciation of the adjudicated awards at 6 percent interest, and its accrual over 25 years; the result is that the claims actually outstanding probably exceed $400 million. The blocked assets, on the other hand, have decreased in value and likely will continue to do so. If the assets are to be used in the claims settlement, and since they may well be the only funds available, it might be argued that something must be done to preserve their value.

The way in which this might be done is by reactivation of the Alien Property Custodian and provision for vesting the assets under section 5(b) of the TWEA. This may take the form of either "*res*-" vesting or "right, title and interest" vesting, the former being a summary procedure by which the Custodian obtains possession of the specific property and holds it until the owner or a creditor seeks its release. The less drastic and more common "right, title and interest" vesting has the Custodian assume the burden of proving his right to vest the property. It might be argued that by resorting to *res*-vesting, the Custodian can collect and liquidate the assets, and then put them to such use as to appreciate their value. Also, this might be seen as an important preliminary step in eventual distribution of the assets upon settlement of the claims, since vesting and liquidation have always taken some time.

The significant counter-argument to this proposal is that, while blocking requires only that there be an interest in the property by a designated national, only the actual interest of the designated national can be vested, and nothing more. Thus, the assets available would be depleted by all non-Chinese, partial interests in the assets, and by vested claimants; the potential loss of funds may well exceed the appreciation of what would be left. Moreover, despite the fact that even after liquidation the vested funds would be kept in separate accounts in the Treasury in the names of the pre-vesting owners, it is unlikely that the Chinese government would view this action as any less a confiscation than it would outright unilateral settlement.

Given the likelihood that the settlement fund will remain somewhat insubstantial in comparison to the adjudicated claims, the major consideration in its distribution should be achievement of the fairest overall result. This may include priority in payment for U.S. judgment creditors or small claim holders. As a serious proposal, those corporations and individuals who have written off their losses in China for tax purposes should have these tax benefits set off against their awards. Aside from the equitable consideration of avoiding double compensation for claimants, it need merely be pointed out that the blocked assets alone could basically satisfy all validated claims except those of corporations and individuals which exceed $500,000.

As a concluding point for this discussion, there is no doubt that resolution of the blocked assets and claims issues will greatly facilitate relations between the United States and China, yet it can have the opposite effect if dealt with callously or without due regard for consequences. Of special concern, and especially to be guarded against, is an expedient attempt to resolve two issues of such enormous political content. Patience in this regard is indeed a virtue. 完

Footnotes*

1. 23 *Dep't State Bull.* 1004 (1950); N.Y. Times, Dec. 17, 1950, at 16, col. 2; Washington Post, Dec. 17, 1950, at 1M, col. 7.
2. Sommerfield, *Treasury Regulations Affecting Trade with the Sino-Soviet Block and Cuba,* 19 *Bus. Law.* 861 (1964).
3. 31 C.F.R. § 500.201 (a) (1974).
4. *Id.* § 500.201 (b).
5. Office of Foreign Assets Control, U.S. Treasury Dep't, 1970 Census of Blocked Chinese Assets in the United States at 1-2 (unpublished, available from Office of Foreign Assets Control, U.S. Treasury Department, 1331 G Street, N.W., Washington, D.C. 20005).
6. 31 C.F.R. § 500.302 (a) (1) (1974). The inclusion as Chinese nationals of persons who had been within China was a loop-hole closing measure added in June 1952. 17 Fed. Reg. 5343 (1952).
7. 31 C.F.R. § 203 (a), (c) (1974).
8. Mason, *Suit on an Unlicensed Transaction—Singer and the Specie Bank,* 16 *U. Pitt. L. Rev.* 16, 24 (1954). *See* 31 C.F.R. §§ 520.212, 520.331 (1974).
9. Bank of China v. Wells Fargo Bank & Union Trust Co., 209 F.2d 467, 472 (9th Cir. 1954), *aff'g* 104 F. Supp. 59 (N.D. Cal. 1952).
10. Cheng Yih-Chun v. Federal Reserve Bank, 442 F.2d 460, 464 (2d Cir. 1971).
11. 31 C.F.R. § 500.511 (a) (1974). This serves to free operating funds and allows the conduct of business, but does not authorize the release of funds held by an organization in a custodial capacity. For example, a Chinese bank could carry on business but would still have the responsibility of holding blocked accounts.
12. *Id.* § 500.511 (d).
13. 15 Fed. Reg. 9049-50 (1950). Note that, contrary to usual OFAC policy, payment need not be made into a blocked account in a domestic bank. This oversight was detected, however, and promptly corrected. 16 Fed. Reg. 767 (1951).
14. Pernikoff v. Kennedy, 219 F. Supp. 854, 860 (D.D.C. 1968).
15. Comment, *Self-Executing Executive Agreements: A Separation of Powers Problem,* 24 *Buff. L. Rev.* 137, 154 (1974).

* For full notations, see copy of unabridged article in the *Virginial Journal of International Law,* Vol. 15, No. 4 (Summer 1975).

TWO TRADE MISSIONS ARRIVED IN SEPTEMBER

Hosted by National Council

In addition to the CCPIT, the National Council is hosting two other trade missions from the People's Republic of China. A delegation from the Arts and Crafts Division of China's National Light Industrial Products Import and Export Corporation arrived in the US on September 11 for a six-week visit, and a delegation from the China National Native Produce and Animal By-products Import and Export Corporation began its seven-week tour on September 29.

China's Light Industrial Products Corporation supplied about 14% of the PRC's exports to the US in 1974, and the top category (42%) of this corporation's exports for the first four months of 1975 was basketware and other plaited goods. The Arts and Crafts delegation, escorted by Suzanne Reynolds of the National Council, is meeting with buyers of rattan, wicker, straw and willow articles, porcelain and pottery.

The Native Produce mission is interested in meeting established and potential customers in the following product areas: bristles, tea, gum rosin, cassia, essential oils, spices, feathers and down. This FTC also was responsible for about 14% of the PRC's exports to the US in 1974.

In addition to meeting with buyers, both groups will visit exhibition centers as well as retail and wholesale establishments to study the US market. Most of their time will be spent in New York and the East Coast cities, with later visits to cities in the Mid-West, Texas, and on the West Coast.

These are the first times delegations from these Chinese foreign trade corporations have visited the United States, and they are the third and fourth Chinese trade groups to visit the US under the auspices of the National Council.

The delegation members are as follows:

Light Industrial Corporation, Arts and Crafts Division: Mr. Kao Feng, Deputy Managing Director; Mr. Chen Chi-Yun, Vice Manager of Arts and Crafts Export Department; Mr. Hsu Lieh-chun; Mr. Chang Sheng-ping; Mr. Wang Shih-ling; and Mr. Lao Pei-sen; accompanied by Mr. Li Wen-chun of the PRC Liaison Office.

Native Produce and Animal By-products Corporation: Mr. Han Piao, Deputy Managing Director; Mrs. Chen Shu-lan, Deputy Division Chief of the Animal By-products; Mr. Ma Ke-chin; Mr. Shih Yun-ching; Mr. Chao Hung-chiang; and Mr. Wu Fu-sheng; accompanied by Mrs. Liu Yin-feng of the PRC Liaison Office.

RMB: DOLLAR RATES, FROM JUNE 1975

Date		*RMB:$*	*US¢/ RMB*	*Change %*
June 13	Bid	1.7706	56.4780	
	Offer	1.7618	56.7601	
	Median	1.7662	56.6187	+0.30
June 28	Bid	1.7794	56.1987	
	Offer	1.7706	56.4780	
	Median	1.7750	56.3380	−0.50
July 2	Bid	1.7919	55.8067	
	Offer	1.7829	56.0884	
	Median	1.7874	55.9672	+0.70
July 3	Bid	1.8062	55.3649	
	Offer	17972	55.6421	
	Median	1.8017	55.5031	−0.80
July 8	Bid	1.8206	54.9269	
	Offer	1.7972	55.6421	
	Median	1.8161	55.0630	−0.80
July 11	Bid	1.8298	54.6508	
	Offer	1.8206	54.9269	
	Median	1.8252	54.7885	−0.50
July 14	Bid	1.8389	54.3803	
	Offer	1.8297	54.6538	
	Median	1.8343	54.5167	−0.50
July 15	Bid	1.8499	54.0570	
	Offer	1.8407	54.3272	
	Median	1.8453	54.1917	−0.60
July 17	Bid	1.8648	53.6251	
	Offer	1.8554	53.8967	
	Median	1.8601	53.7606	−0.80
July 18	Bid	1.8760	53.3049	
	Offer	1.8666	53.5733	
	Median	1.8713	53.4388	−0.60
July 22	Bid	1.8928	52.8318	
	Offer	1.8834	53.0955	
	Median	1.8881	52.9633	−0.90
July 24	Bid	1.9080	52.4109	
	Offer	1.8984	52.6759	
	Median	1.9032	52.5430	−0.80
July 29	Bid	1.9232	51.9966	
	Offer	1.9136	52.2575	
	Median	1.9184	52.1267	−0.80
July 30	Bid	1.9328	51.7384	
	Offer	1.9232	51.9966	
	Median	1.9280	51.8672	−0.50
July 31	Bid	1.9405	51.5331	
	Offer	1.9309	51.7893	
	Median	1.9357	51.6608	−0.40
August 8	Bid	1.9522	51.2242	
	Offer	1.9424	51.4827	
	Median	1.9473	51.3531	−0.60
August 20	Bid	1.9404	51.5357	
	Offer	1.9308	51.7920	
	Median	1.9356	51.6635	+0.60
August 28	Bid	1.9502	51.2767	
	Offer	1.9404	51.5357	
	Median	1.9453	51.4059	−0.50
September 2	Bid	1.9638	50.9216	
	Offer	1.9540	51.1770	
	Median	1.9589	51.0490	−0.70
September 4	Bid	1.9520	51.2295	
	Offer	1.9422	51.4880	
	Median	1.9471	51.3584	+0.60

Source: NCUSCT based on data supplied by the Chartered Bank

EXPORTER'S NOTES

ELECTRONICS

Honeywell Mission to China for instrument talks . . . A technical mission from Honeywell will visit the PRC in late September or early October. According to the Minneapolis-based computer firm, James Bringer, Chairman of the Executive Committee, Van Bearinger, Vice-President of Sciences and Engineering, the senior technical man in the company, Steve Higgins, a specialist on digital systems and Richard Unwin, an expert on analogue systems, will travel to Peking for discussions with Machinery Corporation officials. The group expects to remain in China two weeks. The company has held talks with the Office of Export Administration and anticipates no export control problems. Honeywell is already furnishing China instrumentation in connection with the M. W. Kellogg fertilizer plant. A Chinese technical mission visited Honeywell's Fort Washington, Pa. Division in December 1973 after touring Kellogg facilities. **EIA in China, getting to know . . .** A ten-man delegation from the communications division of the Electronics Industry Association returned in August from a twelve-day tour of the PRC, carrying assurances that several of the firms represented on the trip will be issued invitations to return to China. According to a spokesman, the mission achieved its primary purpose of "getting to know" the Chinese: "They now know our capabilities, and we now know who we're dealing with." Representatives of RCA, General Electric, Rockwell International and others, who toured research facilities, universities and factories in Peking, Shanghai and Wusih as the guests of Machimpex, were impressed with the up-to-date research taking place in China's solid-state electronics. **Japanese Software . . .** Yokogawa Electric Works, the recognized leader in China trade among Japanese producers of measuring instruments, was reported in late August to have held recent discussions with the Chinese government which may lead to increased sales of its instrumentation software and technology to the PRC. Yokogawa began dealing with China in the 1950s and has been promoting Sino-Japanese technical exchanges annually. In recent years the focus of the firm's China business has shifted to measuring instruments using computer software. Its exports to the PRC over the past two years have amounted to about Y2 billion or about 80% of Japan's total measuring instrument sales to China.

MACHINERY

Railroad Visitors to Canada . . . A Chinese delegation, headed by Deputy Director of the Ministry of Communications Lung Chiang-yu, made a visit to Canada last June at government invitation to inspect transportation installations and facilities. Among the stops on the tour of the eight member group was Winnipeg's Transcona repair yard of Canadian National Railways where heavy repairs to locomotives, passenger and freight cars are carried out. While in Winnipeg, the visitors also inspected CNR's training center at Gimli, the site of a nearly completed CNR-designed locomotive simulator, the only one of its kind in North America. **Cat Sells Pipelaying Equipment . . .** Caterpillar tractor of Peoria, Illinois reports the sale to Machimpex of $3.8 million worth of middle-sized pipelayers and replacement parts. The contract, signed in early August, calls for delivery to be made over a nine month time period, ending May 1976. A Caterpillar spokesman said the company was unaware of how the Chinese planned to use the equipment. **Hollywood Exports Motion Picture Equipment to the PRC . . .** Paul Yang of the Los Angeles-based Paul Yang & Associates, revealed in early September that during the past year his company has arranged the purchase of over $1 million worth of motion picture equipment for Hwa Yuan Inc. of Hong Kong. Hwa Yuan is an agent for the China National Light Industrial Products Import and Export Corp. Among the items sold were two automotive color additive panel printers, manufactured by Hollywood Film of Hollywood, Calif., valued at $100,000 apiece; three special effects optical printers, each worth $100,000, manufactured by another Hollywood firm, Research Products; seven motion picture cameras from Mitchell Camera, with a total value of approximately $350,000; one Hollywood Film optical reduction printer worth $100,000; two Oxbelly liquid gates for optical printing at $25,000 apiece; a Peterson color additive printer worth $50,000; and various miscellaneous equipment including a large quantity of motion picture films. **Want to Sponsor a Movie? . . .** In a related development, Yang has obtained the exclusive US rights from Fang Huang Motion Picture Co. of Hong Kong to the full length PRC film documentary "Acrobatic Knights," featuring the Kwangchow Acrobatic Troupe. Yang is currently looking for a corporate sponsor to underwrite the film's presentation on American network television. If you are interested, call him at (213) 684-0233.

AGRICULTURE

Grain Rumors—Will China's Wheat Harvest Surpass Last Year's? . . . A spate of rumors surfacing in the wake of the announced US grain sales to the Soviet Union suggesting that China will soon enter the American wheat market appear unfounded at present. China has recently asked for delays in delivery of existing orders from Canada and Australia, adding credence to the growing belief that this year's early China wheat harvest will surpass last year's record level. In addition, the Chinese seem to be applying their already strapped foreign exchange reserves towards purchases of steel and fertilizer. Some observers point out that the politically-sensitive Chinese would be unlikely to contact for large amounts of US wheat while many Americans were debating the domestic economic effects of massive sales to the Soviets. This view is bolstered by the sharp criticism the Russian grain deals have drawn in the Chinese press. **Down the pike, better prospects . . .** For the long term however, prospects for US agricultural sales to China are better. The US remains one of the world's few grain exporters and most experts see the Chinese as requiring 4-5 million tons of grain per year for at least the next five years. The political and economic requirements necessary for buyer and seller—China and the US—to get together, should, these experts say, emerge in the not too distant future, perhaps as early as 1976. **When will USDA be in Peking?** . . . Underscoring this point, is renewed talk of placing a permanent agricultural attache at the US Liaison Office in Peking. The LO is one of the few American diplomatic outposts without an agricultural specialist and a number of influential congressmen, including Senator Hubert Humphrey (Dem., Minnesota) have long argued that the Peking mission needs USDA representation. While this recent activity may indeed presage a USDA presence in Peking, there remain a number of procedural matters to be resolved between the Department of State and the Department of Agriculture before a USDA man arrives in the China capital. **Cotton is tops, but no new sales** . . . In the meanwhile sales of cotton to the PRC continue to dominate America's China-bound exports. Through the first half of 1975, two varieties of upland cotton, one inch to $1\frac{1}{8}$ inch, and $1\frac{1}{8}$ inch and over, together accounted for more than half of all US sales to Peking—over $77 million worth or 52.4% of the total. American cotton exports to China, however, may be ending, at least for the moment. As of late summer only a few thousand additional bales were registered for shipment to the PRC and no new sales were said to be in the offing.

A group from the People's Republic of China recently toured Farmland Industries' Enid, Oklahoma 1,000 ton a day ammonia plant as part of M. W. Kellogg's on-going training program. Left to right at the Oklahoma site are: Wang Yen-chu, translator, Yu Jen-chuan of the PRC Liaison Office in Washington; William M. Hill Kellogg project manager; Hsu Te-en, Deputy Director of Techimport; Arthur L. Dowling, Kellogg vice-president of advertising and public relations; Jen Chih-chieh of the PRC Liaison Office; William M. Threadgill, Farmland's vice-president of nitrogen manufacturing; and James D. Atwood, plant manager of the Atwood facility. Photo Courtesy M. W. Kellogg.

PETROCHEMICALS

US Process in New China Plant . . . A US developed petrochemical process will be used in a benzene plant sold to China this summer by Linde AC of Munich. The plant's catalytic dealkylation procedures will be based on the pyrotol process, developed by the Houdry Division of the Allentown, Pa.-based Air Products and Chemicals Inc. According to Lotepro Corp. of New York, Linde's US subsidiary, the contract calls for the German firm to provide all services for planning, process and engineering design of the plant, as well as procurement of the principal equipment. While this is Linde's first petrochemical plant sale to China, the company has already provided the PRC with air separation plants for oxygen and nitrogen production. The benzene facility—utilizing pyrolysis gasoline as feedstock—will have an annual output of 100,000 metric tons. In addition to the Air Products pyrotol process, a hydrogen purification plan based on Linde's low temperature process is involved. Start-up of the facility is scheduled for 1978. **Kellogg Families in PRC** . . . Twelve of M. W. Kellogg's engineers and their families have arrived for extended stays at three sites in rural China, in Szechuan, Liaoning and Heilungkiang Provinces, to advise on the construction of ammonia facilities. Construction will probably take two years and when completed the plants will have an annual output of 330,000 metric tons. Work on five similar plants will begin next year. Kellogg's progress in China is reflected in US-PRC trade statistics for the first half of 1975. Of the top ten American exports, five—steam engines and turbines, gas compressors, temperature treatment machinery, heat exchangers and power boiler accessories—are directly related to Kellogg's China projects. At least 18% of the dollar value of all American shipments to China in the January-June period were of Kellogg origin. **Chinese Petrochemical Group Tours US, LNG is Interest** . . . An eight-member Chinese petrochemical delegation, led by Yang Yi-pang, Council member of the Chinese Chemical Engineering Society and Vice-President of the Designing Institute of Petrochemical Industry, completed a month-long visit to the US August 30 under the sponsorship of the Washington-based Committee on Scholarly Communication with the People's Republic of China (CSC). The group was especially interested in liquid natural gas technology. According to the CSC, the Chinese mission was specifically interested in five types of facilities:

- Modern large-scale petrochemical complexes—(e.g., ethylene installations producing more than 300,000 metric tons per year)—as well as smaller (annual production of 100,000 metric tons or less) works.
- Production installations for separating ethane, propane and butane from natural gas and oil gas, and also for purification of natural gas.
- Ethylene (liquid and gaseous phase) pipeline transportation and storage.
- Installations to produce basic organic raw material and synthetic material such as acetic acid, glycerine, rubber, resin, etc., in using C2, C3 and C4 as their raw material. Installations to produce intermediate, catalyst and auxiliary for these products.
- Scientific research and project centers.

Between July 30 and the end of August, the Chinese visited facilities of Union Carbide, Monsanto, B. F. Goodrich, Goodyear Tire & Rubber, Dow Chemical, Phillips Petroleum, M. W. Kellogg, Enjay Chemical, Shell, Lummus, and Mobil in Texas, Louisiana, New York and California. Deputy head of the group was Chang Hao-jo, Vice-Chairman of the Taching General Petrochemical Works. Other members included Lin Tung, Deputy Chief Engineer of the Designing Institute of Petrochemical Industry; Yang Kuang-chi, Deputy Chief Engineer of the Peking Chemical Engineering Institute; Huang Ta-chih, Deputy

Chief Engineer of the Taching General Petrochemical Works; Chen Hsin-hua, engineer of the Peking Chemical Engineering Institute; Huang Kao-sheng, also an engineer from the Peking General Petrochemical Works; and Hsu Wen-chao, the interpreter. Aside from Mr. Hsu, all of the group are members of the Chinese Chemical Engineering Society, with Deputy leader, Chang Hao-jo, as well as leader, Yang Yi-pang, holding positions on the Council of that body.

MISCELLANEOUS

OEA Reports More Cases Than Ever in China Pipeline . . . The Office of Export Administration (OEA) reports no new changes on policy regarding US exports of material and technology to the PRC. Commenting on the backlog of license application an OEA official said the number of cases in the pipeline is greater now than ever before not only for China, but for other countries as well. He said delays in processing the China applications were due solely to increased paperwork and lack of personnel, rather than any deliberate slowdown stemming from policy alteration. **New Advisory Service at Chase** . . . Chase Pacific Trade Advisors has been established by Chase Manhattan Bank N.A. to advise and assist firms in doing business with China and other Asian countries. Kenneth P. Morse, who handled the China activities of Schroders in New York for the past three years, was named as Chase Pacific's President. His research associate is Tjho Tjoe-fo. **US Steel Scrap Moving to China Again** . . . After a considerable hiatus occasioned by the imposition of export controls, US iron and steel scrap is again being sold to the PRC. Large contracts were signed between a number of American firms and the China National Metals and Minerals Import and Export Corp. at the last Kwangchow Fair and during June and July $5 million worth of US scrap was shipped to China. **The Outlook for Sino-Japanese Trade According to JETRO—Oil Will be First** . . . by 1980, increased oil exports should enable China to attain a billion dollar surplus in its trade with Japan. According to a report from the Economic Information Department of the Japan External Trade Organization (JETRO). Sino-Japanese trade in 1980 will total U.S. $7 billion, $4 billion of which would be Chinese exports, says the study. Of this $4 billion oil would account for seventy per cent, or $2.8 billion. In making this projection, JETRO assumes that by 1980, 35 million tons of Chinese oil at $14.50 per barrel—seventy per cent of the PRC's total petroleum exports—would go to Japan. Extrapolation is based on the 1974 trade position Peking held vis-a-vis Tokyo: twenty-seven per cent of imports and fifteen per cent of exports, not including oil. In that year Japan had a $700 million surplus in its China trade. Allowing for six per cent annual inflation in the 1975–80 period, Chinese exports to Japan in 1980 would amount to $5.4 billion, thirty-three per cent of China's projected total exports, and PRC imports from the Japanese would total $4.2 billion.

By 1985, the report suggests, Sino-Japanese trade will reach $16.6 billion in 1974 dollar terms, assuming that one-half of Chinese oil exports—96 million tons—would be sold to Tokyo. JETRO predicts that the PRC will be enjoying a $2.6 billion surplus on the strength of $9.6 billion worth of sales to Japan and only $7 billion worth of purchases. In 1985 prices, which allow for four per cent annual inflation between 1980 and 1985, the gap would widen even further: A $3.9 billion Chinese surplus based on $16 billion worth of PRC exports to Japan, and only $12.1 in imports. JETRO projects that by 1985 China's share in Japan's world-wide exports will be 6.4% and China will raise its share of Japan's total imports to 8.9%. This contrasts sharply with the 1974 figures, which were 3.6% and 2.1% respectively. **Personnel Changes at State and Commerce** . . . Important personnel changes have taken place at the China desks of the Departments of State and Commerce. At State, Jack Aubert and Richard Holmes, both veteran Foreign Service Officers, are now manning the economic/commercial side of the Office of PRC Affairs. Their predecessors, Phil Lincoln and Pete Smith remain in the Department in other capacities. Lincoln has returned to the University of Michigan for a year of post-graduate study, and Smith has been transferred to the political side of State's China desk. At Commerce, Nai Ren-chen, formally a professor of economics at Cornell and a staffer at the Office of East-West Trade Analysis, has moved over to the China desk where he joins Bill Clarke, David Denny and John Phipps. Another new arrival at the Commerce China desk is Nancy Chen, who served previously with the Office of East-West Trade Development in the Department. JaNelle Matheson and Martha Avery have been transferred from the China desk to the Office of East-West Trade Analysis. 完

Ready for take-off? Mr. Cheng Chi-hsien, Deputy Managing Director of China's National Machinery Import and Export Corporation, at the controls of a United Technologies Sikorsky helicopter during the September 1975 visit of the CCPIT to the US.

IMPORTER'S NOTES

Mini Fairs . . . This year China has held four export fairs besides the Canton Fair. The first was a carpet fair followed by the forest products fair, a silk fair, a willow, straw and maize goods fair. All are innovations representing an experimental policy to help increase the PRC's exports. It is still uncertain whether these will be repeated next year. So far, only regular customers have been invited. **Talien Textile Fair** . . . The China Export Silk Piece Goods and Spun Rayon Piece Goods Fair, sponsored by Chinatex, was not so much a Fair as it was an opportunity to negotiate. The word used for "Fair", literally translated was "Negotiation Meeting." There were two small display rooms, one for furs and carpets, one for silk. Another room displayed products from China National Cereals, Oils and Foodstuffs Import and Export Corporation. The Fair, at Talien, a summer resort town by the sea, occupied the ninth building of the Tung Shan Guest Hotel,. while other buildings were reserved for guests. It was reported that more than one-hundred buyers from fourteen countries and areas attended the Fair—with about seventy per cent coming from Japan. Although the silk display was small, piece-goods were available. Those invited were old customers already familiar with much of what China has to offer. Representatives of China National Textile Import and Export Corporation said they did not yet know if there would be another silk fair next year, and it would all depend upon the needs of their customers.

LIGHT INDUSTRIAL PRODUCTS

China's Chair . . . China is exporting bamboo deck-chairs, complete with head-rests. It is really more comfortable than it looks and is being sold in England for £14.50 (about $35) . With the addition of a cushion, it can be put indoors or out-of-doors. **China-Ware** . . . As everyone knows, China for centuries has been the center and source of the world's best porcelain. The porcelain is still the finest quality but there are impediments to importing and retailing in the U.S. The colors, patterns and designs for the most part, are not geared to American taste and therefore very little is successful on the market. Another more serious problem is lead content. Some porcelains from China have been rejected for having a high lead content. As China will not sign contracts guaranteeing against FDA rejection, it is best to order samples and have those tested by the FDA before placing a large order. Another solution would be to buy white body porcelain but the Chinese have been reluctant to sell pure white. The citation for test standards acceptable to the FDA for lead content, can be found in the Association of Official Analytical Chemists, 3/73 Vol. 56, Pages 483–484, Sections 25.C22; 25.C23; 25.C.24; 25.C25. This describes the Official First Action AOAC-ASTM Method. A third problem is that of packaging. Most branches which produce dinnerware will only sell and pack by place-settings—also, there is no inner packaging which enables an importer or distributor to distribute without having to unpack and repack for shipment to retail and wholesale outlets. There have also been complaints about some of the packing, which is done in cardboard cartons with the objects wrapped in paper. All these problems will be discussed with the delegation from the Arts and Crafts Division during their visit to the U.S. in September and October of this year. **Basket Cases** . . . Other problems which will be discussed with the visiting delegation are in straw, willow, rattan and bamboo articles. These are strong import items from China which last year totaled $3,907,356. Between January and April of this year, imports reached $2,628,692. Imports in this area are very likely to continue increasing, once supplies from China become consistent, and other problems are ironed out. At the moment, importers cannot sell these Chinese products on a listing basis because production and shipping are not regular and are often delayed, making lead-times hard to predict. The rate of production varies from factory to factory and prices fluctuate within a six-month period, which does not allow the kind of continuity and consistency necessary for importers to sell on a large scale. Shipment time from China varies from two to nine months, averaging six months. China will not supply on a twelve-month basis but rather, expects the buyer to keep coming back. In addition, importers of baskets are unable to get samples from certain factories. Communication between buyers and factories is often difficult. Buyers have sent over counter-samples to be made up, asking for a quote. They receive the counter-sample but are unable to get an answer on the price. Another problem, which is not exclusive to China, is that of bugs in the packaging. China claims that it fumigates the cartons but some importers still find dust in place of baskets. **More problems too** . . . There are other problems which are not peculiar to the Light Industrial Corporation, but to most of the state trading corporations. There is still the labeling problem, although there has been much improvement in this area. Customs requires that "Made in China" or "Made in the People's Republic of China" be permanently affixed to the item. The Corporation is now willing to affix a company tag and, in some cases, China charges for this service. For old customers, the Corporation is now willing to put "Made in China For . . ." tags on the merchandise. In this case, the importer may send the tags or, the Corporation will make up tags for the importer. The Light Industrial Corporation has shown an increasing willingness to manufacture to customer's designs, especially those submitted by old customers. An additional problem which will be discussed with the Arts and Crafts delegation is that of inner packs for easy distribution. **Importers of Ivory Products From China, Beware** . . . The regulations pertaining to the importation of ivory vary according to the type and source of ivory to be imported. Ivory from the Asian elephant is almost impossible to import legally, because of the difficulty in qualifying for a permit. The Asian elephant is not directly listed on the "Endangered Species" list, but it is included in Appendix I to the "Endangered Species" list, compiled by the *Convention on International Trade in "Endangered Species" of Wild Fauna and Flora* which was incorporated into the "Endangered Species" Act of 1973. It is thereby illegal to import into the U.S. any ivory taken from an Asian elephant unless the potential importer can prove to the Director of Fish and Wildlife, U.S. Department of the Interior, that his importation of ivory falls within one of two exceptions to the prohibition and subsequently receives a permit to import the ivory. To obtain a permit, the importer must: (a) demonstrate that the ivory will be used for educational or scientific purposes or, (b) demonstrate that he will suffer undue economic hardship if he is not allowed to import the ivory. Since most importers are interested in ivory as a commercial product, they must ordinarily try to come within the economic hardship exception to the importation ban. An applicant for an economic hardship permit is required to supply the Directory of Fish and Wildlife Service with information required by Form 3–177 and must provide information about past importations and contracts dealing with ivory. (The form requires the common and scientific name of the ivory, country of origin, number and a statement as to whether the ivory was taken from an elephant type that is subject to a law or regulation in the country of origin originally taken. If it is subject to laws, in the country of origin or export, then documentation showing that these laws were not violated must be attached). Once the director has received a completed application, there are eight criteria used to determine whether or not a permit should be granted. Of the criteria, the one that may present the most difficulty concerns the amount of evidence present, that the applicant was in fact, party to a contract or other binding legal obligation which became binding prior to the date when the ivory was listed as endangered. (In the case of Asian ivory, about 1973). If the application cannot present evidence of such a contract, it appears unlikely that he could qualify for an import permit on the basis of undue economic hardship. If the origin of the ivory purchased in China is Africa, there is less of a problem. African elephants are not included on the "Endangered Species" list. The major requirement for importing African ivory is proof that the ivory was taken legally from both the country of origin and from the country of export. The importer must also state whether or not the ivory was taken from an elephant type that is subject to any laws or regulations in the foreign country from which it was taken. If subject to laws, documentation must be provided showing that these laws were not violated. **Housewares Sales In The U.S. Up** . . . The Light Industrial Corporation has picked a good time in which to visit the U.S. as the sales of housewares products at the manufacturing level in 1974 climbed to a record $9.6 billion despite an over-all decline in the total U.S. economy, according to The National Housewares Manufacturing Association. The housewares industry held its own at a time when the gross national product rose by only seven per cent and the inflation rate was up twelve per cent. **Chinese Furniture Exhibition** . . . A Chinese furniture exhibition was held from July 5 through August 10 in Hong Kong. There were over six-hundred pieces in the exhibit from Peking, Shanghai, Tientsin, Talien, Hupeh, Fukien, Kwangtung and Kwangsi. Chinese sources reported that the furniture, designed for home, office and factory use, represented only one-third of the designs now available in Hong Kong and one-half of the exhibits are new products of this year. Among the furniture exhibited was a bedroom suite of wooden furniture which included double-doored closet, cabinet, chest, bed-side tables, dressing table and bedstead. These were exquisitely carved, depicting figures in the eighteenth century classic, *Dream of the Red Chamber* . . . There was also a set of sofas made of willow wood from Peking in the style of the Ming Dynasty. Multi-purpose furniture pieces, such as beds with drawers underneath, chairs which can open out to form a couch and a small bed, and extendable tables. Chinese furniture was first exported in 1958 and has been improving in quality and quantity since then. **Peking Cloisonné** . . . Cloisonné, also known as Ching Tai Lan or Fa-lan, is one of the specialties of Peking's arts and crafts. This art flourished as early as the reign of Ching Tai (1450–1456) of the Ming Dynasty. The main color of the enamel used in Ching Tai cloisonné was a malachite blue, from which the term, "Ching Tai Lan" is derived. The process of making cloisonné is very elaborate. As soon as the copper base for a vessel is ready, the design is outlined by soldering thin, narrow, copper bands (called cloisons) edge-wise onto the base to form shallow cells. The cells are then filled with the appropriate enamel colors. After firing, the surface of the article is ground and polished, and the metal surface of the cloisons, now clearly visible, is inlaid with pearls, jade, coral, turquoise and other gems. Peking Arts and Crafts Branch of the China National Light Industrial Products Import and Export Corp., is responsible for the export of cloisonné ware, including vases, jars, bowls, plates, brush-washers and other exquisite articles for everyday use as well as the more ornate articles for display purposes.

Taking a look at consumer goods: Mr. Kao Feng, Deputy Managing Director of China's Light Industrial Products Corporation, and Mr. Liu Shao-shan, Legal Affairs Dept., CCPIT (right) are shown kitchen wares at J. C. Penney offices.

Photo: Mark Godfrey (Magnum/Fortune)

TEXTILES

Textiles and Fibers Committee Draw Up Report . . . The Textiles and Fiber Committee of the National Council Importer's Textile Subcommittee, has almost completed a report which they will submit to China National Textile Import and Export Corporation. The report will include the following topics: American Textile Marketing, Qualitatively and Quantitatively; Special Construction for Greige Goods (the need for a guarantee on long-term purchasing contracts with exclusivity guaranteed); Payment Terms (need for FOB quote on invoice for all piece-goods and greige goods, shorter payment terms, etc.); and The Problems Concerning the Export of Synthetics and Cotton To

China. The Committee members working on this report include the co-chairman of the Textile Subcommittee, Veronica Yhap of Dragon Lady Traders; Chromalloy, American Celanese; Spring Mills, Inc.; Lowenstein & Sons, Inc.; Dan River; United Merchants; and C. Tennant Sons & Co. **Textile Committee Apparel Section Meeting** . . . The inaugural meeting of the Apparel Section of the Textile Subcommittee was held on July 29 in New York City. Attending the meeting were: Robert Boulogne, (J. C. Penney) Chairman of the Committee; May Department Stores; Men's Wear International; Dragon Lady Traders; and a National Council representative. Unable to attend, but who is a member of the Committee, was Robert Bruce Company of Philadelphia. The meeting opened with a discussion of general operating procedures. It was agreed that the Committee would be small and informal and in order to remain flexible and work-oriented. The purpose of the Committee was set forth as a means of voicing collective concern to the Chinese issues involving importation of garments. As a group representing both large and small importers, the Committee hopes to have on-going discussions and exchanges with the China National Textiles Import and Export Corporation. The Committee is now preparing a report on current problems affecting the import of garments from China. This report will be presented to representatives of the Textile Corporation at the Kwangchow Fair and to officials at the Liaison Office of the People's Republic of China in Washington, D.C. Among the points to be covered are: (a) Shipment F.O.B. from Chinese ports; (b) Selling in U.S. Currency; (c) Encouragement of business on a continuing, twelve-month basis; (d) Improved communication, particularly in replying to cables; (e) Protection of style and design exclusives; (f) Quality control; (g) Shrinkage; (h) Improvements in shipping procedures and documentation; and (i) Labeling. The final draft of this report will be considered at the Committee's next meeting on September 4. The Committee solicits and encourages participation of all individuals and firms interested in its goals. **When Will Correspondence Be Answered?** . . . Importers, especially in the Textile and Light Industrial areas, have been having a difficult time getting replies to their letters and cables sent to Peking and to branch offices. We do not know why the Corporations or their branches fail to respond to correspondence, but we suggest that importers send copies of their correspondence to both the Headquarters in Peking and to the branch offices if you are having difficulty getting a reply from one or the other. **Branch Offices and Peking Sometimes Disagree** . . . Importers are complaining that the branches and the headquarters of Chinatex do not always coincide on what can or cannot be produced. Sometimes a negotiating team from Peking at the Canton Fair, will agree to a certain specification. Later the importer is informed by the branch that the specification cannot be produced by the local brigade or perhaps what was ordered does not exist. It is advisable, if possible, when negotiating in Canton to speak with a representative from the branch with which you will be dealing.

NATIVE PRODUCE

Smoke Ancient Porcelain! . . . Ancient Porcelain, Golden Deer and Peonies are not flowers or porcelain but the

Photo: Mark Godfrey (Magnum/Fortune)

Sewing machines, as advertised, viewed by CCPIT mission members Messrs. Han Piao, Liu and Kao, at a Montgomery Ward store, Rock Island, Illinois.

brand names of cigarets manufactured at the Chengchow tobacco factory in Honan province. A director of the factory told Sam Jaffe that the factory hopes to start exporting cigarets soon. One of the major problems, the director said, was the lack of modern cigaret making and packaging equipment. Most Chinese cigarets are wrapped in tinfoil. Only one brand, Chunghua, or China brand, a filter-tipped cigaret, is cellophane-wrapped and comes in a box, almost identical to that of Marlboro. In the future, the factory hopes to have cellophane and boxes. According to factory officials, ninety-five percent of the Chengchow tobacco factory is mechanized, and 50 per cent of the machinery was designed and built by the workers, with the only foreign machine being an American-made tobacco shredder. The Chengchow factory, one of more than ten major cigaret plants in China, manufactures four grades of cigarets, filter and non-filter. Of the tobacco China uses, most is domestically grown with some imported from the US and Canada for blending purposes. **Rosin Delegation Tours Europe on Hard Sell Mission** . . . A delegation from Native Produce has been meeting with rosin buyers in France and other European countries trying to boost its lagging sales. Bending over backwards to sell, the delegation has offered extended payment terms and have also agreed to insert a "Fall Clause" in contracts. The "Fall Clause" means that in the event of a price decline the contract may be adjusted. The delegation will not be back in time for the Fair but there will be representatives from Rosin at the Fair.

FOODSTUFFS

Foodstuffs Subcommittee Report Submitted to China . . . The Foodstuffs Subcommittee of the Importer's Steering Committee which was established early last year has presented its report to China National Cereals, Oils and Foodstuffs Import and Export Corporation. The report urges the foodstuffs corporation to consider the following: a) Modifying Chinese foodstuff products to meet the relevant technical requirements of the US market; b) Engaging the services of a limited number of carefully selected, experienced, financially sound firms with well-established distribution networks, or grant "exclusive agency" to an American importer in order to maximize the sales potential of a given product in the US; c) Initiating the importation of Chinese red meat and poultry products into the US by allowing a red meat inspection team to visit processing plants in the People's Republic of China; d) Inviting members of the National Council Foodstuffs Subcommittee to China to meet with the responsible people who process and package the foodstuffs that American importers buy; e) Inviting importers to China between Fairs for long-term business discussions, as the times of the Kwangchow Fairs do not necessarily correspond with the buying times in the US; f) An opportunity for the Foodstuffs Subcommittee to meet with Chinese officials to explore how long-term supply relationships can be developed in a mutually beneficial way; plus other matters concerning the future of foodstuffs imports from the PRC. The Foodstuffs Subcommittee was formed to: exchange views among American importers, discuss foodstuffs import questions with officials of Chinese and US governments, act as focal point at the National Council for US China Trade in arranging exchanges of trade missions and information with China. The report which the Subcommittee drew up was part of an initial effort to consider the ways in which imports of foodstuffs from China can be increased. **Customs Clamping Down** . . . Reports are that customs officials are becoming more stringent on goods without proper labeling; on containers without the weight in ounces in the proper section of the label, on the "country of origin" marking, etc. Buyers be sure you read the labeling requirements. The National Council is now involved in the translation of the US Customs handbook, *Exporting to the US* which will be available to all China's State Trading Corporations. This translation should help to reduce the number of detentions for improper labeling.

MINERALS & METALS

In calendar year 1974 China's exports of tin, antimony and tungsten ore ranked second, eleventh and seventeenth respectively among the several hundred Chinese products sold to the US. Though not as prominent as these metals antimony oxide also was an important Chinese export to the US, ranking 38th overall. Final Sino-American trade figures for 1974 reveal the dollar amounts for those four Chinese items shipped to the US:

TSUSA	*COMMODITY*	*$*
6220200	Tin, other than alloys unwrought	11,364,491
6320200	Antimony unwrought, waste and scrap	2,048,021
6015400	Tungsten ore	1,094,613
4175000	Antimony oxide	536,960

For the first six months of 1975 the strong position of these four commodities in the overall scheme of PRC exports to the US has become more apparent, with considerable advances in all items except unwrought antimony, which suffered a marked decline. Chinese shipments of tin to the US were particularly notable; this item accounted for 32.5% of all PRC exports to the US during the period under study.

TSUSA	*COMMODITY*	*$*
6220200	Tin, other than alloys unwrought	23,729,676
6015400	Tungsten ore	1,409,217
4175000	Antimony oxide	807,565
6320200	Antimony unwrought, waste and scrap	571,469

For this January-June period, tin ranked first among all Chinese exports to the US followed by tungsten (6th), antimony oxide (18th) and antimony unwrought (25th).

Baskets of the style recently displayed in New York by the China National Light Industrial Products Import and Export Corporation mission hosted by National Council.

MISCELLANEOUS

Flame Law . . . When Congress returns from its recess on September 3, a flammability standards reform act will be one of the bills up for a vote. The Senate has already passed its version of the amendments to the Consumer Product Safety Act which gives federal flammability standards a preemption over state standards. The federal preemption is designed to end the confusion of a multitude of differing state and federal standards and it is supported by both the apparel and textile industries. The House was ready to pass its Consumer Product Safety bill but got bogged down in debate and will take it up again on September 17. **Fly It T.A.** . . . If samples are needed in a hurry, the cheapest air freight is the T.A. system. This system means that the goods are sent by train to Hong Kong then Air Freighted from Hong Kong to the US. **Cheaper Ways to Kwangchow** . . . Among the airlines which have excursion rates to China are: Pan American which has a 14 to 21 day excursion fare from New York to Hong Kong for $1406.00; Air France has an excursion from New York to Shanghai or Peking for 7 to 45 days at $1,114.80. From Peking to Canton the domestic fare of $134.00 round trip is extra; Japan Airlines has an excursion from New York to Shanghai or Peking for 14 to 21 days at $1,666.80 (to Peking), and $1,529.60 (to Shanghai); Pakistan International Airlines' excursion for 7 to 45 days from New York to Peking or Shanghai costs $1,114.80; Canadian Pacific is, unfortunately, not yet flying to China. (For all Fares $3.00 tax must be added.) 完

UCBR welcomes contributions to "Importer's Notes." Please write to Suzanne Reynolds at the National Council.

PERIODICALS FEATURING CHINA

Stanley B. Lubman

CHINA QUARTERLY $10 per year

ASIAN SURVEY $15—individuals $21—institutions

FAR EASTERN ECONOMIC REVIEW $45—Jetspeed $25—surface mail

Each of these three periodicals may interest American business persons who want to learn more about China. Non-specialists who wish to add to their general background or to inquire into a specific China trade or economic subject are usually surprised to discover how much information is available. From China itself come not only general publications with authoritative statements on political and economic subjects and policies like the *Peking Review*, but other periodicals on particular subjects of interest, such as medicine and, of course, *China's Foreign Trade*. The United States government annually sells translations of tens of thousands of pages of Chinese newspapers and magazine articles, radio broadcasts, selections from recently published books and, sometimes, entire books. Secondary sources abound too, in an unceasing outpouring of scholarly books and periodicals.

Non-specialists can't follow all of these sources, and even if they could, they might find the Chinese ones puzzling and the scholarly ones for the most part, esoteric. But they may wish to keep abreast of current events in China, or to follow economic news. What can they read? The three publications reviewed here can each provide the businessman with useful information and opinion.

The *China Quarterly*, published by the Contemporary China Institute of the prestigious School of Oriental and African Studies of London University, is the leading scholarly journal on modern China. It is edited by Dick Wilson, a long-time and respected student of Asian affairs. Each issue regularly contains some three to five long articles on some aspects of modern China, as well as occasional reports from recent academic visitors to China, notes of interest to scholars, short comments on scholarly subjects and book reviews. Each issue also contains a twenty or thirty-page "chronicle and documentation" of important recent developments, both within China and in China's foreign relations.

Asian Survey is published monthly at the University of California at Berkeley. Each issue contains five or six articles, usually by social scientists, on modern Asia. The first two issues of each year publish surveys of important events in each major country of Asia during the preceding year, including, of course, China.

The Far Eastern Economic Review is published in Hong Kong weekly, under the editorship of Derek Davies, a feisty English ex-diplomat. Leo Goodstadt, a "consultant editor" who does much of the writing on China, has specialized on the Chinese economy for many years. *The Review*, as its title indicates, covers all of Asia.

Generalists with business interests need not subscribe to either the *China Quarterly* or *Asian Survey*, although they should have someone keep an eye on them regularly. The generalist may be interested in the *China Quarterly's* "chronicle and documentation" and, perhaps, in the book reviews, although not in such subjects as early Chinese Communist history or in Chinese historiography. Articles of topical interest do appear, though, such as an excellent survey of China's petroleum industry which was published in 1974. Over the past years, this publication has also regularly included articles on China's national accounts and other economic matters by such authorities as Audrey Donnithorne, Werner Klatt, Alexander Eckstein and Robert M. Field.

Asian Survey's articles on China may often be of limited interest to non-specialists, but the annual survey of China in the January issue, as well as occasional others, may be of value. During 1974, for instance, *Asian Survey* ran a survey of the Chinese wage system and several discussions of Chinese political campaigns in the 1970's.

Subscription to the *Far Eastern Economic Review* can be recommended highly. Its articles are usually thoughtful, and it is written in a lively fashion. The *Review* publishes up-to-date news and commentary on the China trade. It speculates on trade prospects before each Canton Fair and comments on each Fair after it closes. It reports on other newsworthy trade items such as expressions of Chinese interest in exporting electronic components, and on Chinese requests for delay in Japanese shipments of urea, when these developments attracted attention in late 1974.

Of particular note are the *Review's* intelligent discussions of domestic economic trends: typical articles in 1974 concerned the expansion of China's petroleum industry and Chinese media treatment of agricultural planning. The *Review* also consistently follows political developments, and in a few issues drawn at random over the past year, discussed such topics as the meeting of the Fourth National People's Congress, current trends in defining the role of the Chinese Communist Party, and large-scale transfer of bureaucrats to the country-side.

Also, from time to time the *Review* publishes surveys of particular industries in Asia, such as banking, insurance and shipping, which include articles on China. On the strength of this wide-gauge coverage, the *Review* is a handy source for anyone who wants to follow Chinese affairs without being overwhelmed. 完

Stanley B. Lubman is a Washington, D.C. lawyer specializing in China trade.

CHINA ECONOMIC NOTES

From Chinese Media Reports

MANUFACTURING PROGRESS

Iron-Steel Works—A July report from Radio Wuhan, in Hopeh Province, has revealed that Wuhan Iron & Steel Company recently completed a project designed to reduce the amount of time necessary for the steel-refining process. The technique is based on the funneling of large quantities of oxygen to the open-hearth furnaces.

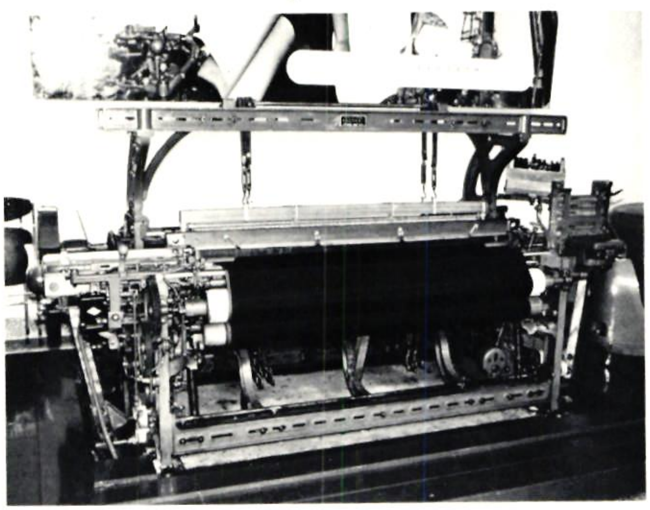
Clinometer—NCNA reported in July that a photosensitive clinometer had been successfully trial-produced by a metallurgical prospecting team in Hunan Province. Easily operated, accurate and shock-resistant, this type of clinometer was designed to measure the course of inclination in geological drilling.

X-Ray Equipment—A 100-milliampere X-ray machine has been produced by the Yangchou Medical Apparatus Repair and Parts plant, in Kiangsu Province for use in the countryside, according to a July report by NCNA. The present 200-milliampere X-ray machine which is in general use throughout China, has not been used in the country-side because of its large size and complexity. The new machine is much smaller and easier to operate and has already been put into mass-production.

Electronic Calculator—The Canton Telecommunications Equipment Factory, Canton Semi-Conductor Equipment Factory and Canton Radio Research Center have produced an integrated-circuit desk-top calculator according to Kwangtung Radio. The calculator has mechanisms for addition, subtraction, multiplication and division. Assembly began last March and was completed in two months.

Oscilloscope—Shanghai WO 21 Radio Factory has recently developed a portable ST 16 oscilloscope. This extremely small and light piece of scientific equipment features flat frequency response, pulse response, and stable synchronized triggering. Besides its use in pulse measurements and in radio-TV maintenance, the oscilloscope can also be used in industry as a monitor for program-controlled machine tools or machinery, according to the March issue of China's FOREIGN TRADE magazine. The oscilloscope will be available for export.

Chinese textile machinery on show at the Spring 1975 Kwangchow Fair.



Coking Process—The coking works of the Metallurgical Coal Company of Yanchuan Mine has successfully applied a combination of white coal and bitumen to produce an adhesive solution for coking. The coke will be used for smelting cast pig-iron, a Canton Radio broadcast stated.

Robots—According to a June report in *China Pictorial,* the PRC is making rapid advances in the development of robots—"program-controlled operating instruments modeled after the human hand"—for use in a variety of industrial enterprises. The article says that the Shanghai Plastic Electrical Appliance Parts Plant has been actively engaged in robot production work since 1970. Among the plant's more notable achievements is the design of a numerical controlled robot, automatizing the molding of plastics. At the same time, the Shanghai No. 2 Motor Car Accessories Plant and the Shanghai Motor Car Gear Plant have produced robots, on a trial basis, to meet their particular production needs. It was also reported that the Shanghai No. 8 Woolen Sweater Mill has installed an electronic numerical controlled robot on all of its knitting machines, for use in needle guiding. This development enables a single worker to operate a whole group of machines, improving overall efficiency and reducing individual exertion.

AGRICULTURE

New Grain Type—China has developed a new man-made cereal crop higher in protein content than wheat and adaptable to conditions that are poor for wheat growing, according to an NCNA dispatch. The new strain, called "octoploid triticale," does not exist naturally and was created by crossing wheat and rye and then treating it chemically to cause it to reproduce. China hopes to use it in those parts of the country where wheat yields are kept low by aridity, alkalinity and low temperature in mountainous lands with high altitude. NCNA describes the flour as comparable to bread wheat flour both in whiteness and baking quality.

Marsh Gas—A July feature in *Peking Review* lauds the expansion in use of marsh gas in rural areas as a means of expanding fuel resources. Two-thirds of China's provinces now produce this inflammable chemical for the purpose of cooking and lighting peasant homes.

Fertilizer Out-Put Up—Fertilizer production in the first half of 1975 has already exceeded last year's figures, according to a report in Hong Kong's *Ta Kung Pao* based on charts from the Chinese Ministry of Petroleum & Chemical Industries. By the end of June, eight provinces, two autonomous regions and Peking had completed more than half the quota for all of 1975.

Citrus Acreage—NCNA reports that since 1949, China's acreage of citrus fruit trees has grown six times. Seventeen provinces and regions now grow over one-thousand varieties of the tangy fruits.

Cultivation Patterns—A program of multiple-crop cultivation, which in 1972 replaced the one-crop-per-year pattern practiced by Chinghai Province farmers, has led to a readily-increasing grain output, according to an NCNA Report. Experimentation with inter-relating catch cropping and multiple cropping has been undertaken by the farmers. Maize and soy-bean are sown as catch-crops on wheatfields. Broad beans or rape seed is interpolated with potatoes and double or triple cropping use of these methods has led to full utilization of farm-land during all crop-growing seasons.

Drought Breaks—Record Harvest Folows—Heavy rains in late July ended a prolonged drought in the greater part of Northern China. Stricken since the beginning of the year, agricultural areas in the northern and central provinces of Hopei and Shanai and Inner Mongolia welcomed wide-spread precipitation between July 28 and 30, according to an NCNA report. Another report the following month confirmed that China's summer harvest is larger than ever. The Peking Radio broadcast said all the northern provinces and municipalities, which make up seventy per cent of the total summer crop acreage, have recorded harvest of ten to twenty per cent higher than the previous top year of 1974.

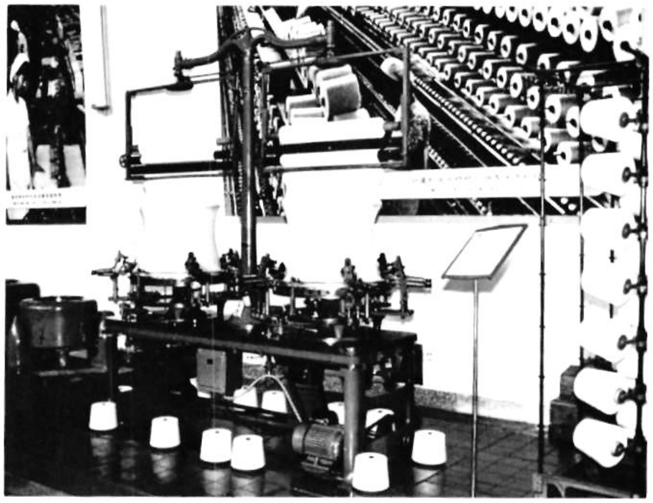
POWER GENERATION

Hydroelectric Station—Anhwei Provincial Radio has announced the completion of that province's largest power-generating station to-date—the Ching-I-Chiang hydroelectric station. The reservoir formed by the dam, which holds approximately 2.4 billion cubic meters of water, is capable of providing irrigation for more than 1.16 million square km. In addition to irrigation, this station will play an important role in flood prevention, fish-breeding and industrial development.

Irrigation Project—A project designed to harness water from the Yellow River for electrical irrigation was completed recently in Shantung Province. The project includes two large water pumping stations, one of which is capable of pumping twenty-five cubic meters of river water per second. According to Shantung Radio the project will be able to irrigate more than 350,000 MDV of land, thereby solving the problem of an adequate drinking water supply for over sixty-thousand people in the mountain areas. The project was begun in November, 1968.

MISCELLANEOUS

Man-made Satellite—Continuing the space program it began five years ago, China launched its third man-made earth satellite on July 26, 1975. According to an NCNA dispatch, the satellite is capable of making one complete



PRC-made textile machinery shown at Kwangchow, Spring 1975.

revolution around the earth in ninety-one minutes, along a trajectory having a perigee of 186 km and an apogee of 464 km. The angle of its orbit to the equatorial plane is 69 degrees.

New Coal Mine—A coal mine with an annual capacity of 900,000 tons, has gone into operation in Ningsia Hui Autonomous Region, in northwest China. The mine lies in the Holcan Mountain region, which contains rich resources of anthracite and prime coking coal.

Industrial Construction—Hong Kong's *Ta Kung Pao* reports that a sizeable number of new projects in the oil and light industries and communications and transport fields were completed and put into operation in the first half of this year. Total spending on "capital" construction in this period increased thirty-two per cent over the same period last year, representing the biggest half-year figure in recent years.

TRANSPORT AND SHIPPING

Ports—The Talien port, off the city of Luta, has become the biggest fishing port in Northern China, according to an NCNA broadcast. The fishing wharves can berth several-hundred large fishing vessels. Ice works with an annual capacity of sixty-thousand tons and a ten-thousand ton cold storage, have been built. A repair yard capable of handling five-hundred ships a year has also been constructed.

Passenger–Cargo Wharf—The Port of Haikow has completed the construction of a three-thousand-ton passenger wharf, which was put into operation on July 1, according to Haikow Radio Service. The wharf is two-hundred meters in length and has three anchorages which can handle the simultaneous berthing of three-thousand-ton passenger-cargo ships.

Oil & Natural Gas—Production quotas in China's petroleum industry for the first half of this year have been topped. The total output of crude oil was twenty-four per cent over the same period last year and output of refined oil went up by fourteen per cent, according to an NCNA dispatch.

INTERNATIONAL CHINA NOTES

CHINA BUYING REPORTS

Scientific Instruments—In the wake of the British Machine Tools and Scientific Instruments Exhibition this spring, Pye Unicam has announced a sale of spectrophotometers and chromatographs worth £85,000.

Spectacle Lenses—Morganite International, Ltd., a U.K. firm, negotiated an order for Autolow Engineering, Ltd. whereby Machimpex is buying a system designed to mass produce ophthalmic spectacle lenses. The order is worth £44,000.

Aluminum Ingots—Mitsubishi Chemical Industries, Ltd., after receiving earlier inquiry from China, is to export aluminum ingots to China on a long-term contract basis. The Chinese sought supply of 10,000 to 20,000 tons per year for two or three years at a price considerably lower than the London Metal Exchange quotation. Last year Mitsubishi exported approximately 2,000 tons of aluminum ingots to China on a spot basis.

Technical Tie-up Arrangement—Chori Company, Ltd. is expanding its non-textile business transactions by entering into technical tie-up with China for production of construction materials and electric measuring instruments. Preparations are under way for handling equipment, oil drilling ships, artificial kidneys and petrochemical plant equipment.

Machine Tools—Sankyo Seiki Company, Ltd. announced in June that it received a Chinese order for fine machine tools for working camera parts. The deal is worth about ¥ 100 million. Earlier, China ordered 14 similar tools worth ¥ 700 million from the same Japanese company.

Titanium Anode Baskets—Following an order last year for 200 titanium anode baskets, it was reported in late June that China ordered an additional 500 titanium anode baskets from Showa Entetsu (Lead and Iron) Co., Ltd. No price tag was mentioned but the company expects large orders to follow these two trial-basis dealings.

Oil Driling Rigs—It was announced May 19th that China ordered two offshore drilling units worth $60 million from Robin Shipyard in Singapore. The rigs will be built under unspecified American patents.

Control Equipment—Electronic Monitoring and control equipment costing £25,000 will be provided by Delta Controls, Surrey, England. The equipment is for three chemical plants being built in China by Huertey, a French contractor. The contract was announced June 24th.

Equipment—BICC won an order in June to sell China £ 100,000 worth of equipment built at Helsby, UK. BICC sold 200 high voltage capacitors to China last summer.

Color Picture Tubes—Hitachi, Ltd. is shipping 19-inch color picture tubes to China. Completion was to be the end of July. Hitachi has previously shipped 2,000 color picture tubes to China on an order placed through Nishi Nippon Trading Company, Ltd.

Sulphur—Baghdad reported in June that China ordered 50,000 tons of Iraqi sulphur for the second half of this year. The Director of Iraqi State Organization has also concluded a similar agreement for minerals.

Lead—Japanese lead smelters signed export contracts in early June to sell 3,000 metric tons of pig lead to China with delivery in the second quarter of this year. The sale to China is on a cash basis and comes in apparent response to a cut-back in smelter production and pile-up of domestic and imported concentrates. Metal prices are low and April electrolytic prices were the lowest since December 1973.

Copper—New Guinea held negotiations in mid-July with China to sell 5,000 tons of copper concentrate from Bougainville Copper, Ltd. The concentrate is 29-30 per cent copper and will be sold at world prices for October shipment, if the sale is completed.

Film Processing Equipment—As part of the Technicolor group's £ 3 million export order to China, Photomec, a film processing equipment manufacturer, is providing three machines linked with a huge dye transfer plant to be installed in Peking.

Synthetic Fibers—China has signed contracts to import 25,420 tons of textile materials from Toray Industries, Teijin and eight other Japanese synthetic fiber companies in the second half of this year. The imports are 2,000 tons of nylon filament, 16,600 tons of polyester staple, 800 tons of polyester top, 270 tons of acryl filament, 2,500 tons of acryl staple, and 750 of acryl top; total value is about $30 million.

Copper Smelting Plant Inquiry—The possibility of importing copper smelting equipment capable of producing 10,000 tons of copper ingots monthly is the subject of inquiries by Techimport. The inquiries reported in Mid-July were addressed to Sumitomo Metal Mining, Furukawa Mining and other copper smelters. The Chinese intend to import all necessary equipment except electrolytic. Industry sources report the Chinese are interested to acquire a flash smelting process developed by a Finnish smelter and now popular in Japan for its pollution control and labour savings. If the talks are successful, the value of this deal is expected to be ¥ 40,000–50,000 million.

Pollution Measuring Devices—It was reported July 10th that two pollution measuring devices exhibited by Denki Kagaku Keiki Company, Ltd. at the Japanese Electronics and Measuring Instruments Show in Shanghai were sold. No price was mentioned. The company also received an order for another digital Ph meter and ten iron electrodes.

Chemicals—The Japanese chemical industry announced sales at the Spring Kwangchow Fair worth ¥8,500 million.

Major Chinese imports are: 4,500 tons of caprolactam, 4,500 tons of polyester chips, 3,000 tons of methanol, 9,000 tons of phthalic anhydride and 4,000 tons of ethylene glycol.

Newsprint Pulp—Ataka and Company, a Japanese trading house, concluded a contract in early July whereby Ataka is to ship 4,000 tons of newsprint pulp worth U.S. $1.3 million by mid-July to the China National Light Industrial Products Import and Export Corporation. The pulp is produced by Finley, in Canada. Finley is a joint venture of Jujo Paper, a major Japanese paper manufacturer, and local Canadian concerns. Finley is to export an additional 2,000 tons by October and, commensurate with its productive capacity, will continue to supply China with increasing amounts on a long term basis.

Tankers—It was reported in June that China bought a Norwegian tanker of 96,000 dwt for $5.2 million.

German Steel Plant—The initial sections of a complete cold rolled strip mill and casting plant ordered earlier this year from Demag and Schloemann-Siemag were shipped through Hamburg in late June. The plant sections range from 120 to 6,500 tons and are being shipped by China Ocean Shipping Company and the Hamburg Rickmers Line. The total order is scheduled for delivery over the next two years. A special computer control transport system was developed for the project.

Mining Technology—Among new electronic technology developments for mining is a radio control unit for face machines. The development was reported in July as having been marketed in China. The new unit means machines at the mine face may be controlled by an operator up to 20m away.

Rice—Following the opening of diplomatic ties with Thailand, China has agreed to import 200,000 tons of Thai rice.

Philippine Sugar—It was revealed on July 27 that Ceroils signed a contract with the Philippine International Trading Co., for the import of sugar. The quantity and other contract details were not disclosed, except to say the value is U.S. $3.1 million. This shipment is the first known import of Philippine sugar by China.

Japanese Iron Ore Technology—Japan's Kowa Seiko, Ltd., has sparked Chinese interest in its newly-developed "Wako process" for the treating of cinder (baked iron ore). Recently, a team of seven engineers from Techimport witnessed a test-run of the process in Japan. Observers think that China hopes to build a plant capable of processing 300,000 tons of cinder annually, and may decide to import 10,000 m. worth of equipment. The Kowa-Seiko process, patented in fifteen countries, involves adding pulverized iron ore to calcium chloride and creating pellets.

Fertilizer—A sharp drop in fertilizer prices has forced the Japanese fertilizer industry to export to China at about half the price of last year. Tokyo will export 500,000 tons of urea and 220,000 tons of ammonium sulfate between August and next January at ¥50,000 FOB per ton [for urea] representing a drop of about ¥25,000 from the second half of 1974. Worldwide shortages of raw materials account for the lower price. China will pay in dollars for the chemicals.

CHINA SELLING REPORTS

Oil to Brazil—In 1974, China-Brazil trade was $16 million with Brazil selling sugar and soybeans to Peking but buying virtually nothing. The Chinese indicated in early June their willingness to balance trade by selling crude oil to Brazil.

Fuel Oil for Thailand—Thailand received its first shipment of 4,399 tons of diesel oil from China early March. In April, the second shipment of 4,228 tons arrived and in May, 10,147 tons. All the oil is part of a 75,000 ton oil contract signed in Peking at the beginning of the year. The May shipment arrived via the British tanker *Hinea*, whose local Bangkok agents are Ngow Hock, direct from Dairen to Bangkok.

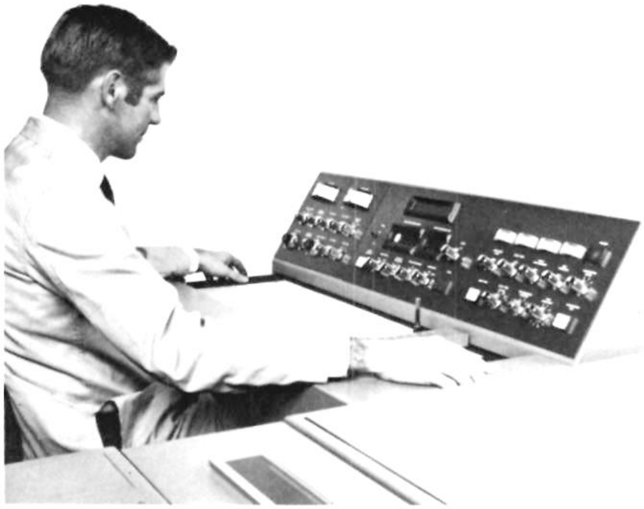
Lubrication Oil Agents in Bangkok—A newly formed company, Bangkok Petroleum Trading Company, Ltd. was announced on 29 May as being appointed by a firm in Hong Kong as exclusive agents for Chinese lubrication oil in Thailand. The Bangkok company brought the first 600 barrels of lubricating oil into Thailand recently. An additional 1400 barrels was scheduled for shipment in June. Bangkok Petroleum Trading Company, Ltd. also intends to import high-speed diesel oil, grease, and paints from China for the domestic market.

Coking Coal—It was announced in mid-July that Japanese steelmakers would visit China starting July 21 and stay about two weeks initiating talks concerning import of Chinese coking coal. Unwilling to sell such coal since 1968, Peking hinted a change in stance and possible sales of Tatung coking coal at the Spring Canton Fair. The mission, headed by the president of Nippon Steel Corporation was to make inspection visits of factories in Northeast China.

Weed-eating Fish—Under the new two-year extension of the China-Egypt trade agreement signed May 31 in Peking, Egypt will import Chinese weed-devouring fish to be stocked in the Nile. Reports say 20,000 fish will be supplied to clear clogging caused by the Aswan Dam.

Chinese Cocoon Sales—Reports in late June are that a Japanese trading house has contracted for 30 tons of Chinese silk cocoons. Rumors say a total of 11,000 tons of cocoons are already being negotiated for shipments to Japan between July and October.

Chinese Oil Refinery—Negotiations have begun between Idemitsu Kosan Company, Ltd. and China to switch the company's Kobe refinery to a refinery for Chinese oil. The Japanese company is bargaining for lowered prices on Chinese crude to make it competitive with mid-Eastern oil. Crude oil from Taching has larger contents of paraffin and residue and smaller contents of gas oil and kerosene.



Model 180 Infrared Spectrophotometer sold to the PRC by Perkin-Elmer.

Therefore, the plan requires installation of additional fractionators and dewaxing equipment. As a result, oil products made from Chinese crude for the Japanese market are relatively lower in value.

Batteries—Reports in early May have it that China is selling batteries to Madagascar on a trial basis at half the Madagascar market price.

Steam Coal—China was reported on August 7 as concluding contracts for the sale of 34,000 tons of steam coal to Japan at a price below $33 CIF per ton. Delivery is to be during and after August. The buyer, Electric Power Development Company, will use the coal in thermal power plants chiefly for burning tests leading to possible import of larger quantities.

Tungsten Price Pact?—China has begun a collaboration with seven major corporations in the West which may lead to an effective price-stabilizing world agreement on tungsten. A private meeting convened by the Bolivian Government in Geneva at the end of July, resulted in the decision to pursue a formal agreement on an international commitment to a maximum and minimum price—(tentatively $ U.S. 74.20 and $ U.S. 95.40 a tonne, of 65% WO 3 concentrate, it is believed). Further discussion was conducted at the ninth session of the UNCTAD (United National Conference on Trade and Development) Committee on Tungsten, also in late July. The members of the five-month-old Primary Tungsten Association—Association Nacional de Mineros Medianos, Camara Nacional de Mineria and Corporacion Minera de Bolivia (all of Bolivia), Beralt Tin and Wolfran (SARL) of Lisbon, Minero Peru, Peko-Wallsend of Sydney, Australia and Societe Miniere d'Angla de of Paris—together with China control between eighty per cent and ninety per cent of the tungsten that flows into international trade.

AIR AND SEA

Sino-Japanese Fishery Agreement—Japan and China have reached accord on the government fishery agreement under negotiation for several years. Mutual and major concessions were made on control measures in waters covered by the agreement. Restricted waters and a "military alert zone" specified in the current private agreement, which expired on June 21, will probably be retained under the new pact.

Shipping Tax Exemption—Since early June, Japan and China have mutually exempted merchant ships calling at each other's ports from port taxes including income and enterprise taxes. The exemption policy became effective following Japanese Cabinet approval of the agreement signed between the two countries.

Trans-China Air Service—Despite financial difficulties, Alitalia reported in late June that it had opened negotiations for a trans-China air route. The route will replace trans-Siberian service to Japan which earlier was discontinued.

Oil Transport Negotiations—Japan Line, Iino Lines and several other Japanese shipowners initiated exploratory negotiations in July for transport of Chinese crude oil imports to Japan. According to a recent JETRO report by 1985 Japan will be importing 96 million tons of Chinese crude which may mean big business for Japanese shippers. At the same time, however, shipping arrangements for the 1.5 million ton steel export contract of this year call for 300,000 tons to be shipped CIF on Japanese ships during the July-September quarter. Meanwhile, the remaining 1.2 million tons will be shipped FOB on Chinese-flag vessels.

Japanese Shipping Delegation—The Japan-Line, Ltd. shipping delegation led by Hisashi Matsunaga arrived in Peking June 9 at the invitation of the China National Foreign Trade Transportation Corporation and the China National Ship Chartering and Ship Brokers Corporation (Sinofracht).

EXHIBITIONS, DELEGATIONS, AGREEMENTS

Sino-Panama Trade—China concluded a trade agreement with Panama in May for the import of 10,000 tons of bananas from Panama at a preferential price.

Afghanistan Trade Protocol—The 1975 trade protocol was signed May 11 by the Chinese Ambassador and Afghan Minister of Commerce. Pursuant to the revised agreement, Afghanistan will export raisins, cotton, dried fruits, cumin seeds, medicinal herbs, and other goods to China in exchange for tea, textiles, paper, leather products, and machinery. No official figure was put on the value of the protocol.

China-Cuba Pact—A Cuban trade delegation in Peking May 8 signed a trade protocol for 1975 promoting economic ties between the two countries.

Payments Agreement—It was reported in July that Finland concluded an agreement with China concerning Finnish Mark clearing arrangements. The Finns also have an annual trade agreement covering the calendar year 1975.

Pharmaceutical Agreement—The Cibrascex Company of Brazil signed an agreement in Peking concerning representation in pharmaceuticals with the China National Chemicals Import and Export Corporation.

Delegation to Denmark—The first session of the mixed China-Denmark trade commission was held in Copenhagen, June 16-20.

Economic Delegation to Italy—A Chinese economic delegation arrived in Rome June 23 for a meeting of the Italy-China commission for economic co-operation.

Pakistan-China Border Trade—China will supply agricultural implements and other commodities to Pakistani border areas while Pakistan will export cotton textiles, yarn, and cigarettes under an agreement recently concluded.

PRC Trademark Agreements—Notes were exchanged confirming reciprocal registration of trademarks between China and New Zealand (June 18), France (July 15), and Germany (August 8).

Shipping Delegation to Romania—At the invitation of the Romanian Ministry of Transport and Telecommunication, a Chinese government shipping delegation recently visited Romania. The delegation talks culminated in a shipping agreement between the two governments.

Exhibition in Ecuador—The first Chinese trade and economic exhibition was held in Quito from July 1 to July 13. More than 190,000 visitors including the Ecuadorian President toured the exhibition. In addition to the trade exhibits several Chinese films including "The White-Haired Girl" were shown.

Cargo Checkers Visit—The delegation of Japanese cargo checkers recently concluded its tour of Talien, Tientsin, and Peking before leaving to tour southern China. The delegation was representative of both the All Nippon Checkers Corporation and the Japan Cargo Tally Corporation.

Japan Banking Mission—Computerization of banking business and yen-yuan settlements were the subjects of discussion for a seven member Tokai Bank delegation visiting the Bank of China in Peking.

Trade Agreement with USSR—The Chinese trade delegation returned from the USSR August 1 having signed a government to government 1975 agreement on goods exchange and payments.

Insurance Conference—A Chinese delegation from the People's Insurance Company attended, as observers, the Fourth African Insurance Conference held in Lagos.

Menswear Delegation—British Menswear Guild announced that it has written to the Chinese government requesting permission to send a selling mission to Peking.

Permafrost Technology Delegation (Railways)—The Permafrost Area Railway Engineering Group of the Chinese Civil Engineering Society visited Mackenzie Delta exploration sites to study Canadian technology dealing with permafrost. A Canadian railroad delegation will visit China as of October 10, 1975.

Italian Telecommunications Delegation—At the invitation of the Chinese Ministry of Posts and Telecommunications, the Italian telecommunications delegation arrived in Peking 6 July for discussions.

French Telecommunications Delegation—The French telecommunications delegation concluded its meetings in Peking 28 June and left by air to tour southern parts of China including Nanking where they visited a local postal machinery plant.

Agricultural Delegation—A British agricultural delegation of the Royal Society of Britain arrived in Peking in July. The delegation, led by Oxford Department of Forestry Science Professor John Raker, toured parts of China for study purposes.

FOREIGN AID

Brick Factory—The Harisiddhi Brick and Tile Factory, jointly built by Chinese and Nepalese, near Kathmandu has simultaneously increased brick output by 2½ million this year and trained more than 40 technicians over and above its original eleven.

Water Supply Project—On 11 June 1975 the Chinese handed over to the Tanzanian authorities a water supply project built in the Dodoma region with Chinese aid. The supply system is based on 25 new wells which will supply 8,000 tons of water a day for communal needs, agriculture, and livestock.

Telecommunications Equipment—It was reported that China gave telecommunications equipment to the Maldives. The equipment is for internal telecommunications and was installed by Chinese and Maldavian technicians in Male Island and the Lama atoll.

Long-term Assistance—New Guinea announced that it will seek long-term technical cooperation from China. An earlier mission investigated the prospects of China as a possible source of machinery, and consumer goods and as a market for raw materials.

Hydro-electric Power Station—Foundation-laying ceremonies for the Bouenza hydro-electric power station and high power transmission line and transformer station in southern Congo took place June 24. The two Chinese-aided projects initiated in 1973 will be the first hydro-electric installation in the Congo. When completed, the Bouenza power station output will be 74,000 kilowatts.

Laotian Technical Aid Agreement—The Laotian Vice-Minister of Economy and Planning visited China in early June for consultations concerning continuation of the economic and technical aid agreement signed in September 1974. Among the aid agreed to was: 4,000 tons of rice gratis, agreement to purchase 6,000 tons of rice from China, agreement on transportation procedure for goods earlier acquired at a cost of 2,258,000 yuan; purchase from China of 5,700 bicycles, 500 ploughs, and more water pumps. There are also reports of more bicycles and pumps being given to Laos. Laos bought consumer goods and foodstuffs worth 3,500,000 yuan. In addition China agreed to give assistance in porcelain-making and map preparation through the U.N. A Chinese technical delegation will visit Laos to determine the country's aid requirements and a new road is to be built from Nam Bak to Luang Prahang.

PRC-Malagasy Agreement—A technical and economic cooperation agreement between the PRC and Malagasy Republic was signed 28 July in Peking. Earlier it was reported that the Chinese farm machinery technicians sent to Malagasy to train technicians for three months are returning to China having completed the task.

Payment Plan Suspended—The payment arrangements created in 1973 between China and Malta were suspended in mid-July. No details explaining the cancellation were given. Maltese importers are to settle directly with Chinese corporation instead of depositing funds with the Maltese Central Bank. The original arrangement grew out of the Economic and Technical Co-operation Agreement whereby China financed development projects through a £17 million loan. Initially, China was to pay development costs with currency obtained through exports to Malta.

MISCELLANEOUS

China Trade Subsidiary—It was reported in June that the French company, Pechiney Ugine Kuhlmann SA (P.U.K.) has established a subsidiary, Pechiney Ugine Kuhlmann China to handle all commercial transactions between the P.U.K. group and China. The subsidiary is set up in Paris and is a branch of Intsel Corporation which is specially charged with development of relations with China.

China, World Economic Power—The Joint Economic Committee report to Congress released July 15 predicts China's industrial production growth at 8-10 percent annually for the remainder of the decade. Also emphasized was China's potential to become a major oil exporter by the next decade. At the same time increase in agricultural production is needed together with imports of Western technology in several industries. Committee Chairman Hubert Humphrey in his introduction to the report said, "It is important that we recognize this new economic power and that we pursue this opportunity to help them meet their needs for Western technology by reorienting our Asian policy." He recommended that the United States and China proceed to reach a trade agreement, pursuant to the Trade Act of 1974.

Coca-Cola, The way it should be?—Coca-Cola is currying friendly relations with China through regular attendance and purchases of handicrafts at the Canton Trade Fair. Just in case China decides to introduce American soft drinks, Coke wants its name to have a familiar ring.

Chinese Foreign Trade—JETRO has reported that China imported only 12 major industrial plants worth $747 million in 1974 in contrast to 23 plants worth $1,250 million in 1973. Newest figures from JETRO put China's total value for foreign trade in 1974 at $13,765 million up 39.5% from the last year. A deficit of $1,271 million due in part to increased prices of grain and machinery, sharply contrasted with the 1973 figure of $80 million.

Intermediary Agent—Marubeni, a Japanese trading corporation reported in mid-July that it will act as intermediary agent for China in the case of two contracts: one import and one export. Marubeni, importing prawns for the domestic market, has obtained Peking's sanction to re-export 40 tons of stripped prawn to New York. On the Chinese import side, Marubeni has contracted for 9,000 tons of Canadian pulp which is China bound and follows last year's deal for 6,000 tons. The Chinese use of Japanese companies as intermediary agents began only two or three years ago with the import of Australian wool via Japanese traders. Recently, China has bought cotton, steel scrap and various other raw materials in the same fashion.

Textile Restraints—The Australian textile industry, suffering because of cheap imports, insisted that the Government seek voluntary restraints of Chinese exports. China has objected to such moves.

Sino-Japanese Trade—Japan's total trade with the PRC in the first half of 1975—$1.797 billion—represented a 30.2% gain over the same period in 1974, according to figures released by the Japan External Trade Organization (JETRO). The JETRO statistics revealed that during the first two quarters of this year, Tokyo enjoyed a $463 million trade surplus with the PRC, compared to only $148 million in January to June 1974. JETRO noted that three items—steel, machinery and chemical fertilizers—accounted for 77.3% of all Japan's $1.13 billion in sales to the PRC. At the same time, Tokyo's first-half purchases from China totalled $667 million, a gain of only 8.2% over a comparable period last year. JETRO ascribed the paucity of this increase to "slumping (Japanese) business activity."

JOBS WANTED

Mechanical Engineer. Registered P.E. Attended universities in Canada, PRC and US. 14 years working experience in Canada and the US. Seeks position with firm doing business with China. Permanent or temporary assignments. 黄

CABLE RATE UPDATE

Chinese telecommunications authorities report that there are two cable rates valid from anywhere in China to anywhere in the U. S. The full service rate, with delivery promised in eight hours, is 1.44 yuan per word, a minimum of seven words required. The telegraphic letter (24-hour delivery) rate is 0.72 yuan per word, a minimum of 22 words required. The same delivery periods and minimum wordage standards prevail for cables from anywhere in the U. S. to anywhere in China but the charge per word is only about half as expensive: 34¢ per word for the full service rate, and 17¢ per word for the telegraphic letter.

A NEW CHINA TRADE RESOURCE

East-West Trade Market Data Package

The Office of East-West Trade Analysis in the Department of Commerce's Bureau of East-West Trade has developed a helpful new information kit—the Market Data Package (MDP)—which should be of interest to any China trader, particularly those seeking to export their products to the PRC. The MDP consists of the following—

- *Projections of U. S. export potential in a specific product line* (At the five-digit SITC or Standard International Trade Classification number level of definition) for China and seven other nonmarket countries: USSR, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland and Romania.

- *Data describing individual product line exports* by the U. S. and fourteen other industrialized nations to China and the seven other nonmarket states, broken down by exporting country, according to both dollar amount and percentage of total export.

- *Export data covering U. S.-China trade*, as well as American trade with the other socialist states at the seven-digit (Schedule "B") level of definition for the product concerned.

- *Identification of the foreign trade organizations* in China and the other seven countries responsible for handling the products in question. Street addresses and, where available, Telex numbers are included in this listing.

- *Bibliography of Department of Commerce publications* which contain relevant information concerning the product.

While the package is designed principally to help exporters, information on Chinese exports (as well as those of the other seven nonmarket countries) to the US and the other industrialized nations is also presented. In the case of the US, these figures are available at the seven-digit (Schedule "A") level of definition.

For most US firms assaying the China market, the two most interesting components of the MDP will be the sections on projection of market potential, and industrialized West exports to the PRC. Aside from the US, the industrialized states surveyed in the package are Austria, Belgium/Luxembourg, Canada, Denmark, Federal Republic of Germany, France, Italy, Japan, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

Based on the example of one item—(fork-lift SITC 719.32)—the projection section of the MDP for China is shown below.

Line one (industrialized world) indicates the total dollar amount of all industrialized world exports to the PRC for the product concerned, 1969-1973 inclusive. Figures for 1974-1977 are projections based on extrapolation.

Line two (U. S.) indicates the total dollar amount of U. S. exports to the PRC for the product concerned. As is apparent, there were no American exports of fork-lift trucks to China in the period for which actual data are available.

Line three (U. S. potential) is derived from multiplying line one by line four. Past performance (1969-1973) is a reflection of what the U. S. could have done and the 1974-1977 figures indicate what the U. S. would likely do in selling fork-lift trucks to China.

Line four (U. S./IW) indicates the percentage of the U. S. market share of industrialized nations' fork-lift truck sales to China.

While the projections in this table are interesting, corporate planners should regard them as no more than ballpark figures because the data on which they are based is quantitative. Past numerical performance alone is no foolproof way of predicting how many fork-lift trucks the Chinese will be buying from the U. S. or anyone else two or three years hence.

This problem does not exist with the historical presentation of Industrialized World exports to China of the product concerned.

Other information contained in the MDP for fork-lift trucks reveals that in the PRC the China National Machinery Import and Export Corporation handles the product. Relevant Department of Commerce publications, if any, would also be listed.

The Market Data Package is available to interested firms at the rate of $20 for a single SITC code and $10 for each additional SITC code in the same order. For faster processing, requests should be submitted on an SITC basis, but if a company is not familiar with SITC nomenclature, it may identify items by seven-digit Schedule "B" or TSUSA numbers. These are converted by the Office of East-West Trade Analysis into SITC code and returned to the firm for final determination of the particular SITC defined items, for which it wishes to receive information. For details, call (202) 967-2734. 完

	1969	1970	1971	1972	1973	1974	1975	1976	1977
1) Industrialized World—$,000	306	2328	72	468	1696	1250	1342	1934	1526
2) U.S.—$,000	-o-	-o-	-o-	-o-	-o-	-o-	-o-	-o-	-o-
3) U.S. Potential—$,000	61	530	11	53	208	132	130	128	128
4) U.S.-I.W.	.1997	.2278	.1977	.1129	.1226	.1053	.0915	.0895	.0838

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FULL MEMBERSHIP

Membership in the National Council for United States-China Trade is open to American firms interested in doing business with the People's Republic of China. The principal categories of membership are (1) corporations or business entities with sales or gross income equal to or greater than $50 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are $2,500; (2) those with sales or gross income of between $20 million and $50 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are $1,000; and (3) those with sales or gross income of less than $20 million for the fiscal year immediately preceding the date of application for membership, for whom the annual dues are $500.

IMPORTERS AFFILIATE MEMBERSHIP

In a special effort to assist smaller American firms interested in importing goods from China, the National Council has a special category of affiliated membership. Companies engaged primarily in importing, and having sales or gross income of less than $10 million in the year immediately preceding the date of application for membership, may join the National Council upon payment of annual dues of $250.

Importers in the National Council constitute a special committee whose activities are designed not only to acquaint importers and potential importers with Chinese manufacturing, sales and trading practices, but also to aid the Chinese Foreign Trade Corporations in understanding the import regulations, consumer tastes and other market conditions in the United States.