

Appendices

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APPENDICES

APPENDIX 1

DOING BUSINESS WITH CHINA

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Industry and Trade



U.S. DEPARTMENT OF COMMERCE
Industry and Trade Administration

Revised March 1979

Introduction

U.S. Policy

The United States officially recognized the People's Republic of China (PRC) on January 1, 1979. The status of the U.S. Liaison Office in Beijing (Peking) and the PRC Liaison Office in Washington is to be raised to that of an embassy on March 1, 1979.

This action by the two countries was the culmination of an effort set in motion by President Nixon's trip to China in February 1972. The Shanghai Communiqué issued on February 28, 1972, signified a dramatic shift in Sino-American affairs, ending the near absence of relations with the Mainland that dated back to before the Korean War. As a result, liaison offices were opened in the respective capitals in May 1973, the National Council for U.S.-China Trade was formed, and trade between the United States and China began to expand. It is the policy of the U.S. Government to promote trade in nonstrategic goods with the PRC.

Although trade in 1978 exceeded \$1 billion, unresolved trade and commercial issues continue to hamper its growth.* Neither country enjoys most-favored-nation (MFN) tariff treatment, and China does not have access to Export-Import Bank loans and guarantees and other financial programs of the U.S. Government, except for CCC (Commodity Credit Corporation) agricultural credits. The unresolved claims and assets issue inhibits or precludes direct banking relationships, direct shipping or airline connections in flag carriers, and the exchange of trade exhibitions. It is the policy of the U.S. Government to seek resolution of these and other barriers to the full development of trade and commercial relations.

PRC Foreign Trade Policy

Its leaders view international trade as an important factor in transforming China into a modern industrial state, as well as an instrument to foster the overall political and economic goals of making China a strong unified nation capable of exercising leadership in Asia and the world. Import policy is directed at the acquisition of capital goods that embody the modern technology needed to develop China's industry. Trade also is used to overcome serious shortcomings and bottlenecks in domestic production.

* Appendix 1 lists U.S. domestic exports to China for January-November 1978, and Appendix 2 lists U.S. general imports from China for the same period.

A NOTE ON PINYIN

On January 1, 1979, China adopted officially the "pinyin" system of writing Chinese characters in the Latin alphabet. A system of romanization invented by the Chinese, pinyin has been widely used for years in China on street signs and commercial establishment signs, as well as in elementary Chinese textbooks as an aid in learning the Chinese characters. Now pinyin is to replace the familiar Wade-Giles romanization system even in China's English language publications destined for foreign distribution. Therefore, pinyin is used throughout this report, giving the Wade-Giles romanization in parentheses after the first occurrence of each pinyin expression. Some words frequently used in this report are given below in Wade-Giles and pinyin.

WADE-GILES

Peking
Kwangchow/Canton
Tung Fang
Erh Li Kou
Hsi Chiao
Kuanghua
Mao Tse-tung
Teng Hsiao-ping
Hua Kuo-feng
Chou En-lai

PINYIN

Beijing
Guangzhou
Dong Fang
Erligou
Xijiao
Guanghua
Mao Zedong
Deng Xiaoping
Hua Guofeng
Zhou Enlai

A prevailing theme in PRC foreign trade policy has been economic independence. Until recently, China has avoided long-term foreign credit, preferring to scale imports to the amount of foreign exchange available from export earnings. However, the goal to thoroughly modernize China by the year 2000 and the objectives of the Ten-Year Plan (1976-85) are so ambitious that China has found it necessary to rely on some foreign financing. Until recently the PRC had attempted to become self-sufficient through development of its own productive capacity; now it realizes that the industrialization program can not be successfully completed in the desired time period without a major infusion of foreign plant, equipment, and technology. Generally, the PRC seeks to avoid becoming too dependent on any one country as a source of trade.

Development of foreign trade and economic relations with most nations of the world is an important part of China's present policy to maximize the potential contribution of foreign trade to economic development. China now has trading relations with more than 150 countries. To date China has joined very few international economic or financial organizations, but Beijing's interest in arrangements that promote trade should increase as the country becomes more involved in international commerce.

Approaching the Market

Researching the Market

Prior to approaching the Chinese foreign trade corporations, many firms may want to assess the potential PRC market for their goods and services. This is a difficult process since the Chinese do not issue requests for global tenders and publish little about their plans that permit an accurate assessment of the market.

For the potential exporter, it is important to understand that the Five- and Ten-Year Plans set out general goals, while the annual plan provides more specific targets, production levels, and allocates resources needed to achieve plan objectives. Emphasis is placed on the supply of material and equipment from domestic resources and, while the long-standing policy of "self-reliance" has been modified, it is by no means dead.

When the requirements cannot be met from domestic resources, however, the foreign trade corporations in Beijing are commissioned to turn to foreign sources of supply. In 1978, for example, they probably spent about \$10 billion on imports. Generally, the Chinese will allocate their scarce hard currency resources to the purchase of agricultural commodities and industrial products needed for modernization, allowing little for the import of consumer goods.

Various groups in the United States attempt to survey Chinese industries to assess the potential for American goods and services. Some of these may be found as sectoral reports in the *China Business Review* published by the National Council for U.S.-China Trade. The Commerce Department also has published studies and has an ongoing effort to develop further market information.

Foreign Trade Corporations

Foreign trade is a State monopoly controlled by the Ministry of Foreign Trade. It is conducted exclusively through a network of corporations according to priorities established by the country's economic plan. The trade corporations are organized by commodities or services for which they are responsible. They have main offices in Beijing with branch offices in various industrial centers. The following is a listing of Chinese Foreign Trade Corporations (FTC),

commodities handled by each, with their street, cable and telex addresses.

China National Arts and Crafts Import and Export Corporation
82 Dong'anmen Street
Beijing, People's Republic of China
Cable: ARTCHINA BEIJING
Telex: 22165 CNART CN BEIJING

Pottery and porcelain, drawn-work and embroidered articles, ivory carvings, jade and semiprecious stone carvings, pearls and gems, jewelry, lacquer wares, cloisonne wares, Chinese paintings and calligraphy, antiques, straw, wicker, bamboo and rattan articles, furniture, artistic handicrafts, and other handicrafts for daily use.

China National Cereals, Oils and Foodstuffs Import and Export Corporation
82 Dong'anmen Street
Beijing, People's Republic of China
Cable: CEROILFOOD BEIJING
Telex: 22111 CEROF CN or 22281 CEROF CN BEIJING

Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oilseeds, seeds, oil cakes, feedstuffs, salt, edible livestock and poultry, meat and meat products, eggs and egg products, fresh fruit and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors and spirits of various kinds, dairy products, vegetables and condiments, bean flour noodles, grain products, nuts and dried vegetables (some nuts, dried fruits, and vegetables also carried by Native Produce).

China National Chemicals Import and Export Corporation
Erligou, Xijiao
Beijing, People's Republic of China
Cable: SINOCHEM BEIJING
Telex: 22243 CHEMI CN BEIJING

Organic and inorganic chemicals, chemical raw materials, rubber, rubber tires, and other rubber products, crude petroleum and petroleum and petrochemical products (except aromatics), chemical fertilizers, insecticides, fungicides, antibiotics and pharmaceuticals, medical instruments, apparatus and supplies, dyestuffs, pigments, and paints.

China National Instruments Import and Export Corporation
 Erligou, Xijiao
 Beijing, People's Republic of China
 Cable: INSTRIMPEX BEIJING
 Telex: c/o 22242 CMIEC CN

Telecommunication equipment, electronic computers, TV center equipment, radio broadcasting equipment, radio positioning and ranging equipment, electronic components, electronic instruments, nuclear instruments, electrical instruments, physical-optical instruments, electron-optical instruments, optical metrological instruments, geodesic and aerophotogrammetric surveying instruments, electron-magnetic analysis instruments, material testing machines and equipment, geophysical surveying instruments, pollution testing equipment, laboratory instruments and appliances, and industrial processing instruments.

China National Light Industrial Products Import and Export Corporation
 82 Dong'anmen Street
 Beijing, People's Republic of China
 Cable: INDUSTRY BEIJING
 Telex: 22282 LIGHT CN BEIJING

General merchandise of all kinds, paper, stationery, musical instruments, typewriters, cameras, film, radios, refrigerators, sporting goods, toys, building materials (plywood, insulation board, p.v.c. fittings and pipe, tiles, glass, sanitary ware, etc.) and electrical appliances, clocks and wristwatches, fishnets, net yarns, leather shoes, and leather products.

China National Machinery Import and Export Corporation
 Erligou, Xijiao
 Beijing, People's Republic of China
 Cable: MACHIMPEX BEIJING
 Telex: 22242 CMIEC BEIJING

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, industrial and institutional refrigeration and air conditioning equipment, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport equipment (aircraft, railroad, automotive, ships and parts thereof), power and hand tools, agricultural machinery and implements, printing machines, knitting

and other textile machines, building machinery, machinery for the chemical, rubber, plastics and other industries, ball and roller bearings, tungsten carbide, and machinery and equipment.

China National Metals and Minerals Import and Export Corporation
 Erligou, Xijiao
 Beijing, People's Republic of China
 Cable: MINMETALS BEIJING
 Telex: 22241 MIMET CN BEIJING

Steel plates, sheets and strip, steel sections, steel pipe and tube, railway materials, cast iron products, pig iron, ferroalloys, fluorspar, limestone, nonferrous metals, precious rare metals, ferrous ores, nonferrous ores, rare earths, nonmetallic minerals, refractories, coal and coke, cement, granite, marble, bricks and other construction materials, and hardware.

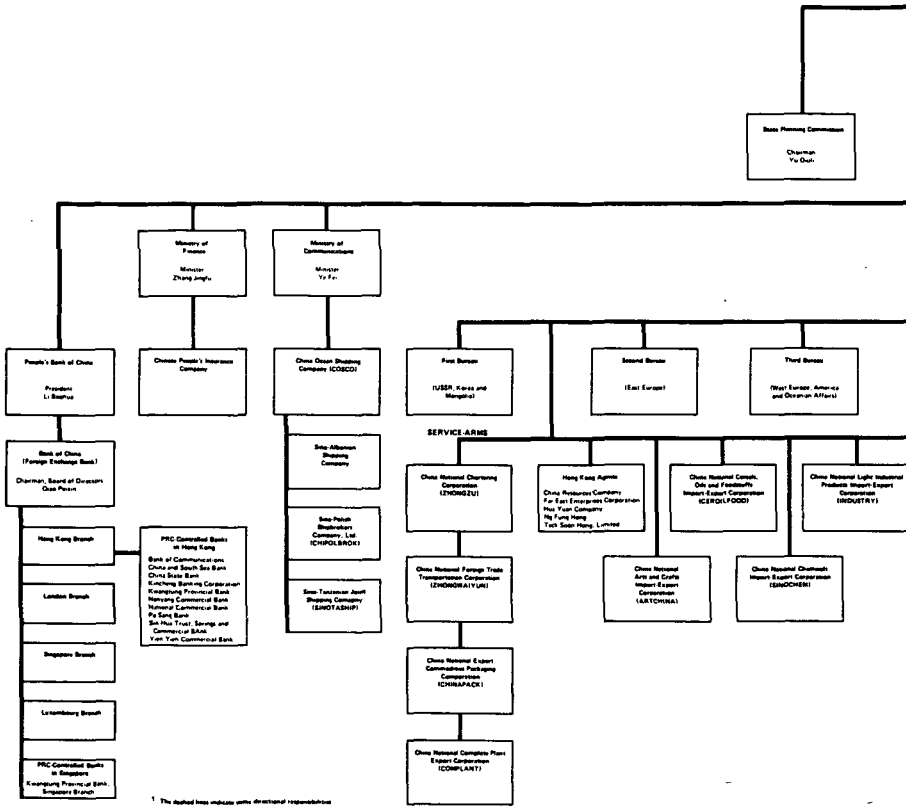
China National Native Produce and Animal By-Products Import and Export Corporation
 82 Dong'anmen Street
 Beijing, People's Republic of China
 Cable: CHINATU HSU BEIJING
 Telex: 22283 TUSHU CN BEIJING

Tea, coffee, cocoa, tobacco and cigarettes, fibers (hemp, ramie, jute, sisal, flax, etc.), rosin, manioc, starches, and seeds, cotton linters and waste, timber, certain papers and forest products, waxes, spices, essential oils, aromatic chemicals, nuts, dried fruits and vegetables (see also CEROIL-FOOD), patent medicines and medicinal herbs, fireworks, nursery stock as well as other native produce, including bristles and brushes, horsetails, feathers, down and down products, feathers for decorative use, rabbit hair, goat hair, wool, cashmere, camel hair, casings, hides, leathers, fur mattresses, fur products, carpets, living animals.

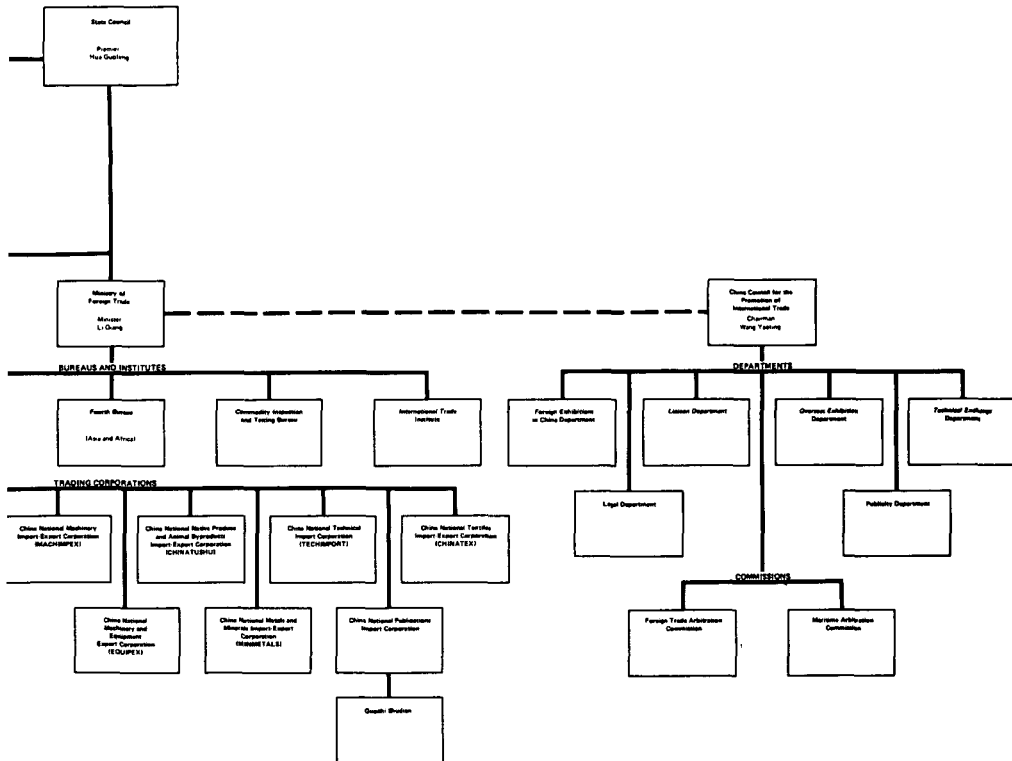
China National Technical Import Corporation
 Erligou, Xijiao
 Beijing, People's Republic of China
 Cable: TECHIMPORT BEIJING
 Telex: 22244 CNTIC CN BEIJING

Importation of complete plants and technology.

Foreign Trade Organizations of



the People's Republic of China¹



China National Textiles Import and Export Corporation

82 Dong'anmen Street
Beijing, People's Republic of China
Cable: CHINATEX BEIJING
Telex: 22280 CNTEX CN BEIJING

Cotton, cotton yarns, raw silk, steam flature, wool tops, rayon fibers, synthetic and manmade fibers, cotton piecegoods, woollen piecegoods, linen, garments and wearing apparel, knitted goods, cotton and woollen manufactured goods, ready-made silk articles, drawn works.

China National Complete Plant Export Corporation

An Ding Men Wai
Beijing, People's Republic of China
Cable: COMPLANT BEIJING

Exporters only of complete factories, works and production units, usually, but not exclusively, as part of an economic aid agreement.

China National Machinery and Equipment Export Corporation

12 Fu Xing Men Wai Street
Beijing, People's Republic of China
Cable: EQUIPEX BEIJING

Exporters only of machine tools, forging and pressing equipment, wood-working machinery, measuring and cutting tools, heavy-duty machinery, mining machinery, machinery for petroleum and chemical industries, general utility machinery, agricultural machinery, power-generating machinery, electric generating sets, automobiles, roller bearings, hoisting and transport equipment, building machinery, printing machinery, electric motors, electric devices and equipment, electric instruments and meters, physical instruments, optical instruments, complete equipment for hydroelectric power stations, refrigerating works, ice-making machinery, wood screw machinery, rubber-making and plastic-making machinery.

Establishing Contact

It takes time and patience to enter the China market successfully, whether exports or imports are involved and whether a large or small firm is participating in the transaction. Prior to establishing contact, for any but the simplest

purchase transactions, you should give thought to the following questions:

- (1) Am I prepared to invest considerable money initially without assurance of an early return?
- (2) Am I prepared to negotiate the first transaction for up to 1 year or longer?
- (3) Am I prepared to obligate the necessary senior technical talent that will be needed?
- (4) Am I prepared to walk away from an unpromising negotiation at any time?
- (5) Am I prepared to resist granting concessionary terms to penetrate this market?

If some of your answers to these questions are negative, you may want to rethink entering this market.

Generally, the first step in establishing commercial contact, regardless of whether exports or imports are involved, is to determine which of the above FTCs has jurisdiction over the commodities of interest to you. Then you prepare a proposal and send it to Beijing. If the Chinese are interested in your sales proposal, they may request additional information or a reworking of the proposal based on specifications they provide. In some instances, they may invite you to Beijing to discuss the matter further. If you are buying Chinese goods, you would normally hope to receive an invitation to attend the Chinese Export Commodities Fair in Guangzhou (Kwangchow or Canton). You may wish to request an invitation in the proposal. Sales of some commodities, of course, are negotiated directly by mail, without the need for direct contact. In a few cases, where the Chinese need a commodity, they may contact the American firm directly.

The form of the initial proposal is important, even though the ultimate FTC decision to purchase a commodity rests on the Plan requirements of the Chinese economy. The sales proposal should clearly define the products or product lines you wish the Chinese to focus on. Too often, especially with multidivision corporations or with conglomerates, confusion is created by sending the FTC annual reports or other brochure material describing all product lines. The proposal should be straightforward and sufficiently explicit and technically comprehensive to permit an in-depth evaluation by the Chinese of the products in question. The

balance of the material in the proposal, designed to acquaint the FTC with your corporation and other products, may be included, but should be clearly distinguishable from the commodities, technology, or service you hope to sell.

In selling to China, the best approach is to propose a technical exchange or seminar. The basic idea is to select some start-of-the-art developments concerning the manufacture or application of your product, technology, or service and to offer to bring a team of highly qualified technical people to Beijing to discuss them. During 1978, more than 80 American firms and several U.S. delegations held such seminars, as did many firms from Japan and Western Europe. In your proposal, care should be given to detailing the technological and cost advantages of your commodity, and details of design, manufacture, and application should be appended. It is also useful and courteous to invite the Chinese to the United States to see your plant, equipment, or technology in actual operation.

The FTC is interposed between you and the Chinese end-users, at least initially. For this reason, it is essential to provide the FTC with 20 copies of your proposal. These copies are forwarded to the appropriate planning agency, design institute, or manufacturing entity for review. Unless the FTC has already been commissioned to procure what you are selling, the chances of receiving an invitation to come to China hinge primarily on what the various end-users tell the trade corporation. If the product lines you wish to sell are in different FTCs, it would be best to prepare separate proposals. Firms should always include the words "United States" or "U.S.A." in their company's address. A firm whose name and location are quite well-known in the United States may be totally unfamiliar to the Chinese and cannot be readily identified with the United States.

In addition to the FTC which has jurisdiction over your commodity, there are other places in Beijing where it might be useful to send your proposal. One of these is the Technical Exchange Department of the China Council for the Promotion of International Trade (CCPIT); see CCPIT's address under Other PRC Trade-Related Entities. Also, the Chinese recently have established a number of corporations under respective ministries whose function is to operate plants and other facilities. These corporations probably play a key role in determining what technical seminars are to

be heard and what equipment is to be bought. Some of these corporations and their parent ministries are:

China Agriculture Machinery Corporation
(First Ministry of Machine Building)

China Cereals and Oils Corporation (Ministry of Agriculture and Forestry)

China Seed Corporation (Ministry of Agriculture and Forestry)

China Chemical Construction Corporation
(Ministry of Chemical Industry)

China National Chemical Fibers Corporation
(Ministry of Textiles)

China Coal Industrial Technique and Equipment Corporation (Ministry of the Coal Industry)

China National Feedstuffs Corporation
(Ministry of Commerce)

China National Geological Exploration Corporation (State Geology Bureau)

China National Oil and Natural Gas Exploration and Development Corporation
(China Petroleum Corporation and the Ministry of Petroleum)

China Petroleum Corporation (Ministry of Petroleum)

China National Radio Equipment Corporation
(Fourth Ministry of Machine Building)

China National Underwater Cable and Construction Corporation (Ministry of Posts and Telegraphs)

China Railway Technical and Equipment Corporation (Ministry of Railways)

China Waste Materials Reclamation Corporation (possibly the Ministry of Public Health)

These corporations may be addressed to the parent ministries in Beijing. It may also be useful to send several copies of the pertinent technical information to:

The Center for Introducing Literature and Samples of New Foreign Products, CCPIT
P.O. Box 1420
Beijing, People's Republic of China

This organization has been set up to keep users of foreign products and technology abreast of the most recent developments. The

center does not engage in business negotiations, however. Copies of your proposals, or at least the covering letter also should be sent to:

Commercial Office
Embassy of the People's Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008, and

Commercial Officer
Embassy of the United States of America
17 Guanghua Lu
Beijing, People's Republic of China

Should the proposal be put in Chinese? Of course, this is the courteous thing to do and it probably will facilitate the handling of your proposal in the PRC. On the other hand, the number of adequate translation services in the United States that are familiar with the simplified characters used in China is very limited. If your proposal covers products for which the need is unclear, it may be quite wasteful to have a lengthy proposal translated although a translation is probably helpful to the Chinese. If in doubt, have the covering letter translated; this should serve to show your interest. Any proposal in Chinese should be accompanied by the English original.

In your proposal do not overstress past relationships with China. The PRC is more interested in current performance than in any past connections, either prior to 1949 or since then with Taiwan. Naturally words such as Red China or Mainland China and other offensive terms should be avoided; refer to the People's Republic of China or simply China.

If the Chinese are interested in a proposal, they can be expected to reply, even though they may not acknowledge its receipt. However, it takes considerable time—often months—for a proposal to be disseminated and assessed. There may be no reply at all, probably indicating no requirement for such commodities at the time (Appendix 3 contains a list of commodities thought to be of interest to the Chinese). Firms that are convinced that their products mesh with Chinese development priorities should keep their products and literature before the appropriate foreign trade officials. Because of mailing and distribution time lags, 8 to 12 weeks should be allowed before initiating any follow-up activities. In general, it is advisable to follow up periodically with additional material and samples, especially with regard to any product developments that would enhance the initial approach. Any additional literature or

samples should be accompanied by a covering letter that refers to the original proposal.

The FTCs alone are responsible for negotiating contracts, although this too may change. In addition to sending copies of proposals to the CCPIT and the various operating corporations under their respective ministries, it may be helpful on occasion to visit the Hong Kong agents of the FTCs. The agents can explain the current situation and usually report fully to their principals in Beijing. In some instances they are allowed to conclude trade deals.

In addition to communicating by mail with the FTCs in Beijing or by visiting their agents in Hong Kong, several other approaches may be taken. These include: Attendance at the Guangzhou (Kwangchou or Canton) Trade Fair; participation in an exhibition in or trade mission to the PRC; contacting PRC commercial/technical missions to the United States; utilizing the services of the U.S. and PRC Embassies in the capitals of the two countries; and becoming a member of, or consulting with, the National Council for U.S.-China Trade.

In general, the Chinese prefer to deal with American firms directly, but will not refuse to negotiate through agents when necessary.

For further information or advice on contacting the Chinese on commercial matters, call or write to:

U.S. Department of Commerce
Industry and Trade Administration
Office of East-West Country Affairs
PRC Affairs Division—Room 4044
Washington, DC 20230
(Telephone: 202-377-3583/4681)

or

Office of East-West Trade Development
Trade Development Assistance Division
Room 4816
Washington, D.C. 20230
(Telephone: 202-377-2835)

The U.S. and Chinese Embassies

Liaison Offices, opened in the respective capitals of both countries in 1973, become embassies on March 1, 1979. Both embassies contain economic/commercial sections and provide important points of contact for business people from both countries.

While U.S. firms should consider keeping the PRC Embassy in Washington informed of their capabilities and their desire to do business in

China, the basic approach to selling in the PRC is through the appropriate FTC in Beijing. The U.S. Embassy in Beijing will assist Americans by providing advice on the FTCs and by generally apprising U.S. business people of the economic situation and commercial opportunities in China. The Embassy has a room with copier, typewriters, and other equipment to service the business visitor. It can arrange the loan of projectors for slide or movie presentations. During 1979, it is expected that a telex connection to service business visitors will be established at the Embassy.

The National Council for U.S.-China Trade

The formation of a National Council for U.S.-China Trade was announced on March 22, 1973. The Council—a nonprofit, private organization maintaining close liaison with the U.S. Government—serves as a forum for the discussion of trade policy and issues. It also serves as a focal point for business contact and the dissemination of information on marketing in the PRC. The Council maintains a business counseling service; it also publishes the *China Business Review* bimonthly. The Council facilitates the reciprocal arrangements of trade missions and trade exhibitions in the United States and China.

To promote these activities the Council maintains a working relationship with the China Council for the Promotion of International Trade in Beijing and the PRC Embassy in Washington. Individuals and firms interested in these activities should consult either the National Council or the PRC Affairs Division within Commerce's Industry and Trade Administration. The National Council may be reached at Suite 350, 1050 17th Street, N.W., Washington, D.C. 20036 or by phone at (202) 331-0290/0294.

Other PRC Trade-Related Entities

Bank of China (BOC)

17 Xijiaomingxiang
Beijing, People's Republic of China
Cable: HOCHUNGHUO BEIJING
Cable for all branches CHUNGKUO

The BOC handles all of China's external financial dealings, finances the FTCs, and for all intents and purposes acts as the foreign branch of the People's Bank of China, China's national bank. The BOC has branches throughout China and four abroad (Hong Kong, Singapore, London and Lux-

embourg). It also maintains corresponding banking relationships with scores of foreign banks, of which 30 or so have branches in the United States.

China Council for the Promotion of International Trade (CCPIT)

4 Taipingqiao Street
Beijing, People's Republic of China
Cable: COMTRADE BEIJING

Although the CCPIT is said to be a non-governmental "public" organization, it is an important part of China's foreign trade structure. As such it works with the Ministry of Foreign Trade and the FTCs on China's external trade and serves as a liaison between China's trade enterprises and their counterparts abroad. Its responsibilities include informing foreign trade organizations of China's trade and keeping abreast of developments in foreign markets; arranging economic and trade-related exchanges, which include Chinese exhibitions abroad as well as foreign exhibitions in the PRC; and registration of trademarks. The CCPIT does make "unofficial" trade agreements with foreign organizations in its own name. Through its Foreign Trade Arbitration Commission and Maritime Arbitration Commission the CCPIT has responsibility for settlement of legal disputes related to foreign trade and maritime affairs.

China National Chartering Corporation

Erligou, Xijiao
Beijing, People's Republic of China
Cable: ZHONGZU BEIJING
Telex: 22153 TRANS CN; 22154 TRANS CN; 22265 TRANS CN

Under the direction of China National Foreign Trade Transportation Corporation, this corporation charters foreign vessels and books shipping space required for Chinese import and export cargoes. It also does similar business on behalf of principals located abroad. Canvasses cargoes for ship owners.

China National Export Commodities Packaging Corporation

2 Chang'an Street
Beijing, People's Republic of China
Cable: CHINAPACK BEIJING

It supplies packing materials for export commodities.

China National Foreign Trade Transportation Corporation

Erligou, Xijiao
 Beijing, People's Republic of China
 Cable: ZHONGWAIYUN BEIJING
 Telex: 22153 TRANS CN; 22154 TRANS CN; 22265 TRANS CN

This corporation arranges customs clearance and delivery of all import/export cargoes by land, sea, and air, or by post. It may act as authorized agent clearing and delivering goods in transit through Chinese ports. In addition, it arranges marine and other insurance and institutes claims on behalf of cargo owners on request.

China Ocean Shipping Company

6 Dongchang'an Street
 Beijing, People's Republic of China
 Cable: COSCO BEIJING
 Telex: 22264 CPC PK CN

The company engages in cargo and passenger services, handles clearing of foreign ships and booking of shipping space and transshipment cargo.

China National Publications Import Corporation

P.O. Box 88
 Beijing, People's Republic of China
 Cable: PUBLIM BEIJING

China's importer of books and periodicals.

Guozi Shudian

P.O. Box 399
 Beijing, People's Republic of China
 Cable: GUOZI BEIJING

Guozi Shudian exports China's books and periodicals and arranges subscriptions to Chinese newspapers and periodicals on behalf of foreign readers.

People's Insurance Company of China

108 Xijiaomingziang
 P.O. Box 2149
 Beijing, People's Republic of China
 Cable: 42001 BEIJING
 Telex: 22102 PICC

This company provides international trade and marine risk underwriting at competitive rates. It has overseas agents in leading countries.

Scientific and Technical Association

31 Ganmianhutong
 Beijing, People's Republic of China

With the CCPIT, this organization plays a

role in and may be consulted on arranging scientific and technical symposia in China. It is responsible for planning scientific research and development and plays a lead role in organizing and controlling the professional societies, such as the Society of Automation, Society of Electronics, and many others.

Some of the trade organizations have agents in Hong Kong. These agents, their addresses, and the FTCs they represent are as follows:

China Resources Company (CRC)

Bank of China Building
 Des Voeux Road Central
 Hong Kong
 Cable: CIRECO HONG KONG

CRC represents China National Machinery Import and Export Corp., China National Chemicals Import and Export Corp., China National Metals and Minerals Import and Export Corp., and China National Textiles Import and Export Corp.

Far East Enterprises Corporation (FARENCO)

Bank of China Bldg.
 Des Voeux Road Central
 Hong Kong

FARENCO represents the China Foreign Trade Transportation Corporation and arranges transshipment of goods to and from the PRC through Hong Kong.

Hua Yuan Company

37-39 Connaught Road West
 Hong Kong
 Cable: HYCOMP HONG KONG

Hua Yuan represents China National Light Industrial Products Import and Export Corp., and China National Native Produce and Animal By-Products Import and Export Corporation.

Ng Fung Hong

Bank of China Building
 Hong Kong
 Cable: NGFUNG HONG KONG

Ng Fung Hong represents China National Cereals, Oils, and Foodstuffs Import and Export Corp.

Teck Soon Hong Ltd.

37-39 Connaught Road West
 Hong Kong

Cable: STILLON HONG KONG

Teck Soon Hong represents China National

Native Produce and Animal By-Products Import and Export Corp., China National Light Industrial Products Import and Export Corp., and China National Textiles Import and Export Corp.

Ministries, Enterprises, and Other End-Users.

—The FTCs import commodities and technology on behalf of ministries, enterprises, and other consuming entities in the PRC. The operating corporations serving some of the ministries have already been mentioned. It would be ideal to reach all end-users, since they play a major role in deciding what commodities are to be procured within the constraints of plans and budgets. If you are invited to Beijing for discussions with the FTC, especially if you are engaged in a technical seminar or exchange, you will be aware that end-users are present during these discussions.

Another way to contact end-users in an attempt to influence their decisions is by exhibiting equipment in China where engineers and other representatives of consuming entities have an opportunity to observe and ask questions about the equipment being demonstrated. The U.S. Government will be working to remove the remaining barriers to exchanging trade exhibitions between the two countries. Some U.S. firms with subsidiaries in Canada, or Western Europe have managed to exhibit their equipment in Canadian, British, or French exhibitions in Beijing.

Useful contact with end-users may be made when they visit the United States or third countries as members of trade missions and delegations. In any event, if PRC end-users can be reasonably identified, it may be useful to communicate by letter with them, outlining the technical and economic advantages of given products. It also is possible to get information about your products to Chinese end-users by advertising in Chinese in publications about American industrial products that are published by American firms. (See Bibliography.)

The Guangzhou Trade Fair

The Chinese Export Commodities Fair in Guangzhou, sponsored by the foreign trade corporations, is held twice a year—in the Spring (April 15–May 15) and Fall (October 15–November 15). While the Fair is heavily export-oriented and only Chinese commodities are displayed, the FTCs do purchase foreign products during this event. Since its inception

in 1957, the Fair has grown steadily. In the Spring of 1974 it was moved to a new building complex in the Liu Hua district on the outskirts of Guangzhou. The new exhibition hall is near the new train station serving Hong Kong, Beijing, and Shanghai and is a 10-minute walk from the Dong Fang Hotel, which accommodates U.S. business people. Completion of the new complex indicates that the Fair, now accounting for roughly half of China's exports, will continue to play an important role in China's trade.

The Fair offers the best opportunity for U.S. importers to transact business with China, and it affords U.S. exporters some chance to approach the FTCs. It provides a unique opportunity to assess the type, availability, and price of various Chinese products. By viewing the new products exhibited at each Fair, foreign business people may obtain a convenient overview of the technological progress of the Chinese people, and the direction such progress is taking.

Only business people or firms specifically invited by an official PRC agency may attend the Fair. In the past, invitations generally were extended to firms with whom the PRC already had well-established relations or with whom it felt there was a good possibility of doing business. In recent years, however, both the number of invitations issued to and the attendance of American business people have had marked increases. At the Fall 1978 Fair, for example, about 600 American business people attended and did approximately \$140 million worth of business.

Business people who wish to attend should request an invitation from the appropriate foreign trade corporation or one of its agents, such as the China Resources Company (CRC). The commercial office of the PRC Embassy in Washington is also able to assist in securing an invitation to the Fair. Invitations are sometimes obtained by writing to the Chinese Export Commodities Fair, Guangzhou, People's Republic of China.

Invitations are usually extended to firms rather than to individuals. It is advisable to request places for as many buyers as necessary to properly conduct discussions on the range of commodities you may wish to purchase. Individuals representing a firm must show some evidence, usually in the form of a letter from the company, that they are the ones designated by the firm to attend the fair.

Reaching the Fair.—Travel from Hong Kong to Guangzhou takes about 6 hours by train. Changing trains at the border takes several hours during which time a meal is served and customs clearance is carried out. Starting in late 1978, hydrofoil connections between Hong Kong and Guangzhou began speeding up the travel significantly. Some air connections between the two cities also commenced, but it is uncertain whether they will become permanent. On arrival in Guangzhou, foreign business people are met by a representative of the China International Travel Service and taken to their hotel, which in most cases is the Dong Fang.

Conducting Business.—To be able to enter the Fair exhibition hall and view products or discuss business, it is necessary first to register at one of the liaison offices set up by Fair authorities in the three main hotels accommodating foreign visitors. Upon presentation of the letter of invitation and identification, the liaison office issues the visitor a numbered badge that constitutes a door pass and can be used as a convenient form of identification anywhere in Guangzhou. After registration the visiting business people may request the liaison office to make an appointment for them with the appropriate FTC officials. The liaison office can also arrange for business representatives to attend various cultural events and visit local factories and communes during their free time. In general, the liaison office acts as the Fair authorities' representative in providing for all the needs of foreign business visitors.

If business people wish, they can make their own appointments by directly approaching FTC officials on the floor of the exhibition hall. Each of the eight major exporting FTCs has permanently assigned quarters in the exhibition hall where its products are exhibited. Representatives of FTCs can be found at tables set up near product exhibits in their designated areas. They can be approached during business hours, which are from 8 a.m. to noon and 2 to 5 p.m. daily except Sunday. Discussion may take place at these tables or in special discussion rooms. Importers of Chinese products known to be in short supply may in some cases find it advantageous to approach relevant FTC officials promptly after the opening of the Fair. If an importer already has established relations with certain officials, writing to them prior to the Fair about products and quantities

desired may facilitate discussions at the Fair. The FTC supplies the necessary interpreters; of course, understanding is improved if the visitor speaks Mandarin Chinese.

Discussions may cover any item of interest to either side, including price, quantity, packaging, delivery schedules, and such things as meeting U.S. labeling laws, U.S. food and drug requirements, tailoring goods to U.S. specifications, and use of U.S. trademarks. At recent Fairs, some FTCs have shown increasing flexibility in meeting the specific needs of U.S. importers. Shoes, for example, have been made to U.S. importer specifications and, in at least one instance, an FTC consented to placing a U.S. firm's trademark beside its own although the Chinese still decline to place only U.S. labels or trademarks on their products.

While the Fair is principally concerned with Chinese exports, some sales and contract negotiations do take place in Guangzhou. These sales to China are mostly in commodities such as chemicals, synthetic fibers, pulp and paper, steel, and similar industrial products. FTC officials, some highly qualified technically, will form a delegation to listen to or hold extended discussions with the American exporter. Technical seminars have been presented at the Fair. In some cases, U.S. firms may be invited to go from the Fair to Beijing.

American business people attending the Fair can now obtain assistance from officers of the U.S. Government and the National Council. Commercial officers from the U.S. Embassy in Beijing and staff members of the Council maintain suites at the Dong Fang Hotel. In addition to offering advice on Fair procedures and Chinese business conditions and practices, business representatives are provided access to a number of useful reference works and office machines, including typewriters, a copying machine and a telex tape cutter. These representatives give receptions, which have been well attended by FTC officials, providing unique opportunities for U.S. business people to become better acquainted with Chinese trade officials.

Trade and Products.—The Fair has grown in recent years with an estimated 20,000 foreign businesspeople, representing the major industrial and commercial firms of about 110 countries, attending the 1978 Fall Fair. Since 1969, trade from the Fair has been steadily increasing; for the 1978 Fall Fair, it totaled

more than \$1 billion. The past several fairs have witnessed an increase in the amount of finished and semifinished goods sold by the Chinese.

Chinese products purchased at the Fair consist mainly of foodstuffs, textiles, animal by-products, metals and minerals, basic inorganic chemicals, pharmaceuticals, hospital and other medical equipment, and arts and crafts. Chinese prices are generally competitive with world market levels, but they can fluctuate sharply.

Other Fairs and Exhibitions

Each year the PRC participates in trade fairs and exhibitions in a number of foreign countries. It also hosts foreign exhibitions in China, usually in Beijing, but occasionally in Shanghai. In addition, various FTCs have been holding mini-fairs in Shanghai, Tianjin, and other centers located near producing facilities. Such fairs, covering forest products, carpets, straw products, wines and spirits, pharmaceuticals and medical instruments, feather and down, and furs are held irregularly although some of them are expected to become regular events. They are designed to complement, not replace, the semiannual Guangzhou Fair.

Contract Negotiations

Business propositions that elicit Chinese interest usually result in invitations to go to the Guangzhou Fair if the Chinese are exporting and to Beijing if China is considering importing. For special reasons, businesspeople may be invited to other Chinese cities for discussion, for plant visits or to attend a specialized product fair. Chinese FTCs also have begun to send buying and selling missions to the United States. As emphasized above, contacts with Chinese FTCs should be opened directly. Normally, however, the businessperson's ability to begin serious negotiations depends on obtaining an invitation from the FTC to come to Beijing or to visit the Fair.

Business negotiations with the Chinese are marked by efforts to obtain as much technical and commercial information about a company's product as possible. When companies have been unwilling to discuss proprietary technical information, they have found that the Chinese understand and accept a simple statement to that effect. They are usually well informed not only about the company with whom they are negotiating but about the company's competitors and market conditions as well. Competition

among Western business firms may be used by the Chinese as a lever to get a company to improve its offer.

Negotiations with the Chinese emphasize technical aspects and are extremely detailed. It is very important to include highly qualified, tactful personnel on the negotiating team both to resolve difficult technical problems and to demonstrate the company's technical competence and serious intentions. Commercial negotiations with the Chinese often include extensive discussions on relatively minor aspects of the transactions. Careful preparation is a must. Businesspeople should have all previous correspondence and expect to confront very astute bargainers.

The nature of the negotiations is frustrating for many business people. Negotiations are often recessed while the Chinese consider the company's presentation. This provides a marvelous opportunity to enjoy Chinese hospitality and tourist sites, but it can involve excessive time of valuable staff. Decisions are usually group decisions, made in coordination with a number of Chinese entities including the FTC, the relevant ministry and the end-users. It is characteristic of Chinese negotiating style to emphasize mutual understanding and the development of good long-term relationships, both corporate and personal.

The Chinese provide interpreters, and talks are conducted in English so it is not necessary to have an interpreter present. If a member of the company's delegation speaks Chinese in addition to his other abilities, however, this can speed the discussion and resolve possible difficulties in transmitting technical and commercial information. Knowledge of Chinese business practices as well as a sensitivity to Chinese customs also can be quite useful, but contracts have been successfully negotiated by American companies without relying on such expertise.

For small value transactions or for standard products, the contracts used by FTCs are basically unchanged although they differ somewhat from corporation to corporation and from commodity to commodity. All standardized contracts are short, usually two pages. They are printed in English or in English with matching Chinese. The FTCs will make revisions to these contracts. In general, they are more willing to amend their import (purchase) contract than their export (sales) contracts. It is important for businesspeople to press for inclusion of

all terms, since the Chinese have a "strict constructionist" attitude toward contracts.

Chinese sales contracts generally afford the FTCs more protection against nonperformance than do their standardized purchase contracts. Both sales and purchase contracts contain force majeure clauses, but for Chinese exports the coverage clearly specifies various natural disasters and a catch-all phrase to cover "any other causes beyond their control." Exporters to China should be aware that the standard force majeure clause would not be interpreted to include "acts of God," strikes, or government intervention.

According to the standard contracts, inspection of both Chinese sales and purchases is done in the PRC by the China Commodities Inspection Bureau (CCIB). Such inspections are characterized by their thoroughness—even counting small items that are packed in bulk. On some projects or for some equipment, the Chinese may also insist on inspection ex-factory, or at the U.S. port prior to loading.

Finally, China's purchase contracts normally include penalty clauses for late shipment while their sales contracts are silent on the subject. In some cases, the FTCs have waived payment when they recognized that the cause of the delay was beyond the control of the exporter: however, in other cases penalties for late deliveries and for late payment have been assessed.

On large, complex transactions (such as turn-key projects) standard contracts are not utilized. The FTCs strive for contract provisions similar to those on the standard contracts, but depending on their desire for the product and the degree of competition for the transaction, tend to be more flexible.

Types of Contractual Arrangements.—Changes in Chinese foreign trade policy that became evident in 1978 now encourage counter-trade and a wide variety of contractual arrangements not practiced earlier. In an effort to maximize export earnings, the Chinese now appear willing to engage in the following types of arrangements:

- (1) Accept raw materials into China for processing and reexport;
- (2) Accept components into China for assembly, further processing, and reexport;
- (3) Enter into joint ventures where the Chinese side supplies the factory shell and raw labor and the foreign partner

brings in the raw materials, if needed, the equipment, and supplies the training of the labor, technology, and supervision, if required. The foreign partner receives the product at a reduced price until his costs, including a profit, are paid off;

- (4) Enter into joint venture arrangements of various types in Hong Kong and possibly elsewhere outside of China.

The Chinese hope to induce foreign oil companies to assist them in the development of what are thought to be considerable resources of offshore petroleum. To do this, Beijing will allow the return on investment to consist of crude oil delivered over a sustained period of time. Other forms of buy-back compensation are in practice or are being discussed. Foreign firms will assist the Chinese in the development of their nonferrous metal resources in return for a share of the mined ore or concentrated product. Even equity participation with repatriation of profits seems acceptable although the Chinese are apt to require a majority share in the venture.

The PRC will enter into licensing arrangements, technical assistance agreements, co-production projects, and consulting arrangements, including management consultancies. The PRC will barter and switch trade, too, if it is in their interest, but these types of transactions seem to be less significant.

As the Chinese move further into the modernization of their economy, they may find still other, flexible types of arrangements conducive to increased earnings of exchange. It behooves an exporter to visit Beijing with a number of such options in mind.

Arbitration

Chinese practice, domestic as well as foreign, is to avoid formal arbitration proceedings as a way to resolve contract disputes. Even when the contract contains an arbitration clause and when a dispute has been unresolved for some time, FTCs generally strive to settle the dispute through "friendly discussion." Indeed, in many contracts, "friendly discussions" or "friendly negotiations" are cited as the primary vehicle for dispute resolutions.

The FTCs will likely suggest that if arbitration is necessary, it should be submitted to the Arbitration Committee of the China Council for the Promotion of International Trade in

Beijing, under the Arbitration Committee's rules. However, in recent years, FTCs have increasingly accepted Sweden, Switzerland or other third countries as sites for arbitration.

The most important fact, however, is the degree to which FTCs go to avoid any arbitration—even in Beijing under Chinese rules. The very few cases that have been arbitrated were reportedly conducted very fairly. In the Chinese view, such disputes should be resolved by the two parties if they have a good long-term relationship. Often the Chinese methods of contract resolution are indirect and take the form of better terms on future contracts. It is preferable to explore all avenues for resolving disputes before seeking recourse in arbitration.

Currency

The currency of China is called Renminbi (RMB) or people's currency. Basic units:

Yuan (Y) = 100 fen (cents)
jiao = 10 fen

Notes are issued in denominations of Y10, Y5, Y2, and Y1; and 50, 20, and 10 fen. Coins are issued in denominations of 5, 2 and 1 fen.

The RMB is an inconvertible currency. Bank deposits can be maintained at the Bank of China, but usually RMB is bought and sold as needed for commercial and travel purposes.

The exchange value of the RMB is determined by the Bank of China and changes periodically—generally in response to international monetary conditions. The Bank of China posts bid and offer rates for the RMB against major Western currencies. The offering price of the RMB has risen recently from 59.01 U.S. cents on January 4, 1978, to 63.56 cents on December 30, 1978. During the year, it fluctuated between 57.6 and 63.6 cents.

Since August 1975, the Bank of China has permitted businesspeople with RMB denominated contracts to purchase RMB forward. However, the relatively high cost of forward RMB (30 percent for a 6-month contract), the availability of dollar denominated contracts, and the stability of the RMB-U.S. dollar exchange rate have combined to minimize businesspeople's interest in such transactions.

Payments

Most transactions in the China trade call for payment by irrevocable letter of credit (L/C) against presentation of sight draft and shipping documents. In some cases American im-

porters have been offered contracts with payment in sight draft documents against payment (D/P) terms. Letters of credit are negotiated on the Chinese side by the Bank of China (BOC), headquartered in Beijing, with domestic branches in most ports of China. Four foreign branches of the BOC are located in Hong Kong, Singapore, London, and Luxembourg. In negotiating letter of credit transactions, the BOC utilizes an extensive network of correspondent banks established throughout the world in areas where China trades. The Bank of China has not established full correspondent bank relationships with any U.S. bank although it will accept traveler's checks, traveler's letters of credit and remittance payments drawn on certain American banks having a limited correspondent relationship. To facilitate trade finance, the BOC has made arrangements with the branches of a number of foreign correspondent banks for negotiating commercial letters of credit. With diplomatic recognition, the possibility of resolving the barriers to full U.S. correspondent banking relations seems much improved.

The Bank of China has an excellent reputation both for its efficiency in handling the technical details of financial transactions and for paying promptly and in full. In general, Chinese financial practices are not greatly different than those in the West, but they do stringently implement some contract and L/C provisions to their own advantage. For example, when China is the seller, the standard form contract usually stresses that the buyer is to open the L/C promptly and may say little about the shipping and other documents that China is to present to obtain payment. When the PRC is purchasing, the documentation required by the BOC before it will make payment is spelled out in detail. Moreover, in many PRC purchase contracts, payment is to be made only after the shipping documents are received by the branch of the BOC that opened the L/C. This will increase the amount of time between the shipping date and the receipt of payment by the number of days it takes the documents to reach China. In addition, there will be a certain period during which the seller is without goods, documents, or payment. The PRC also does not follow the accepted international practice of having its letter of credit confirmed with a bank in the seller's country. Against these examples of somewhat unusual financial practices, however, one must set the Bank of China's well-earned reputation for financial integrity.

Since the early 1970's RMB has been used to denominate many foreign trade contracts—especially for Chinese exports. FTCs generally prefer to use RMB to denominate contracts because this minimizes their exposure to the fluctuation of western currency values. However, the question of the denominating currency is open to negotiation between the parties. FTCs readily accept foreign currency denomination when China is importing. On large turnkey projects, some preference is now being shown to financing in dollars owing to the depressed state of the dollar worldwide.

Shipping and Insurance

China prefers to buy goods on an f.o.b. basis, handling all freight charges and insurance. It prefers to sell goods on a c.i.f. or c.&f. basis, sometimes having the foreign importer handle their own insurance. In this way, the PRC preserves foreign exchange, retains the insurance business, and maintains greater freedom of action in handling cargoes.

A noticeable change in the last few years has been the switch in China from selling on a purely c.i.f. basis to allowing foreign importers to handle their own insurance. In China, insurance is managed by the People's Insurance Company of China (PICC)—which underwrites insurance not only on transport of exports and imports, but also on such things as ocean-going ships and aviation, the property of foreign embassies in China, fire, and motor cars, among other things. In insuring foreign trade, the Chinese state, "The People's Insurance Company of China holds that transport insurance on imports and exports should be arranged by the cargo owners, so China's imports are generally insured with the People's Insurance Company of China whereas insurance on China's exports is generally arranged by the foreign importers. However, the People's Insurance Company of China will also underwrite exports from China if foreign importers so require."

In the FTC's sales confirmation contracts, therefore, the U.S. importer will now note that insurance is simply "To be effected by the Buyers-Sellers" with the Sellers being x'd out. A typical clause used to read: "Insurance: to be effected by Sellers covering all risks and war risk as per The Ocean Marine Cargo clauses of the People's Insurance Company of China, for 110 percent of the invoice value."

In the case of China's imports, a typical clause reads: "Insurance: to be covered by the Buyers after shipment." It should be noted that "after shipment" generally means after the goods are "stowed." In other words, in buying f.o.b. the Chinese buy f.o.b. "stowed" to assure that no title problems arise during the actual loading of the goods. Whether the goods are purchased f.a.s. or f.o.b. stowed should be clearly understood.

The rapid growth of China's trade has imposed heavy requirements on China's fleet and port facilities. Delays due to loading and unloading have been common although the difficulties have eased as China's maritime facilities have been modernized. The problem of timely delivery has been particularly acute for U.S. firms partly because U.S.-China trade has been so recently resumed and partly because of the lack of regular shipping schedules. This problem seems to be moderating as experience is gained and as more ships have begun to arrive on a more regular basis. A hopeful sign for the future is that China has begun to introduce containerization in a few of its ports. Containers used in U.S.-China trade will for the most part have to be transhipped in Hong Kong or Japan, but it should make the problem of combining many smaller shipments more manageable. Also, FTCs have shown some willingness to ship U.S.-bound commodities to Hong Kong. This allows the U.S. firm to obtain control over shipping at that point.

U.S. Regulations Governing Trade with the PRC

Imports

With the exception of certain embargoed furs (ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed), goods may be imported into the United States from the People's Republic of China subject to the same general rules that apply to imports from other countries (i.e., proper labeling, food and drug regulations). Goods imported from the PRC, however, are dutiable at rates listed in Column II of the Tariff Schedules of the United States. These rates are generally higher than those on goods from countries with which the United States has a reciprocal most-favored-nation (MFN) tariff agreement (Column I rates).

Information regarding the duties applicable to specific goods may be obtained by sending an adequately detailed description of the goods in

question to the U.S. Bureau of Customs, 1301 Constitution Avenue, N.W., Washington, D.C. 20229.

Importers should be aware of the regulations of the Department of Agriculture, Food and Drug Administration, and other agencies of the United States applicable to imports from all destinations.

Exports

U.S. exports to China and other Communist destinations are subject to controls provided for by the Export Administration Act of 1969, as amended. One purpose of this legislation is to authorize controls over the export of goods and technology that would contribute to the military potential of these countries to the jeopardy of U.S. national security. The legislation also declares it to be the policy of the United States to encourage trade in nonsensitive items with all nations, including China, with whom the United States has diplomatic or trading relations.

For detailed information on licensing requirements U.S. exporters should consult the Export Administration Regulations and supplementary Export Administration Bulletins at any U.S. Department of Commerce district office in 43 major U.S. cities. Included in the Regulations is the Commodity Control List (CCL); this is the key to determining whether a specific shipment may be exported under an established general license authorization, or whether a validated license is needed. A validated license is required for those commodity groupings designated by a "Y," the country category for China and most countries of Eastern Europe, including the U.S.S.R.

Once it has been determined that a validated export license is required for a specific export, an application for the license should be submitted to the Office of Export Administration, U.S. Department of Commerce, Washington, D.C. 20230. Application forms can be obtained free of charge from any U.S. Department of Commerce district office.

U.S. firms are encouraged to contact the Office of Export Administration for information on export licensing, including pending transactions. Telephone inquiries may be directed to the Exporter Services: (202) 377-4811. While no official determination on licensing can be made before formal application is filed, the Office of Export Administration can often informally indicate the prospects for issuing a license.

Outside of domestic short supply and foreign policy considerations, the principal criterion in reviewing license applications is whether the technical data or commodity is designed for, intended for, or could be applied to a significant military use. Availability of comparable foreign-made equipment is also taken into account. The cases most difficult to assess from the standpoint of strategic implications are subject to review by other interested U.S. Government agencies. Export applications for certain commodities must finally be submitted for approval to the Coordinating Committee for East-West Trade Policy (COCOM), a group of delegates from Japan and the NATO countries, except for Iceland.

Financial Restrictions and Assistance

The provisions of the Johnson Debt Default Act that prohibit all private U.S. individuals, partnerships, corporations or associations from certain types of financial transactions with any foreign government or agency in default in the payments of its obligations to the United States Government may apply to the PRC.

On May 9, 1967, an advisory opinion by the Attorney General clarified the application of the Johnson Act to private financing of exports to those countries affected by the Act. The opinion stated that the Johnson Act does not prohibit export financing by U.S. firms or banking institutions if the terms of such transactions are based on bona fide business considerations and do not involve a public distribution of securities.

Prior to this opinion, there was uncertainty whether certain financial transactions connected with exports, such as lines of credit, barter transactions, and deferred payments, were proscribed by the Act. The opinion makes it clear that the Johnson Act is not intended to restrict such credit arrangements so long as they are comparable with those commonly given for export of the same commodities to other countries.

PRC Tariffs

China has a customs administration and a published schedule of tariffs embodying most-favored-nation and ordinary (higher) rates. However, for purposes of U.S. exporters, import licensing, customs formalities and tariffs do not exist as processes separate from the conclusion of contracts and need not concern the potential exporter. Foreign visitors to China are assessed duties on goods brought in for personal use in excess of specified nominal duty-free amounts (see Section on Personal and Prohibited Items).

Trademarks, Inventions, and Copyrights

China is not a party to any multilateral or bilateral treaty with the United States relative to the protection of patents, trademarks or copyrights.

Trademarks

"Measures for the Control of Trade Marks," issued by the PRC on April 10, 1963, and supplementary "Enforcement Regulations" issued April 25, 1963, govern trademark protection in that country. Foreign firms must file all trademark applications through the China Council for the Promotion of International Trade (CCPIT) in Beijing.

Registration of a trademark is granted to the first applicant. Marks registered by local enterprises have no fixed duration; they are valid until withdrawn by the registrant. Marks registered by foreign parties are valid for periods of 10 years and renewable for further 10-year periods. The owner of a registered trademark acquires the exclusive right to its use in the PRC. Registered foreign-owned trademarks may be assigned to other foreigners provided the latter meet the same requirements, noted below, as the original applicant.

A foreigner may apply for a trademark registration only if (1) a reciprocal agreement on registration of trademarks exists between the applicant's country and the PRC and (2) the applicant's mark is already registered by them in their home country. The CCPIT informed the United States Liaison Office in Peking and The National Council for U.S.-China Trade in Washington, D.C. early in 1978 that it would permit trademark registrations by U.S. nationals. U.S. nationals may now apply for and receive registrations, as of January 1, 1978. The Regulations' requirement (Article 12) of reciprocity between the PRC and the country of nationality of the applicant is considered by the PRC to be met by the United States since PRC foreign trading corporations already are permitted to apply for and register trademarks in this country.

U.S. firms desiring to file applications or to correspond with the PRC on trademark matters should write to: Trademark Registration Agency, China Council for the Promotion of International Trade, Beijing, People's Republic of China. In trademarks matters, the CCPIT acts as the foreign firm's agent with the Cen-

tral Administrative Bureau for Industry and Commerce (CABIC), which, according to the 1963 Regulations, is responsible for administering the PRC Trademark Regulations. The CABIC still performs this function. When applying for registrations, American firms must provide to the CCPIT the following documentation:

- (1) A separate application, in duplicate, for each trademark the firm wishes to register.
- (2) a power of attorney, in duplicate, for each trademark. (This document empowers the CCPIT to act on behalf of the foreign firm to register the trademark with the CABIC.)
- (3) a certificate of nationality (no prescribed form), which should show that the corporation is organized under U.S. law.
- (4) 12 prints of the trademark for each application. The meaning and derivation of the trademark word must be clearly explained. The Regulations state that the original copy of the power of attorney and the certificate of nationality must be "LEGALIZED" (i.e., notarized) by a Chinese Embassy. According to CCPIT officials, the PRC Embassy in Washington is empowered to do this.

The furnishing of evidence that the foreign-origin trademark was registered in its own country also is no longer required for the United States since it does not require Chinese corporations to provide such certification. Also according to the CCPIT, U.S. trademarks applied for and registered in the PRC may include English words. Foreign trademarks registered there are not limited to Chinese and may use any language.

If two or more enterprises apply for identical or similar trademarks, registration is accorded to the first application. The validity of the trademark registration begins from the date of approval of CABIC and is effective for 10 years. An application for renewal can be filed soon before expiration for 10 years. An application for renewal can be filed soon before expiration, for another 10-year period, and this can be followed by re-application for a further 10 years.

In some cases, subsidiaries of U.S. firms in countries with bilateral trademark agreements

with China may have already applied for trademark registrations in the PRC. American firms that have already registered trademarks through a foreign subsidiary located in a country that does have a bilateral agreement with China may, if they wish, use the assignment procedure in the Chinese Regulations to assign the trademark from the subsidiary back to the parent firm headquartered in the United States.

Under the PRC Regulations, the "owner" (i.e., holder) of the registration enjoys an exclusive right to its use. If the trademark is registered in the name of a subsidiary, only that subsidiary "owns" the right to use it, unless, under the above-mentioned assignment procedure, the subsidiary assigns the trademark to the parent corporation.

Currently, Canada, the United Kingdom, Sweden, Switzerland, Denmark, Finland, Italy, Belgium-Luxembourg, Netherlands, West Germany, New Zealand, Australia, East Germany, Norway, Czechoslovakia, Hungary, Greece, and France have reciprocal trademark registration agreements with the PRC.

Other salient features of the PRC's "Trade Marks Measures and Rules" follow. Not registrable are words or markings similar to China's national flag or other official emblems or medals, similar to national flags or emblems of other countries, similar to marking of the Red Cross or Red Crescent and those "which have an ill effect politically." There are no opposition provisions, nor time limit for governmental processing of applications. A trademark registration may be cancelled where the quality of the product does not meet governmental requirements, where it is altered without governmental authority, where a registration has not been used for 1 full year and no permission for such non-use has been granted, and where a third party applies for cancellation and, after examination of the reasons for this request by the Government, it approves the cancellation. For trademark registration purposes, there are 78 classes of goods. An application for a trademark for a medical product must be accompanied by a certificate approving the product's manufacture issued by the Health Department.

Inventions

The PRC has no patent law. Procedures governing recognition of inventions and technology for use and compensation are embodied in the "Regulations on Awards for Inventions" and "Regulations on Awards for Technical Improvements," approved October 23, 1963, by the PRC

State Council. These regulations replaced earlier Rules of 1950 and 1954 that had provided for certain patent rights. The new "Regulations" establish a system under which a party may apply to the state for official recognition of an invention or technical improvement. Should the state find the invention useful, the party is granted a registered certificate and given cash awards, and perhaps other bonuses based on the invention's use and value to the state. Technical improvements, if adopted, also qualify for cash awards and "commendation" based on their use. The state retains ownership of all such inventions and technology. Foreigners may apply and qualify for the above certificates and awards for their inventions and technology. There is no indication in the "Regulations" whether payments to foreigners are remittable. The PRC reserves the right to sell to foreigners, through its Ministry of Foreign Trade, those inventions that are authorized for sale by the State Scientific Commission.

Although there is no patent protection per se available to foreign firms in China, the Chinese have shown some willingness, on a case-by-case basis, to give contractual assurances to limit the use of the seller's technology within China and to prohibit the reexport of the technology to third countries.

Copyrights

The PRC has not joined the Universal Copyright Convention or Berne Copyright Convention, or concluded any bilateral copyright protection agreement with the United States. So far as is known, U.S. authors have no copyright protection available in the PRC for their works first published outside that country. Thus, U.S.-authored books, plays, music and other literary and artistic works presumably may be freely copied, translated and reproduced in the PRC without authorization from or compensation to the U.S. copyright owner. For further information on the PRC's laws on the above subjects, contact the Foreign Business Practices Division, Office of International Finance and Investment, U.S. Department of Commerce, Washington, D.C. 20230.

Going to the PRC

Travel

The PRC may be reached by the following international air service: Japan Air Lines, Pakistan International, Ethiopian, and Iran

Air, each twice weekly to Beijing and Swiss Air, Aeroflot, Tarom, and Air France, once a week; Swiss Air, Pakistan International, and Japan Air Lines, once a week to Shanghai. The Chinese airline, CACC, serves Tokyo, Moscow, Paris, Tehran, Karachi, and Bucharest. Regular CACC flights from Hong Kong to Guangzhou (Canton) began during the Fall 1978 Fair, thus ending the necessity of traveling by train to reach the Fair. In addition, in November 1978 hovercraft service from Hong Kong to Guangzhou was initiated.

Visas

Visa applications may be made through the PRC Embassy in Washington, D.C. (normally allow 3 days for receipt) or through the China Travel Service (CTS) in Hong Kong or Kowloon (normally allow 4 days for receipt). Two copies of the visa form and four passport-sized photos are required.

To obtain a visa for a business visit, an invitation from a FTC or other government entity is usually required. Persons who have applied for visas and have not yet received them prior to arrival in Hong Kong should produce evidence that their visit has the concurrence of an official organization in China. Without such evidence, an invitation from the appropriate Chinese authorities must be negotiated, a process that could take considerable time.

Health

For American travelers an International Vaccination Certificate bearing current smallpox and cholera entries is necessary; however, if a traveler is coming from areas where other diseases are endemic, appropriate inoculations may be required.

Currency Regulations

The China Travel Service in Hong Kong or the inbound airline provides forms for declaring personal effects such as calculators, watches, jewelry and other items of value, in addition to the amounts of foreign currency (including traveler's checks) taken into China. This declaration is necessary for the exchange of traveler's checks or cash into Chinese currency.

Foreign currency (including American dollars and traveler's checks) may be changed by the People's Bank of China located in the customs building at the border, in hotels, or on

the Hong Kong-to-Guangzhou train. Receipts for these transactions must be kept and turned in upon departure.

Personal and Prohibited Items

Personal items essential to the visitor during the trip and in reasonable quantity may be brought into China. Small amounts of medicines, up to four bottles of foreign liquor, and up to 600 cigarettes may be brought in for personal consumption. Visitors may also receive medicines, liquor, or cigarettes through the mail, but the total value each time should not exceed 50 RMB; for visitors from Hong Kong and Macao the amount should not exceed 20 RMB.

Visitors may bring in a typewriter, a tape recorder, a film projector, a copying machine, and similar items necessary for conducting business in China. Such items will be exempt from customs duties if taken out of China on departure.

Certain items are prohibited entry into China including Chinese national currency, lottery or raffle tickets, and any books, journals, films, and tapes, which would be harmful to or cast aspersion on Chinese politics, culture and morals. Such items are subject to confiscation before entry.

Visiting in the PRC

Travel Facilities

Domestic air service consists of regular CACC air flights within the PRC. Trains are comfortable and efficient, although long distances may be involved. It takes 24 hours from Guangzhou to Shanghai, and 36 hours from Guangzhou to Beijing. Within the cities, taxis are available. Fare is usually 60 fen per kilometer but can vary. There is a minimum charge for 2 kilometers. Since it is impossible to hail a taxi from the street, it is advisable to keep one's taxi for short shopping trips, or arrange with the hotel to be met by one after meetings. In Guangzhou and Beijing, restaurants will call taxis for their patrons.

Accommodations

Reservations can be made through Luxingshe (China International Travel Service), but frequently the host organization in the PRC selects one's hotel. Hotels are the Xin Chiao

and the Beijing Hotel in Beijing; the Peace Hotel, Qing Chiang, and Shanghai Mansions in Shanghai; and the Dong Fang Hotel in Guangzhou. Most offer rooms with bath or showers.

Hotels in Beijing cost approximately 50 Renminbi per day, and those outside Beijing charge 20-25 Renminbi daily.

Restaurants

All hotels for foreigners offer both Western and Chinese food. There are many fine restaurants in Beijing including: The Large Beijing Duck, the Small Beijing Duck, the Capital, the Minorities, and a Mongolian restaurant in the Bei Hai Park. (See Appendix 4.) In Guangzhou, there are the North Garden (Pei Yuan), South Garden (Nan Yuan), Riverside (Pang Qi), Moslem (Hui Min), and Floating Restaurant. When taking a party to a restaurant, some meals may need to be ordered 12 to 24 hours in advance to allow for proper preparation. Hotels and Luxingshe can recommend good restaurants.

Sightseeing and Entertainment

Inquiries may be made of the host organization, the sponsoring trade corporation, or Luxingshe concerning visits to places of historical interest. Some of the more popular are:

Beijing.—The Forbidden City, Temple of Heaven, the Summer Palace, the Valley of the Ming Tombs and the Great Wall.

Guangzhou.—Cultural Park, Island of Sha Mien, Cung Hua Hot Springs, and Martyrs Memorial Park.

There are frequent performances of the Chinese national opera, ballets, and theatre groups as well as sporting demonstrations. In addition, trips to nearby communes and factories can be arranged. Cars with drivers and guides may be hired through Luxingshe.

Generally, the initiative for entertainment should be left to the Chinese officials. Business visitors normally find it difficult to reciprocate. However, when one is entertained at a banquet, it is acceptable and often desirable to host a "return" banquet before departing for home. Normally the Chinese will provide assistance in arranging for the return banquet.

Social Customs

In China, the family name is always mentioned first. Thus, Wang Fuming should be addressed as Mr. Wang.

Normally a visitor will be invited to dinner at a restaurant during his stay, most often by the organization that is sponsoring his visit. Dinner usually begins about 6:30 or 7 p.m. The guest should arrive on time or a little early. The host normally toasts his guest at an early stage in the meal with the guest reciprocating after a short interval. The usual procedure is to leave shortly after the meal is finished. The guest makes the first move to depart.

Tipping is forbidden. However, it is appropriate to thank the hotel staff and other service people for their efforts on your behalf. Generally, gifts should be of nominal value and presented to the host group; individual gifts are not necessary although little mementos of the occasion may be appreciated.

It is customary to present business cards, and it is helpful if one side is printed in Chinese. Presentation of cards may not be reciprocated. Cards may easily be printed in Chinese in Hong Kong.

Visitors should conduct themselves with restraint and refrain from loud boisterous actions.

Photography

Generally, photographs are allowed although the Chinese may exhibit sensitivity to shots of airports, bridges, ports and the like or anything of military significance. If there is doubt as to the suitability of the subject, consult your tourist guide or a Chinese official before taking the picture. The Chinese generally allow undeveloped film to be taken out of the PRC, but reserve the right to make exceptions, and occasionally do.

Only certain brands of film can be processed in the PRC: Kodacolor (negative), Agfa Color and Sakura both positive and negative, Fuji Color only negative and Ektachrome only positive.

Dress

It is cold in Beijing from December to March and visitors are advised to dress warmly. Since offices are not heated to levels most Americans are accustomed to, sweaters and even "long

johns" may provide real comfort. In the summer in North China and during the greater part of the year in the South, tropical or light-weight clothing may be worn. Visitors to the Guangzhou Fair dress informally in open-necked sport shirts and light-weight trousers. Women will probably feel most comfortable wearing pantsuits or slacks. A lightweight pull-over may be useful in the evening. It is also advisable to take cool, comfortable footwear, a lightweight hat, and mosquito repellent.

Climate

In North China the temperature ranges from 5°F in January to 104° in July and August. Exceedingly dry and dusty for most of the year, Beijing becomes rather humid during the rainy season of July and August. South China is subtropical and fairly hot until the end of October. The climate around Shanghai in East China is very similar to South China with much higher rainfall than Beijing. Spring and autumn are the best times to visit China, from the point of view of temperature. Dust storms can be expected in north China during April and May.

Language

Chinese (also called Mandarin, Guo Yu, and Pu Tung Hua—common speech) is the national language, although several other dialects are frequently used, especially Cantonese in the South. The written language is uniform. Business visitors will find that the people with whom they negotiate either speak English or will have interpreters available. Luxingshe can advise business visitors on reliable translation services.

Time

All of China as well as Hong Kong is on Beijing time, 12 hours ahead of EDT.

Public Holidays

Official public holidays are Jan. 1—New Year, May 1—Labor Day, Oct. 1, 2—National Days. The 3-day Spring Festival (Chinese New Year) occurs in January or February, varying from year to year.

Hours of Business

Government offices and corporations are open 8 a.m. to noon and 2 to 6 p.m. Monday

through Saturday (with minor variations during the cold and hot seasons). Sunday is treated as a holiday. Appointments are rarely made before 9 a.m., and it is not advisable to seek a Friday afternoon appointment. The Chinese negotiate both in the morning and the afternoon. Business discussions tend to last longer than in the West.

Shops are open from 9 a.m. to 7 p.m. every-day, including Sunday. "Friendship Stores," for foreigners only, are located in major cities and carry a wide variety of Chinese goods, especially arts and crafts.

The U.S. Embassy is open from 8:30 a.m. to 5:30 p.m. Monday through Friday. A security officer is on duty 24 hours a day and may be contacted in an emergency. (See Appendix 3 for telephone number.)

Weights and Measures

Most of the PRC's foreign trade is conducted in the metric system but domestic Chinese weights and measures should be understood:

1 jin (catty) = 1.102 pounds (or .5 kilograms)

1 dan (picul) = 0.0492 tons

1 mu = 0.1647 acres

The domestic Chinese measuring system is limited to agricultural accounting and shops dealing in agricultural produce.

Electricity

Both single phase, 220V AC, 50 cycle and 3-phase 380V AC, 50 cycle power are in use. Plugs are normally 2 or 3 pin flat (5 amp), but in hotel rooms there is usually one connection for a 2-pin round continental-type plug. The bathrooms in the Beijing Hotel have 110V outlets.

Communication Facilities

Telephone, telex and cable can be used for communicating with China's foreign trade corporations and with visitors to China. Telex and cable facilities at the Guangzhou Trade Fair may involve considerable delays due to the large number of businesspeople at the fair. Telephone services to Hong Kong have been excellent since the installation of a new coaxial cable. International telecommunications facilities in Beijing are easier to use because fewer foreign businessvisitors are trying to use them.

Telephone charges for a 3-minute call to China are \$12 plus tax (early 1979). Telex facilities cost \$3 per minute and there is a 3-minute minimum usage. Cable charges are 34 cents per word for the full rate and 17 cents per word for the night rate. (Charges from China to the United States appear to be similar).

Head offices of foreign trade corporations have both cable and telex facilities. Branch offices can be reached by cable. International cable credit cards are accepted.

Visitors to China can utilize public telex facilities in Beijing and Guangzhou but must punch their own tape. However, there is no provision for two-way telex service unless the receiving party is able to send a telex back immediately upon receipt of the incoming message before the direct circuit is closed.

The telephone system in Beijing and other cities is automatic. Domestic telecommunications charges are relatively inexpensive. In some cases, a domestic cable to a Chinese foreign trade corporation from a businessperson in China may facilitate communications.

Mail Service

Mail from the United States can be sent directly to China either by surface or air. The rates as of January, 1979 are:

Airgram—22¢.

Letter (surface)—20¢ for 1 oz.; 36¢ for 1 to 2 oz.; 48¢ for 2 to 4 oz.; 96¢ for 8 to 12 oz.; \$1.84 for 13 oz. to 1 lb.

Letter (air)—31¢ per ½ oz. up to 2 oz.; 26¢ per additional ½ oz.

Parcel (surface)—\$2.34 for first 2 lbs; 59¢ each additional pound or fraction thereof.

Parcel (air)—\$3.08 for first 4 oz.; \$1.37 for each additional 4 oz. or fraction thereof.

Surface mail takes 6-8 weeks for delivery; air-mail takes 7-9 days. Be sure to show the People's Republic of China as the country of destination when mailing to China.

It costs 60 fen to mail a post card from the PRC to the United States and 70 fen per ½ ounce for all mail letters.

Emergency Contact of Visitors

In the event it is necessary to contact a traveler in China on an emergency basis, it is best to notify the China Travel Service in Hong Kong or the U.S. Embassy in Beijing. (See Appendix 3 for phone numbers.)

Exit Procedures

Before leaving the country, the traveler should exchange Chinese Yuan for foreign currencies, since Chinese money may not be taken out of the PRC.

Before exit, the traveler's declarations of personal belongings will again be checked. Valuable items such as watches, cameras, pens, and radios registered at the customs house at entry must be brought out again on the visitor's return trip. Items forbidden to be taken out of the PRC will be confiscated. These include: Chinese national money; gold, platinum, silver and other precious metals such as personal ornaments (unless they had been declared at entry), any books, photos, tapes, or other media which pertain to Chinese national secrets; items of artistic value pertaining to the Chinese Revolution, history or culture. Permission of the Chinese Cultural Agency is necessary to export any ancient artistic items or books.

After clearing customs, the visitor must walk from the Chinese side of the border to the Hong Kong side if traveling by rail. If leaving via CAAC, the traveler will clear Chinese customs at Bai Yun airport in Guangzhou and must clear Hong Kong customs upon arrival at Kaitak Airport.

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APPENDIX 2

Human Rights in the People's Republic of China (Mainland) and the Republic of China (Taiwan) — (Excerpts from Department of State's *Country Reports on Human Rights Practices for 1979*, 96th Cong., 2d Sess. 1980 pp. 437-446, 525-536.)

PEOPLE'S REPUBLIC OF CHINA

In traditional China, the law and legal institutions served as instruments for enhancing the power of the state and for disciplining the people to carry out its policies. With government acquiescence, the leaders of clans, villages and guilds dispensed a wide range of sanctions that included public censure, fines, ostracism, and corporal punishment. The formal machinery of the law confirmed and supplemented these unofficial processes administered by local leaders. The Chinese idea of "fazhi" often translated into English as the "rule of law" is more accurately rendered as "rule by law." The object was the management by the state of orderly, efficient and highly repressive procedures to ensure prompt, harsh and highly visible punishment of those whose offenses could not be managed by unofficial mechanisms. The notion that individuals might have rights against their social group, society or the state was an utterly alien concept.

The century preceding 1949 was marked by inept and corrupt government, foreign invasion and occupation, rebellion, civil war, warlordism, banditry, and revolution. The restoration of public order and development of China's capacity to meet the basic economic needs of its vast population were widely welcomed by the Chinese as the primary tasks of the government. After 1949, the newly established People's Republic of China (PRC) attempted to pursue these goals through development of a socialist society in which collective state aims took precedence over individual rights. These factors, combined with periodic political instability at top levels in the PRC government have all contributed to a poor record on individual human rights in China over most of the past thirty years.

In 1954, China's leadership adopted the first PRC constitution and for several years began to develop a legal system and encourage freer expression of opinion. The outspoken criticism of the political system by intellectuals in 1956, however, brought about a period of repression. This lifted briefly in the early 1960's when once again the leadership began drafting legal codes and allowing greater freedom in a number of fields. For nearly a decade to follow, however, severe ideological restrictions were placed on all fields of work and arbitrary rule prevailed. For several years from 1968, in fact, China was governed in a repressive manner.

There has been movement in the direction of greater freedoms in the past three years since the death of Mao Zedong and the purge of the so-called "Gang of Four" and their followers. The Chinese government appears to be making a serious effort to improve the rights of citizens by instituting a working legal system, expanding access to information, allowing some political dissent, adopting a more tolerant approach to national minorities and religious groups, liberalizing emigration policies and involving a larger number of citizens in local elections. Thousands of scholars, officials, and religious figures

purged during the numerous political campaigns of the past two decades have been rehabilitated. Many have been restored to positions of authority. China is a less oppressive place in which to live than it was three years ago. The press is a livelier forum for political debate, differences of opinion are publicly aired, contacts and friendships with foreigners are possible (but still limited), and thousands of Chinese students are going overseas.

The reforms have not yet broken entrenched patterns of harassment, arbitrary arrests and harsh punishment without free trial for political dissent. The Chinese government still maintains, particularly in remote areas of China, a large prison system and numerous labor camps. An extensive police system continues to monitor the political activities of China's citizens.

In China, a developing country of one billion people, scarce resources have created significant frustrations that have boiled to the surface as visible discontent. In the past year, with the general loosening of political controls, thousands of poor peasants, frustrated youth, unemployed workers and soldiers have demonstrated in China's cities and petitioned the government and party authorities for redress of grievances. Others have registered more general complaints against the political system and advocated more fundamental political and legal reforms. Chinese officials have frequently treated protest as a problem in itself, but on occasion sought to make use of it, and most recently China's leaders have begun to deal with the individual problems which the petitioners have raised.

Despite signs of improvement, the Chinese media and officials still condemn "human rights" as a "bourgeois slogan" without any relevance for China today. Ren Wandong, Chairman of the China Human Rights Alliance, was arrested April 4, 1979 while attempting to put up a wall poster criticizing PRC leaders' disregard for human rights guarantees. Putting up wall posters is a right guaranteed by the Chinese Constitution of 1978, but in February and March 1979 a proclamation was issued forbidding posters critical of "socialism" and restricting posters to less central, often inconvenient, areas of the cities.

In early December, Beijing's "Democracy Wall" was relocated away from a busy street to a small, more remote location; persons wishing to put up wall posters are now required to register their names and addresses so they can be held responsible for the "political and legal implications" of their posters.

In winter 1978-79, hundreds of youths in China's major cities spoke out against inequities in the political system. Some openly published unofficial journals, others spoke at rallies. Scores of them were arrested last spring and some in November; they are still being held in prison without trial. Many of these cases have have been widely discussed among informed Chinese.

In October, 1979, two prominent dissidents, Wei Jingsheng and Fu Yuehua, were brought to trial separately on a variety of charges. Wei was found guilty of providing state secrets to a foreign journalist and was sentenced to 15 years in prison. He appealed the verdict, but it was upheld. Fu's trial, still open to appeal as of early January, resulted in a two year sentence for organizing a protest march and disrupting traffic. Both trials were "open," but admission was selective; no foreigners, including the press, were allowed.

The trials have been the subject of continued and spirited discussion among the Beijing populace, including thinly veiled debate in the public media. The basic issues are the extent to which open questioning of the prevailing system will be tolerated and uniform standards of law will be applied. The fact that this debate is taking place at all suggests that China has been moving toward a freer society with some increased respect for individual rights, albeit within a political system that emphasizes conformity and unity. Sustained respect for law and human rights will not come easily, however. Periodic waves of repression within the parameters allowed by the Constitution and new legal system are quite possible.

China's leaders seem determined to develop a legal system that would prevent the unchecked exercise of official authority. China has not had even a rudimentary working legal system for more than ten years, during which time the average citizen had no real recourse or protection from arbitrary arrest due to an off-hand comment, class background, or having sided with the wrong faction in the work unit. Amnesty International has documented some cases reflecting these factors in its 1978 report on China.

China's Constitution was most recently revised in February 1978. It includes articles guaranteeing citizens' rights pertaining to work and leisure; voting and standing for election; belief and non-belief in religion and propagating atheism; old age, illness, and disability care; education; participation in scientific and cultural activities; equality of women; lodging grievances with the government; freedom of person and home from unlawful arrest or search as well as speech, correspondence, press, assembly, association, procession, demonstration, labor strikes, and writing big-character posters. However, these rights are circumscribed by constitutional duties of citizens to uphold the leadership of the Communist Party and the socialist system, to promote national unity, to observe labor discipline and public order, to protect public property, and to respect social ethics and safeguard state secrets.

In June, 1979, China's National People's Congress (Fifth Congress, Second Plenum) adopted the "Law of Criminal Procedure," "Criminal Law," "Organic Law of the People's Courts," "Organic Law of the People's Procuratorates," "Organic Law for Local People's Congresses and Local People's Governments," and "Electoral Law for the National People's Congress and Local People's Congresses at all Levels." These became effective on January 1, 1980.

The media have conducted an extensive education campaign on the new procedures and have admitted that there has been resistance to the new laws in some areas, particularly from the public security organizations. In December 1979, the standing committee of the National People's Congress voted to retain older legal regulations of the past thirty years where they do not contradict the new laws. This decision is likely to result in much confusion since many old regulations were not well publicized and were contradictory as well. Only the old labor reform law has been officially revised to remove some of its more repressive elements.

In the international arena, China has shown a new willingness to discuss human rights. Chinese U.N. Third Committee representatives have called for greater attention to flagrant violations of human rights, while aligning China with Third World views which stress social, economic and cultural over political rights. They have at the same time asserted, however, that each country's own legal provisions affecting the rights of citizens are bound to differ and are internal matters and that, moreover, individual freedom must not be detrimental to the national public interest.

1. Respect for the Integrity of the Person, Including Freedom from:

a. **Torture:** The Department of State has no accurate information to indicate whether or not PRC authorities are still using torture. Torture is illegal under the new criminal law which went into effect January 1, 1980. Considerable psychological coercion, such as sustained group interrogation, is still used, however, toward dissidents and non-conformists.

b. **Cruel, Inhuman or Degrading Treatment or Punishment:** Cases of cruel punishment continue to be documented. Wall posters, court notices and refugee interviews indicate that lengthy or open-ended prison sentences for political and economic crimes often involve years of solitary confinement with little or no communication with family allowed. Executions for serious political crimes appear to have ended. The media have condemned the execution of a youth who spoke out against Mao and the "Gang of Four" in the early 1970's as an example of the transgression of political authority. Although summary executions have taken place, particularly during the Cultural Revolution, there have been no reports of them in the past two years. Recent media reports of capital punishment for serious crimes on the order of intermediate level courts have not clarified whether the Supreme People's Court gave approval or whether the defendants were allowed to appeal to a higher court--both of which are required by law.

c. **Arbitrary arrest and imprisonment:** Article 47 of the state Constitution states that no person can be arrested except by a decision of people's procuratorate. On February 23, 1979, the Standing Committee of the National People's Congress adopted a 15-point regulation which detailed the proper procedures for arrests and detention of citizens, including provision for arrest warrants, notification of charges and time limits for filing formal charges.

A form of habeas corpus was written into the 15-point arrent detention regulation, but it is too early to tell how successful this will be in changing past practice of detaining citizens for months and years without trial or even formal charge.

There are political prisoners in the People's Republic of China, but an accurate estimate of the total number is impossible. Thousands of intellectuals, officials, and religious figures imprisoned on political grounds in the past thirty years have been released and often publicly exonerated, even posthumously, in recent years. Yet the practice of political imprisonment continues. Refugee interviews and dissident sources also report that thousands of citizens have been arrested in the past few years for expressing errant political views. The "Gang of Four" and many of its alleged followers have been detained for three years without trial.

The government acknowledges holding political prisoners, describing these individuals as "counterrevolutionaries, ruffians, scum and lawbreakers." Prisons are generally not open for inspection by foreigners and the International Committee of the Red Cross does not have access to detainees.

d. Denial of Fair Public Trial: Under the new Criminal Code, public trial will be guaranteed, except for cases involving "State secrets," "personal secrets" and juveniles. The fact that even the "public" trials recently instituted by the authorities remain closed to foreign observers makes it difficult to evaluate the extent to which sentences are supported by evidence. Generally, criminal trials have not been public in China but several have been shown on nation-wide television as part of the campaign to educate the nation on the new laws. Based on the few trials shown on television, what the Chinese define as a "trial" is the equivalent of a sentencing hearing in the U.S.

Defendants are entitled to counsel according to both the Constitution and the newly enacted laws. However, no specific provision grants the right to counsel in the crucial pre-trial investigation process where the decision of guilt or innocence is usually made. Chinese officials have, however, indicated that defendants can confer in private with counsel. In the few cases shown on television, the counsels acted as advocates for mercy and did not contest the guilt of the accused. China has virtually no trained lawyers, a deficiency that the government has begun to remedy through the reopening of law schools and the examination of Western systems. There have been reports of special courts and hearings for political offenses, particularly if the person charged is a Party member. Last spring, several Chinese officials admitted to Western journalists that the new criminal code does not affect "party discipline" under which party members can be subjected to observation, detention and reform through labor. Civilians are apparent not tried by military courts.

e. **Invasion of the Home:** Article 47 of the state Constitution states that "the citizens' freedom of person and their homes are inviolable." In practice, however, this provision has seemed to offer little or no protection. Last spring during the roundup of dissidents, Chinese Public Security officials searched the homes of youths without notice or warrant and confiscated incriminating evidence.

2. Government Policy Relating to the Fulfillment of Such Vital Needs as Food Shelter, Health Care, and Education:

The PRC has the largest population of any country in the world and faces massive problems in feeding, clothing and employing its population. Its success in meeting minimal requirements in these areas has been impressive considering the limited resources available. While there is a disparity between urban and rural living standards, the government is making efforts to reduce the inequality, if possible. There is almost no evidence of starvation or malnutrition though there are occasional reports of severe food shortages in rural areas. Living quarters are often cramped and inadequate--a problem that the government is attempting to solve. Health care is available to all, either gratis or for very little, and the educational system provides for a universal six to nine year curriculum. Education in remote areas, and at higher levels, however, is still a problem.

Article 7 of the Constitution gives commune members the right to farm small private plots, engage in limited sideline production, and keep a limited number of livestock for personal need, as long as the "absolute predominance of the collective economy of the people's commune is ensured..." Article 9 protects the rights of citizens to own lawfully earned income, savings, and other means of livelihood. Chinese are entitled to own their own houses and other personal property and have the right of inheritance.

There are significant differences in income and access to material goods. A government official, a senior university professor, or a skilled engineer might earn ten times the monthly salary of a young factory worker. But wealth is distributed fairly evenly. Top government and party officials enjoy a relatively high standard of living, but the lifestyle of the privileged few would look quite threadbare in most countries. Government officials now acknowledge a significant unemployment and underemployment problem involving perhaps up to 20 percent of the population and particularly serious among urban youth.

Increasingly strict population control measures involve government-sponsored peer pressure and economic disincentives such as cuts in wages or rations for more than two children. There have also been reports of forced sterilizations and forced abortions even in the later months of pregnancy, although it is not clear whether these are sanctioned by the government.

3. Respect for Civil and Political Liberties, including:

a. Freedom of speech, press religion and assembly: These are guaranteed under the state Constitution but generally have not been respected in practice. Political debate normally has been rigidly controlled but with periodic loosening. In late 1978, wall poster writers and youths in many of China's cities openly debated sensitive political questions such as China's human rights record, the nature of the Chinese political system, and the proper historical role of the late Chairman Mao Zedong. Many of these youths formed quasi-political dissident groups such as the "China Human Rights Alliance," the "April Fifth Society," the "Exploration Group," and the "Enlightenment Society." Chinese authorities tolerated this for several months but reacted strongly in March 1979, arresting dissident leaders and stopping publication of all but the most innocuous journals. In August and September, however, the pendulum again seemed to shift in the direction of less control until December when new regulations restricted the airing of grievances in wall posters.

The Constitution (Article 46) reflects an opposition to religious proselytizing. It says, "citizens enjoy freedom to believe in religion and freedom not to believe in religions and to propagate atheism." Chinese Communist ideology treats religion as a corrupting influence and in general the authorities have made the practice of religion very difficult. Nevertheless China is now turning to a more tolerant religious policy. The Chinese have resurrected the officially sanctioned religious organizations, including Buddhist, Islamic, Protestant, and the "Chinese Patriotic Catholic Church" (independent of the Vatican). Chinese branches of the YMCA and the YWCA have also been reestablished. The Chinese have recently published a new Protestant hymnal and stated that new translations of the Bible and the Koran will be published in 1980.

Minority peoples, primarily Muslim or Tibetan Buddhists, have enjoyed greater religious freedom than Chinese in the past but religious services are still carefully controlled and monitored in minorities areas. Christianity is still suspect for its association in China's historical experience with Western imperialism and true religious freedom is still far from reality.

In past periods of liberalization and again recently, China has responded to the special interests of the national minority peoples in such border areas as Xinjiang, Yunnan and Xizang (Tibet) by allowing some degree of local autonomy, official recognition of their languages and rapid promotion of their cadres (government and party workers). "People's governments" in these areas have a sizeable representation of minority peoples. At the same time, the central Chinese government maintains rigid military control and fosters significant migration by Han (Chinese) to these areas. Western journalists have observed and documented the domination of Tibetan culture and society by the Han.

Foreign publications are now widely available for sale only to foreigners and for foreign currency. They are stocked in Chinese libraries, but access is restricted.

b. **Freedom of Movement within the Country, Foreign Travel and Emigration:** Chinese citizens need permission to travel any distance within the country or to change residence. They must obtain "letters of introduction" from their unit of employment to purchase tickets and secure accommodations. They also need ration coupons for staple foods (distributed on a municipal or county of residence basis). There are numerous examples of families being split by job assignments. The government now appears to be ameliorating some hardship cases. Nevertheless, large numbers of Chinese do manage to travel or move without these documents.

A program to send large numbers of middle school graduates to rural communes or state farms has been in force since the early 1960's. An estimated 18 million youths have left cities for permanent life in the countryside, most of them involuntarily. Many of them have returned to the cities illegally, especially during the past two years when the government has been more lenient. Young graduates are still being sent out but in smaller numbers for shorter terms and with some element of choice involved. Meanwhile, the cities are making great efforts to organize service and commercial enterprises to employ both returnees and new graduates, and to provide educational opportunities for graduates.

Emigration controls have greatly loosened during the past two years. This is evident in the growing numbers of persons who have legally entered Hong Kong from the PRC: 26,000 in 1977; 67,500 in 1978; and 61,000 during the first ten months of 1979. Permission to leave China is now being given to students (whether government or privately sponsored), persons wishing to visit or permanently join relatives living abroad, persons who need to go abroad to settle estates or work in family businesses, overseas Chinese (ethnic Chinese who are nationals of other countries), and officials. There are some indications that PRC students cannot be accompanied overseas by family members to ensure that they will return to China.

Prior to 1978, processing of exit permit and passport applications routinely took four to six years. Since early 1978, processing time has been substantially reduced, but still varies from place to place.

c. **Freedom to Participate in the Political Process:** The PRC formally has a multi-party system. In reality, however, the Chinese Communist Party controls all facets of political, economic and social life. There is no freedom to participate in the choice of senior leaders or policies through democratic processes, and local elections have not been contested. New laws adopted by the National People's Congress call for free elections of local governmental leaders and Chinese official statements maintain that these

elections will be held by secret ballots with a choice of multiple candidates. There have not been enough elections to determine the degree of involvement by average citizens, especially in choosing candidates. Thus far, the few elections held have had multiple candidates, and a few non-Party contestants have won seats. The Chinese elite--the more than 38 million Chinese Communist Party members--participate in the selection of representatives to higher party organs. There is no direct election of senior party officials.

Under the Constitution, women participate equally in the political process and an increasing number of women are playing important roles in the party and the government. Nevertheless, China has traditionally been a male-dominated society and the political process, especially at higher levels, is still largely a male preserve. In economic life, equal wages for urban jobs have reduced economic discrimination against women, and women in post-'49 China have played a much greater economic role.

The trade union structure is controlled by the Chinese Communist Party and is used primarily as a means of channelling Party policy downward. The All-China Federation of Labor was reestablished in late 1978. The Federation has announced that workers will have a greater say in management, participate in the selection of factory leaders and will be allowed to elect shift leaders. Even though the right to strike is guaranteed under the 1975 Constitution, the few strikes of which we are aware were quickly suppressed. The major role of labor unions is to improve productivity and welfare, not to act as bargaining agents. Wages are set by the state.

4. Government Attitude and Record Regarding International and Non-governmental Investigation of Alleged Violations of Human Rights:

There is no dialogue between the PRC and official and non-official international human rights organizations. Chinese government leaders and officials have refused to respond to repeated requests by Amnesty International for meetings and explanations regarding alleged human rights violations. Chinese officials regard such requests as interference in the internal affairs of China.

TAIWAN

The past quarter century has brought significant advances in the observance of internationally recognized human rights on Taiwan, despite the official position that Taiwan is still in a civil war situation. However, at the end of 1979, a confrontation between the authorities and some oppositionists led to the arrest of certain opposition leaders and the suspension of three oppositionist magazines.

Taiwan remains essentially under authoritarian, one-party control operating under martial law provisions which authorities state are necessary owing to continuing confrontation with the People's Republic of China (PRC). Taiwan's political and legal practices also remain influenced by such traditional Chinese concepts as the duty of an individual to be obedient to the state and the use of law as an instrument for preserving social order rather than a means of protecting individual rights.

The Constitution, which guarantees such fundamental human rights and liberties as personal freedom and freedom of speech, press, religion, petition, and assembly, was adopted by the National Assembly of the Republic of China in 1946. At the height of the Chinese civil war in 1948, however, the same body enacted the "temporary provisions effective during the period of communist rebellion" and a "State of Seige" was declared over Taiwan in 1949 bringing martial law into operation. These laws, which remain in effect, limit constitutional guarantees of individual rights and freedoms. Together with other emergency legislation, they confer upon the authorities the right to control the press, censor the mails, prohibit strikes, conduct warrantless searches, register property, and prohibit meetings. The authorities have cited these extraordinary powers as the legal basis for most recent human rights violations.

1. Respect for the Integrity of the Person, Including Freedom from:

a. Torture

Torture is proscribed by Taiwan law and the authorities deny it is used. Reports of torture in Taiwan are now rare. When such reports appeared in the past, they were usually associated with pretrial detention, interrogation, and the extraction of confessions. The Amnesty International report on Taiwan for 1978 noted several instances in which confessions were reportedly extracted under duress.

Four prominent "oppositionist" political figures were reported by anonymous sources in the US to have been tortured after being arrested for their involvement in the December 1979 "Kaohsiung Incident." Checks into

these allegations failed to substantiate them. Prior to this however, two employees of an opposition magazine, arrested while soliciting attendance for an unauthorized political/human rights rally were reported by oppositionists to have been severely beaten while in police custody.

b. Cruel, Inhuman or Degrading Treatment or Punishment

Imprisonment is the usual form of punishment in Taiwan. Those convicted of sedition under provisions of martial law can be sentenced to death, but such executions have become infrequent. In 1979, one person, Wu T'ai-an (also known as Wu Chun-fa) was sentenced to death under the "Statute of Punishment for Sedition" and his execution was announced on May 28 by the Taiwan Garrison General Headquarters after the Supreme Military Tribunal Appellate Court upheld the sentence. Two of his associates were sentenced to life imprisonment on the same charge of attempting to overthrow the authorities by illegal means. A few individuals convicted on non-political crimes such as murder or, in some cases, armed robbery, have also been given the death sentence.

Prison conditions on Taiwan have been improving recently but reports alleging inadequate medical care continue. There have also been allegations of degrading treatment during periods of detention. Last year there was a case in which the person detained was subjected to continuous interrogation lasting several days without opportunities to sleep, bathe, or change clothes. There have been no reliable reports this year of such treatment.

c. Arbitrary Arrest and Imprisonment

In the 1950's there were reports of people disappearing without word of their fate. Arbitrary arrests are now infrequent, although individuals suspected of "sedition" as defined in martial law provisions, have in past years been detained and held incommunicado for weeks and at times months without being formally charged or tried. However, in most recent cases, the arrests have been announced publicly shortly after they took place and persons detained under martial law decrees are either indicted after an initial period of investigation or released. The code of criminal procedures states that a person arrested shall be sent to a procurator and released within twenty-four hours unless detention is justified. A suspect may be detained during investigation for up to a maximum of four months.

While the authorities do not acknowledge holding political prisoners, they stated at the end of 1976 that there were 254 persons in prison on sedition charges. Some persons have been released and others arrested since that time, but this is the most recent figure made public by the authorities. Exile groups charge the total is at least several times that number. The Department of State has no means to verify the figure. Many of those can be considered prisoners of conscience; some were convicted of terrorist acts.

The most recent, and best example of arbitrary detention was the 1978 case of a prominent Taiwanese political activist, Ch'en Chu, who was arrested after authorities found anti-regime literature in her apartment. She was detained for two weeks without access to her family or lawyer, after which she was released.

Many minor crimes on Taiwan have been handled under the law for the punishment of police offenses which empowers the police not only to arrest but also to prosecute and punish offenders. This law sometimes has been invoked against political activists. The authorities began in 1979 to consider revisions of this highly unpopular law, including suggestions that punishment be determined by a special court rather than the police.

d. Denial of a Fair Public Trial

Stringency in the application of martial law has varied over time and with individual cases. Opposition to basic policy, e.g., expressing views contrary to the authorities' claim to represent all China, advocating accommodation with the People's Republic of China (PRC), and supporting an independent legal status for Taiwan, are considered seditious and punishable under martial law. The authorities continue to try civilians suspected of "sedition" in military courts though the frequency has diminished in recent years. From July 1978 to June 1979, 15 cases involving 26 civilian defendants reportedly were brought before courts martial compared to over 100 during a similar period in 1976. While due process and normal habeas corpus procedures are prescribed for civil trials, such procedures do not appear to be safeguarded or applied in a consistent fashion in cases tried under martial law. In both civil and martial law trials, the accused may be detained during the investigation and has a right to counsel only after the procurator has filed an indictment following his investigation. The right to a lawyer is guaranteed in the Code of Criminal procedure and it directs that a public defender be provided free of charge in cases where the defendant is indigent and the charges bring sentences of three or more years. There is, however, no guarantee of free access to counsel in private.

In the wake of the "Kaohsiung Incident" the authorities arrested at least 26 individuals, most of whom were connected with the organization of a human rights demonstration in Kaohsiung which erupted in violence. These arrests were viewed by many as politically motivated because the arrests were for the capital crime of "sedition" and seemed far more severe than warranted by the incident itself. The "sedition" charge enables the authorities to hold the arrestees for as long as four months for investigation before the prosecutor must file a formal indictment.

In the recent past, members of the accused's family have been allowed to attend the trial and occasionally even the press and carefully selected members of the public as well. While appeals to higher military courts in some cases result in reduced sentences, lower military

court convictions have not been reversed.

A trial which generated much controversy on Taiwan in 1979 was that of the 76 year-old former Kaohsiung County Magistrate, Yu Teng-fa, who was arrested with his son in January 1979 on sedition charges and sentenced to eight years imprisonment for "failing to report a communist spy" and "propagandizing for the communists." With respect to the latter charge, the prosecution submitted evidence that Yu Teng-fa had distributed photocopies of a December 1978 Japanese newspaper article reporting the PRC National People's Congress message to the people on Taiwan. The trial was held in public, members of Yu Teng-fa's family and the press attending; there was, however, criticism of the military court both for failing to subpoena as requested by the defense several witnesses who had provided sworn statements against Yu Teng-fa, and for the length of the sentence, which was tantamount to life imprisonment for a man Yu Teng-fa's age.

Another case which generated considerable controversy was the suspension from office of the popularly elected Taoyuan County Magistrate, Hsu Hsin-liang. Hsu was impeached by the Control Yuan and suspended from office for two years by the Judicial Yuan's Committee on the discipline of public functionaries for campaigning for others in the December 1978 elections, signing an "anti-government" declaration protesting the arrest of Yu Teng-fa, and being absent without leave to participate in an unauthorized demonstration concerning the Yu Teng-fa case. Following impeachment, Hsu Hsin-liang sent his defense in writing to the Committee. The Committee's proceedings, however, were not public and did not provide further occasion for the accused to rebut the charges. Moreover, there was no appeals procedure.

The district and high courts are under the administration of the Ministry of Justice. The authorities announced their intention in April 1979 to transfer this court system to the Judicial Yuan within one year. If implemented, such a transfer will provide greater judicial independence from the Executive Branch through separation of judges and procurators.

e. Invasion of the Home

In contrast with the situation two decades ago, invasion of the home is not a common practice in Taiwan. The nonviolent searches which do occur are normally, though not always, authorized by warrant.

2. Policies Relating to the Fulfillment of such Vital Needs as Food, Shelter, Health Care, and Education

As a result of public policies, the gap between the rich and poor is steadily narrowing and in terms of income distribution Taiwan's society is one of the most egalitarian in the world. The ratio of per capita

Income between the top 20 percent and bottom 20 percent of the population has been reduced from over five to one in 1966 to 4.18 to one in 1978, against a background of rapid economic growth in a relatively free market economy. Programs have been designed to ensure that rapid industrialization does not exacerbate the moderate disparity that exists between the rural and urban sectors. Tax policy is designed to alleviate the direct tax burden on lower income groups by emphasizing collection of tariffs and sumptuary taxes while maintaining a high degree of progressivity in the personal income tax structure. The authorities in 1979 also submitted new legislation, the Social Relief Law, to assist low-income people. Rapid and large-scale urbanization results in somewhat congested housing in Taiwan's major cities. Nevertheless, slum conditions are gradually ameliorating and housing in both rural and urban areas is generally adequate. In February 1968 it was announced that public housing has been included in a list of major new construction projects to be undertaken under the first (1976-1981) and second (1982-1987) six-year economic development plans. An increasing number of families are beginning to enjoy modern conveniences and luxury items. For instance, in 1968 only about 18 percent of all households had TV sets while in 1978, the most recent year for which statistics are available, almost all households did. In 1978 over 87 percent of all households had a refrigerator and over 63 percent had motorcycles. The right to own and hold private property, including land, is guaranteed by Article 15 of the Constitution. The only exception is a general prohibition, under the terms of the 1949 Land Reform program, against holding more than 7.5 acres of wet farmland or 15 acres of dry farmland.

Taiwan has developed an effective public health program and a system of health stations throughout the island. All major epidemic diseases have been practically eradicated. Health promotion programs include maternal and child health, family planning, school health, dental health, special care for disabled children, communicable disease control, and environmental sanitation. Public medical insurance covers about 3.2 million civil servants and military personnel. According to statistics, in 1978 Taiwan had one hospital bed for every 464 people and one physician for every 1,360 people. Life expectancy is among the highest in the world. Adult literacy on Taiwan is 93 percent. About 4.5 million people, 26 percent of the population, are presently in school. In 1968, free compulsory education was extended through junior high school. About 60 percent of junior high school graduates pass examinations and enter three-year senior high and vocational schools. Taiwan's extensive system of universities, colleges, junior colleges, and other institutions of higher learning currently enrolls, through competitive examinations, 317,000 undergraduate and graduate students -- about 16 percent of college-aged youth. In 1978 about 56 percent of the population over the age of 15 had a secondary or college education compared with 43 percent in 1969.

People in Taiwan enjoy a good diet. Per capita calorie and protein intakes have gradually increased since the 1950's, reaching in 1978 estimated intakes of 2,800 calories and 78.0 grams of protein per day. These are among the highest in the world.

Over the past decade wages have risen in the manufacturing sector at a compound annual rate of 18 percent measured in current U.S. dollars. The average monthly earnings for a worker in the manufacturing sector rose from US \$34 in 1969 to U.S. \$209 in 1979 as the monthly hours worked dropped from 238 to 220.

This fulfillment of vital human needs is not hindered by corruption. Cases of corruption involving officials have been uncovered, investigated, and prosecuted.

3. Respect for Civil and Political Liberties, Including:

a. Freedom of Speech, Press, Religion and Assembly

Individuals are not free to question publicly basic political policies of the authorities. Martial law and the publication law give the authorities the right to limit freedom of speech and freedom of the press, both of which are guaranteed in the constitution (See Introduction and Section 1.d). The authorities conduct post-publication censorship and recall articles and publications that oppose "basic policy" or which are regarded as excessively critical of the leadership. They also censor foreign publications, but in recent years have lessened restrictions and allowed greater access to information on developments abroad, including reports on developments in the PRC.

In the past publications critical of the authorities have been banned, and there are credible reports of independent newspaper owners being forced to sell out to officially sanctioned purchasers. A number of such outspoken publications were similarly dealt with this year as well, and several writers have been arrested on charges ranging from "sedition" to "propagandizing for the communists" and publishing unregistered publications. Nevertheless, the one-year suspension on registrations for new magazines announced in 1978 was removed as scheduled on March 1, 1979, and a series of new magazines has been published. The two most prominent of these publications were banned in the aftermath of the "Kaohsiung Incident," a demonstration-turned-riot which was organized by the magazine Formosa.

In late December, 1979 the popular oppositionist magazine The Eighties Monthly was suspended for a year after it published in its seventh issue several cartoons depicting the ruling authorities as no less oppressive than the communist government in the People's Republic of China. Immediately after the ban, the pub-

lisher of The Eighties was given permission to put out a new magazine called The Asians. The publisher has decided, however, to postpone publication of the new journal because of the sensitive political situation.

Freedom to practice religion is respected on Taiwan. The predominant religion is a combination of Buddhism, Taoism, and Confucianism. Other religions include Christianity and Islam. Some pseudo-Buddhist sects and Reverend Sun Myong Moon's Christian Unification Church have been banned.

In 1977 the Presbyterian Church in Taiwan (170,000 members) issued a "Declaration of Human Rights." The church leadership reaffirmed its commitment to this declaration on its second anniversary in 1979. By calling for the creation of an "Independent Taiwan," the declaration has placed Taiwan's Presbyterians in direct opposition to the authorities' basic policy of the unity of China. The authorities view the manifesto as a highly political document which calls their very legitimacy into question. In 1978 the authorities tried to block the reelection of one of the declaration's authors as a moderator of the General Assembly (highest governing body) of the Presbyterian Church in Taiwan; and on some occasions Presbyterians seeking to travel abroad on church business have been denied exit permits.

There have also been reports of various forms of pressure brought against other missionary groups who have been active in social work which the authorities consider to be unacceptable political activity.

In early 1979 the authorities indicated they intended to legislate a new "Statute on Temples and Churches." The current law enacted in 1929 applies only to Buddhist and Taoist Temples and is not considered adequate for a society which also has various Christian and Moslem groups. While authorities said the new law would not curtail freedom of religion, the Presbyterians feared the law was aimed at them and would give the authorities considerable powers which could be used against the church. In response to opposition from religious groups on Taiwan and criticism from abroad, the authorities indicated in October that because of "differing opinions" in various quarters the draft was being reviewed. Recent news articles indicate that the authorities are preparing to resubmit a new draft law on the administration of churches and temples, though there is no indication of whether the offending sections will be deleted.

The constitution provides for freedom of assembly. While assembly for nonpolitical purposes has generally been permitted, assembly for political purposes, except during election periods, has often been curtailed. Martial law, which gives a military commander the right to stop or dismiss a meeting, and the law for the punishment of police offenses, which requires "groups of people" to

obtain approval for gathering in advance, have been used to ban or disperse public meetings by those suspected of dissident views. In one recent instance Taoyuan County Magistrate, Hsu Hsin-liang was suspended from office for two years for, among other charges, participating in an unauthorized demonstration in January to protest the arrest of Yu Teng-fa. (See section 1.d) While retaining the right to disapprove public gatherings, until recently the authorities had demonstrated increasing tolerance by permitting public meetings of outspoken political activists making critical speeches.

The December 10, 1979 "Kaohsiung Incident" is the most recent example of the authorities' restriction of freedom of assembly. The incident took place in the southern Taiwan port city of Kaohsiung. There a group of oppositionist activists who publish the popular monthly magazine, Formosa, planned a December 10, 1979 rally commemorating International Human Rights Day. These opposition figures had previously organized several similar outdoor rallies, though the number of demonstrators rarely exceeded 5,000. The December 10 rally, however, was planned to include as many as 30,000 participants.

As required by law, the rally organizers submitted an application for a demonstration permit to the Kaohsiung municipal police in mid-November. About two weeks later the police declined to approve the permit on the grounds that public order would not be maintained with so large a number of demonstrators. The oppositionists, however, felt that the denial of a parade permit was politically motivated and designed to prevent the general public on Taiwan from seeing evidence of public support for oppositionist policies. Because of this, the organizers went ahead with their rally in spite of lack of approval. The demonstrators, about 500 in number, broke through police lines and proceeded with a torchlight march which attracted several thousand onlookers. The police were later joined by military riot troops called in when the demonstration got out of hand. The demonstration broke up six hours after it began. Official sources reported that the violence resulted in one civilian injured and 182 police casualties; one press account immediately after the demonstration listed 47 police and 92 civilian casualties, both "mild and serious." Following the demonstration, the authorities began a general crackdown on the leadership of Formosa magazine which had organized it. A total of 65 people were arrested by military authorities and charged with the capital crime of "sedition." One of those arrested was the prominent Taiwanese legislator, Huang Hsin-chieh. During the sweep, a number of other were detained without warrants in connection with the incident. Some were later released after serving short sentences for minor offenses. Formosa magazine, along with The Eighties Monthly, was suspended for a year though for reasons allegedly unconnected with the Kaohsiung demonstration. The arrests, and especially the serious charge of "sedition" made against those arrested, have caused considerable

anxiety among Taiwanese overseas, who have charged that the arrests were politically motivated in an attempt to eliminate an influential part of the opposition in Taiwan.

b. Freedom of Movement within the Country, Foreign Travel and Emigration

The constitution provides freedom of change of residence. There is general freedom of internal travel in Taiwan except to sparsely populated mountainous areas, for which a police pass is required to control entry into secure areas and to protect the aborigines from exploitation.

Travel abroad or emigration has become gradually freer, except to the People's Republic of China and other communist countries. Taiwan has recently announced that businessmen will soon be permitted to travel to and do business directly with certain Eastern European countries. As Taiwan's economy has prospered, foreign exchange restrictions on travel have been relaxed and the number of people traveling abroad and living overseas has increased dramatically. In January 1979 authorities stopped discouraging travel specifically for tourism and began to issue passports endorsed for that purpose. Between January and October almost 150,000 such passports were issued. This new practice has been accomplished by some liberalization of passport regulations which led to further increases in travel abroad. For defense mobilization reasons the new tourist passport measures do not apply to servicemen or men between the ages of fifteen and thirty.

There are credible reports of people who have been denied exit permits for security reasons or because they or their relatives abroad criticized the political establishment. A few foreigners have been denied entry visas on political grounds.

c. Freedom to Participate in the Political Process

Reflecting the claim of the authorities on Taiwan to be the sole legal government of all China, there are a series of central entities over and above those which pertain solely to the island of Taiwan. Among those are the National Assembly, which elects the President and Vice President, and the Legislative Yuan, which is the central legislature. There have been no general elections of these two bodies since 1948, the authorities taking the position that such elections cannot be held until they reestablish control over the Mainland. Beginning in 1969 "supplementary elections" for these central bodies have been held in order to choose additional officials from Taiwan and adjacent islands. These elections, however, have not substantially altered their composition. In the 1978 supplementary elections for the Legislative Yuan, for example, only somewhat over 10 percent of the seats still occupied by members were up for election.

Since 1950, democratic institutions have been established at the provincial and local levels and have functioned reasonably well. Universal suffrage exists for all citizens twenty years of age or over. Elections have been held regularly over the past two decades for all local (i.e., Taiwan Province) legislative offices. However, the Taiwan provincial governor and the mayors of the municipalities of Taipei City and, as of July 1, 1979 Kaohsiung City are all appointed by the Central Authorities, which exercise considerably greater power than the local institutions.

Despite the theoretical existence of two opposition parties, Taiwan has effectively a one-party political system. Candidates who oppose the Ruling Nationalist (Kuomintang or KMT) thus run as independents. Even though the majority of candidates elected are from the KMT, independent candidates have been increasingly successful in the recent past. In the 1977 elections for the Taiwan Provincial Assembly such candidates won about 30 percent of the seats. KMT candidates have generally benefitted from prominent media coverage and the limitations on civil and political rights which handicap opposition. Nevertheless, during the campaign period of the 1978 "supplementary elections" speeches, rallies and to some extent organization by independent candidates was permitted to a greater degree than ever before.

Although oppositionist activity expanded during 1979 and the Taiwan authorities appeared to have adopted a more moderate attitude, the December 10, 1979 "Kaohsiung Incident," and the subsequent arrests could reverse this improvement in the political climate.

Following President Carter's December 15, 1978 announcement on the normalization of U.S. relations with the People's Republic of China, President Chiang Ching-kuo, under martial law provisions, postponed the National Assembly and Legislative "supplementary elections" scheduled for December 23. Taiwan authorities have said they will be rescheduled as soon as Taiwan's internal and external situation is considered stable, but probably not for twelve months after the termination of the Mutual Defense Treaty with the U.S. on December 31, 1979. Independent candidates generally supported the postponement of the elections.

The locus of power on Taiwan is the Central Executive Branch, which is not subject to direct elections. While representation of native "Taiwanese" (descendants of Chinese who migrated from the Mainland a century or more ago and now constitute about 85 percent of the population) in legislative institutions, both local and central, has been increasing, Taiwanese have less representation in the powerful Executive Branch, which they say is dominated by "Mainlanders" (Chinese who came to Taiwan in 1949 and their descendants). There have been recent

increases in the number of Taiwanese holding Executive Branch positions; including the Vice President, about one third of the Cabinet (including the Vice Premier, the Minister of Interior, the Minister of Communications, and three Ministers without Portfolio) and the Governor of Taiwan, among others, are all Taiwanese. Critics charge that none of these posts is really a key power position.

There is no meaningful tradition of trade unionism on Taiwan, and labor unions do not exercise significant influence either in the economic or political sphere. While labor unions are permitted to organize, walkouts and strikes are prohibited under martial law. Collective bargaining, although provided for by legislation, does not exist on Taiwan.

There are few laws that discriminate against women; those which do relate mostly to divorce issues and inheritance. Women have been active in politics and regulations governing elections make some provision for guaranteed minimal representation of women in local and central legislative institutions. However, the Confucian tradition permeates all levels of society and its strong anti-feminism has resulted in pervasive and ingrained social patterns that relegate women to a clearly subordinate role. Rapid industrialization and a gradual liberalizing trend throughout society are now changing the status of women. The percentage of women in institutions of higher learning has increased slightly over the last ten years, to approximately 39% during the 1978-1979 school year, about 39 percent were women. Women occupy prominent roles in such professions as business and publishing. A fledgling "Women's Rights" movement is slowly growing. The authorities are suspicious of this movement both because it attacks some of the fundamental tenets of Confucianism and because they tend to see any group which is critical of the established order as "subversive."

4. Attitudes and Record Regarding International and Nongovernment Investigation of Alleged Violations of Alleged Violations of Human Rights

The authorities on Taiwan have cooperated with outside investigations of human rights conditions. International organizations such as Amnesty International have visited Taiwan and met with officials there. In 1976 the Premier offered to allow a visiting U.S. Congressional Delegation to visit Taiwan prisons, but the invitation was declined.