

**The original documents are located in Box 373, folder “The China Trader - Julian Sobin interviews with Murray Berger and Bob Boulogne” of the U.S. - China Business Council Records at the Gerald R. Ford Presidential Library.**

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I am Julian Sobin here in New York with Murray Berger of SEabrook Foods, Carnation.

AUG 19 1977

Well, Carnation is one of our divisions.

Does that mean Sarnation milk?

Carnation Sea Foods we're a trademark licensee of the Carnation Milk Company and we've had the rights to use the carnation label for over 20 years on Seafoods.

The Carnation label that we all know.

That's right.

Like Carnation condensed milk.

That's it.

Isn't that interesting. Someone once told me that Carnation milk was the best cheapest, whole, protein whole food available to the Vietnemese during the war, for example.

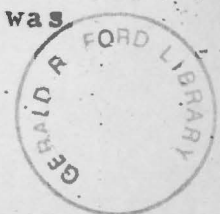
Well that's the way the Carnation people feel about it. It was and its great value and also great protein.

As a matter of fact the guy, a gentlemen, a Chinese gentlemen who used to live in Boston, Massachuseets, I think told me some years ago that he was the sole agent for Vietnam during part of the war and lived in Saigon. His name was Albert Lee.

Oh, I know Albert very well. I met him on my first trip to China And I said to him, how do you prove that it was all these things and I remembered he opened his shirt and he showed me an enormous hunk of jade that he wore around his neck and he told me this was all his wealth.

In the jade.

He showed it to me in Canton, China and all his wealth reaped in the harvest of the Vietemese war.



It's surprising about jade that the Chinese wear around, or on a chain, how they feel that the warmth of their soul is in that jade and for jade, I've been told that it has to have a soapy feeling and it changes a bit, the feeling changes as their personality changes.

It cleanses them?

I would hope.

Maybe. I think it corrupts them in some ways. Doesn't it. It's fascinating. So what, well Seabrook Foods and then you sold Seabrook Foods,

We sold the company to Spring Mills in 1973 and we now are a division of Spring Mills.

Spring Mills became ~~of~~ one of the largest cotton textile mills Synthetics, polyester, the largest sheet producer in the United States, to my knowledge.

Only the name Spring Maid, I guess that's probably the name most American people know.

That's their brand name. That's right.

They're ~~etc~~ sheets and pillowcases.

Pillowcases and they're also in comforters.

I remember Colonel Springs flamboyant advertisement which I always was told he devised himself.

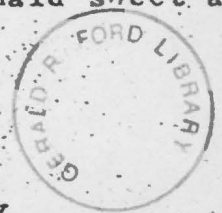
He did, he was the advertising agency for those ads and they were probably the first riske ads, the first ads that got people wondering.

I thin the first one was a buck well spent on a Spring Maid sheet and it showed an Indian laying on the sheet.

Pretty provocative for penthouse these days.

They wouldn't mean much today, but 25 years ago it really

Oh shure. They were pretty avant garde. How come you. What a curious



marriage. Textile business and the food business.

Well, they were looking for a business that would give them a better return on investment and they did a lot of investigating of all industries and they got down to the food business and then investigating the food business they came down to two firms, one in the more or less, the novelty or speciality field, snack field, I guess that's the best way to describe it, and Seabrook in the frozen food field and we won and we were very pleased to sell our business to them because they're fine, fine people.

I know they are. Do you have any real with them?

Yes, we find that merchandising food is the same as merchandising textiles, it works and we have gained a lot of knowledge from them in better planning.

Have they done business in China, Marty?

Yes, I, on my 2nd, no, I guess it may be 3rd trip, I've been there 8 times, I bought the first gray goods to come into the United States for Springs. The purchase was made for them and since that time they have been dealing in gray goods and soap products.

But they do that themselves now or they send their own people.

Yes, but everytime I go to China I do represent them and I'm either with one of their representatives from the textile or by myself.

Are you viewed as the current expert? I'm not being facious now of the group, let us say.

I don't know how much expert I am, but I would say that when a question comes up regarding trade with China, I am consulted.

I think you're pretty expert. I always remember from you, you attended the very first fair attended by Americans.

That's right.

In the spring of 1972 and I remember how impressed I was of the fact



that you were really the largest, you were the food buyer weren't you.

Well, we were the, I would believe at that time and I know we were the first American food company to be invited to attend the Fair and I made the first food purchase which happened to be shrimp. Frozen shrimp.

That's right. Famous product and you are famous for it. You made it famous, I guess.

It's been a long, long way back, I guess if you figure 3 years back is a long way.

It's a long way in China trade and a relationship isn't it.

It's strange.

You're an old friend aren't you, Murray.

I feel that I am, yes because I respect the Chinese and their methods of doing business. I remember the first trip coming back on the train from Canton, Quantow to Hong Kong, you and I sat next to each other.

I remember it too.

And you were telling me about your visit to Peking.

That's right. I had just come from Peking. You came with Louis Klar of Fortune Magazine.

That is correct.

I remember it very well.

And he wrote up our stay in China.

I didn't admire his article very much but I remember him writing it up. In any case, well be that as it may, there's a lot of water over the dam. Is the Chinese business a significant part of your business.

No, it isn't in dollars and cents or profit it is not significant but



it is important.

And you as the head of the company to go to China, that's not too burdensome, too demanding on your time.

No, I don't find it's been too burdensome. I've been averaging two trips a year. I don't just go to China when I make these trips. I'm visiting other countries in the far east. As a matter of fact, I just finished a five week trip which encompassed Australia, Seylon, Singapore, Phillipines, Korea, Hong, Kong, of course, Japan and then China. So China was a part of it and I like to make it a part of it because something draws you back to China.

I know it does. What got you there the first time, do you remember. You mean how did I get to China.

How did you get there and what drew you to it, to want to go there?

Well, I started getting interested in China actually 4 to 5 years before we had any form of detente with China, that is before President Nixon made his first visit. What drew me to China was their coast line and the reason I am in primarily the seafood industry as part of our food business, that's the business that I began in and merged into Seabrook and

Although there was something that preceeded Seabrook.

Oh yes, I had started, no not family, I had started a business in 1956 where by taking the remnants of a company that had gone into bankruptcy I inherited the Carnation label which I had talked about before and we began a company called Oceans of the World. Oceans of the World.

That's right and we began developing the Carnation label and competing against the major brands in the United States and then in 1969 I came, actually 68, I came to a crowsroads as to what to do with the business



whether to go public or merge and I found a company on the American exchange called at the time, Seaman Brothers, which was an old line wholesale grocer that also owned two frozen food companies in the vegetable business and my way to go public was to merge my company into them,

An already public company

And I then became the president of Seabrook Foods which we changed the name to Seabrook Foods.

So you really kind of took them over. Is that it?

Well, I wouldn't use that as the statement. Let's say we got together; I became the leading stockholder. I had the most stock and we went from there to grow from a forty two million dollar a year company to a ninety five million dollar a year company when we sold our business to Springs and so that's how we got there.

How big are you now?

About a hundred and twenty five million dollars out of Springs 550 million dollars. We're a part of it.

How are you faring with the big company?

I like it. Well, I enjoy the people I work with. They are good solid people as I mentioned before  
don't

Is that partly because they know anything about your business

No, they have learned about our business. They have an interest in our business.

Are they putting money into your business.

No, no as far as interfering very, very I won't even say at all because we cooperate. It's a form of cooperating and when you do things that way

I've had a similar experience there.



I'm aware

That I'm familiar with.

Sure. One thing I do find of the need to worry ~~to~~ about financing which was always a big part.

But you care just as much I bet you even though

Oh surely. I don't have to spend the time with the banks.

I see what you mean.

Or being involved with the stock market. Its given me more time to get into management of my business and less into finances which is good but you asked

Are you a division or a subsidiary of what

We are a division of Spring Mills. Getting to China, about 1968,69,

I started taking an interest in China because we were in need of raw product which is primarily shrimp, that's when we had, before we even merged with Seabrook and I realized that China had to be one of the largest producers of fish and seafoods in the world because of their coastline. Then through further investigation, I found that they were the largest producer of fish and seafood in the world.

Is that right?

Actually most of it was consumed by, at that time, 800 million people, I guess what is it, 900 million today.

Who knows. Something like that.

I began, I also felt that we would have to begin doing some business with China something would have to happen, you just can't ignore 800 million people, so I got involved with the Canadian government. By involved I mean asked them what they were doing for their businesses as far as dealing with China and they sent me loads of information on how to deal with China and I studied the information.





Even as an American. You had no business in Canada.

No, the only thing I wanted to do.

They're not so generous sometimes, the Canadians.

Well, I find. We deal in Canada so maybe I find it a different situation. We have plants in Canada from which we

Oh you have roots in Canada

Business

Yes

That's what I asked. O.K.

And I found out that there was a way that you had to write to the Chinese to receive an invitation to the Canton Fair which at that time it appeared was the only way to trade with China so I followed the instructions that the Canadians were giving their businessmen and I was fortunate, I have a very lovely Chinese secretary and she speaks Mandarin and writes it. I guess something was on my side ~~\*\*\*~~ so she we did, we started corresponding lets say in Chinese, sent them all the information about our company and no reply.

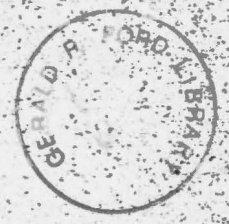
When was this 71.

No I started in about 68.

Oh this was very early.

Yes. And I had stated in my first letter that I realized that they were not admitting Americans to China but I felt the time would come when there would be an open door for both the Chinese coming here and we going there and I said consider me and know about my company now and then every six months I updated the letter and kept them aware of my progress and then on April 1st, and that's April Fools Day, isnt' it, Sure.

19, I guess it must be 73, or 72, I was sitting in my office, I'm sure



I'm sure it was a Monday and I got a cable and it said, you, your honorable self, is invited to the Canton Fair. Now I thought for certain that this was a practical joke because a lot of my friends and my business associates knew what I had been doing so I just didn't want to be fooled and I got my secretary in and I said now you trace this cable just back from whence it came and it did come from Peking and

It might have been a better story if that had been a joke that cable and the next day, and then you forgot all about it, the next day there came a real cable. That's a better way to tell the story.

That's right. But it turned out to be the real thing and then the turmoil began because I had gotten the invitation on the 1st of April, the fair was from the 15th to May 5th and then I had to get the state department's approval and details which was given to me in the fact that China was not, was on my passport, as a no-no, I had to get that deleted.

You mean Taiwan.

No, China.

China was on your passport. Of course, the block said that you couldn't visit the People's Republic of China. Yes.

And I had to get the shots and I was fortunate. I met a gentlemen who had been doing business in Hong Kong representing the Macy Company and he was kind enough, he was the vice president of Macy's to give me some direction

You met him in Hong Kong/

No, I had learned about him in New York. He had

This is Al Altiers.

No, it was not Al. It was, the name is going to come to me and I



can't think of it right off but I should because he'll shoot me.

A Chinese.

No, an American, vice president of their international business but

I met people in Hong Kong through him and my, I guess the most in-

teresting thing was the day I went to catch that train, that first

train ride

To the border

That's right.

Anyway, you've been there 8 times now.

That's right.

How many times to Peking?

Never to Peking.

Oh, you've never been to Peking.

I've been invited a number of times, I haven't, it seems surprising

to say this but I have never/

But you've been represented in Peking

Yes, oh yes, definitely

I want to talk to you a little more about that.

Yes, but I must say purposely I haven't gone to Peking because I

haven't had the time. As I mentioned earlier my trip to China is

part of an overall trip to the Far East and I'm on a bit of a schedule

and you know what Peking takes.

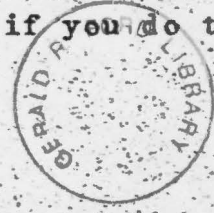
You can't just run in and out. I mean you're offending them if you do that

That's right

Quite right, I think when time allows

Well anyway, I am going to have the luxury of going, I'm sure I will.

Of course, you will. Anyway Murray, you've been 8 fairs now and you



done business at every one of them.

That's right.

Food product. Always buying from the Chinese.

That's right.

You've never sold them anything.

No.

And therefore you're a very desirable guest because that is what the Canton Fair is all about. They want to sell to you, don't they.

And you must be an important buyer, what other kinds of products do you buy besides frozen shrimp.

Well, besides the shrimp, we buy rabbit and that's on a regular basis. Frozen rabbit.

Stop at rabbit for just a moment. I really was unaware of the fact that rabbit, imported into the United States. I really never knew that.

Yes.

Well, we never ate rabbit in this country until I went to China and discovered that rabbit was a big deal.

Well, rabbit is not a large selling product in the United States but it is one that has been on the finer restaurant menus for oh for years and also throughout the midwest and the southeast, southwest, you have the consumer buying rabbit.

And is it called rabbit.

Yes

In a can or what

No, its frozen, in the frozen form, its all eviscerated the same as poultry is eviscerated and very high quality, I must state that.

Do the Chinese have high quality in general



I say in general, I classify their products of being of high quality.

What else do you buy besides rabbit and shrimp.

Oh in the past I have purchased frozen vegetables which we tried which as of this date we have to be giving them more help in regard to, well in meeting our standards, let's put it that way, meeting our standards. I purchased tobacco, the first cigar tobacco to be imported to the United States. I did that for another firm/ They had asked me to do that in service for them.

Do they have a good quality tobacco?

Yes.

But they have also bought tobacco here, haven't they?

Well cigarette tobacco.

This is different. You bought broad leaved for cigars.

I bought the cigar tobacco

Wrapper for tobacco or something

That's right. and they have purchased the cigarette tobacco

From North Carolina

Yes, I believe

Isn't that interesting

And they're tobaccos of high quality. The problem there is the fact that they do not have preferred nation treatment and the tariff is too great, the duty is too great.

Right, I see. As against where would we get broad leaved tobacco.

Oh, Ceylon is an area.

Turkey?

I believe Turkey, the Phillipines,

But not Cuba



Not as yet.

Not as yet.

0

One day we will trade also with Cuba.

Is that going to be a business of yours.

I hope so. We are communicating with Cuba right at this time.

Can we suggest that you got into that business because of China.

You weren't in the tobacco business before or were you.

I'm not in the tobacco business now.

I know but even now you may try to look for tobacco in Cuba and this place and that place but you didn't do it before you got involved with chi

No, let me ~~clear~~ clarify that Cuba, again, I am thinking about seafoods. I only did that as a service to a company that asked me to represent them and they did find the quality of the tobacco very high.

Is frozen shrimp your big business from China.

From China that is the number one item

And do they sell exclusively to you.

No, unfortunately they don't. We wish they did.

You have tried have you.

We have. We've tried to discuss the matter. We are, I believe, I know to be a fact, the largest buyer, the most consistent buyer and again

patience is what you need when you deal in China and I feel that being consistent and being a regular buyer through good and bad times, high markets, low markets, also when there are problems not running away from responsibility, they will appreciate this type of dealing and we will one day be rewarded. I think they will reward us.

Find a way to reward you.

Thats right.



Have they sold frozen shrimp to many other people, do you think?

Yes, to a number of other suppliers, customers on an in and out basis

Have people ~~\*\*\*\*~~ bought it because they've speculated in it in that you've done it and they're not really in the business.

That is basically what it is. They see that we have developed - you see we advertise a product. People know us for Chinese shrimp and we are not in the sense just traders.

Do the Chinese damage themselves because they sell to others. Sometimes people who are unskilled and who do a disservice on the market place with their shrimp, lets say.

I would say definitely it's a disservice to the Chinese because they don't take on the responsibility that you have to have when you are developing a line of products. They use these products as just a quick buck situation and were not involved that way. we are merchandisers on a long

Your ~~market~~ marketers as opposed ~~to~~ to opportunistic traders

I think you've hit that right on the head. That's the way

Is rabbit a regular consistent business too?

Yes, on a regular basis. This is not large quantities between 100 and 150 thousand pounds of rabbit a year but it is steady. They can depend on it. Rabbit today is not, no it sells for less than \$1.00 a pound.

How much does shrimp sell for roughly?

Shrimp today, is in the, depending on the size, it will go anywhere from \$1.50 up to \$4.00 per pound, depending on the size. But that isnt too expensive

No, I guess when you think of the price of lobster, it isn't very expensive.



No, in comparison to lobster and when you figure what skills it takes to catch a pound of shrimp and how much energy, that's gasoline or desile to catch a pound of shrimp. I always compare to if you want to compare something, a pound of shrimp to a pound of chocolate. People don't realize it when they buy a small candy bar, that by the pound that's over \$3.50.

Got you.

Sp shrimp isn't too bad and it is delicious.

Good promotion. Murray, the Chinese method of freezing the shrimp, is that relevant? Do they know really what they're doing.

Yes. They have the modern technology.

Did they have it when you first got there? Or did you help them.

We helped them develop their methods of freezing. We did everything we could to help them in grading shrimp and processing shrimp. Again that is one of the knowledges that we have that we must impart to them and we have helped them. We help every country that we deal with in the world.

Does that mean that when you went to the Canton Fair that the Chinese not only negociators, commercial negociators, but technicians and you discussed the nature of freezing the shrimp and preparing it and so forth and guided them to the right way.

Julian, we went even further. We would send them information from our Food and Drug Administration, from our Dept. of Fisheries, regarding the proper way of handling product, to do everything possible to have them on par with any other country in the world that exported to the United States.

~~And t~~





And they appreciate this don't they?

I'm sure they appreciate this. Their appreciation to me is that they followed instructions or suggestions and they are doing a fine job

With a right reward. So you really now have a regular business in Chinese foodstuffs, chiefly shrimp and rabbit for example and therefore this is a dependable source of supply for you and there are other people who have made it a dependable source too but not in the quantities or the volume that you are consistently that you have done it with

No, I think we have been probably the only company that regularly imports.

Do you buy between Fairs too?

Yes, and that we do via the telex and it isn't too difficult. As a matter of fact probably the time is going to come when we won't have to attend 2 fairs a year - it will be down to 1 fair and we can do a lot, even more business on the telex.

Sure. By the way what corporation are we talking about now?

What Chinese corporation?

This is the Foodstuffs Corporation.

It's called what.

Oh, you mean the whole.

National Cereal and Oils and Foodstuffs Corporation, I've forgotten the exact technical terms, I think its just called cereal and oils, isn't it.

Yes, International cereal and oils import and export corporation.

Strange they use the name export, I mean corporation, isn't it.

Well, that's very interesting. It was once explained to me by the

Chinese that the Chinese character that translates into the word corporation has a meaning not only of commerce but has also a meaning of taking on social responsibility and the name corporation came from that used by the East India Company which had offices all over the far east in which took on civic responsibility when it did business which also spills over in the area of the respect the Chinese have for the British and the fact that English is the language in China even in places where we all don't visit and so forth and all this was intermingled and inexplicitly interwoven in some way and corporation comes out of this web in some way or another. You really must explore that.

We have to. That's quite interesting because I wondered how with two different ideologies ~~\*\*\*~~ we are similar in that our corporation means growth here and corporation there also is Meaning its very special to them but also it would have the same kind of meaning to us if it were explained to us. Anyway what about all these problems we hear about with FDA and so forth. Not just a specific problem which you may have had but in general. Did you worry about FDA problems when you first bought foodstuffs?

Yes, no question that's the reason you have to insure your product against food rejection. ~~\*\*\*~~

Were you able to insure at the very beginning?

Yes.

Before you had really had any experience with them?

Right at the beginning because the Chinese had been shipping shrimp to Europe for many years and to Canada and with great experience

And therefore insurance companies already knew

Lloyds of London knew very much about them. They had very little



problem regarding their quality. And therefore we were able to get insurance on their product coming to the United States. There had been some shipments where there had been difficulty. Their standards initially did not meet our food and drug requirements and this resulted in rejection.

Did the food and drug ever lenient because it was the beginning of new trade?

No. And we don't expect leniency from them. I must make that statement. They did not treat China any differently than they treat any other nation that we deal with and they are protecting the American public. It didn't harass the Chinese. It didn't discriminate against them? No, not whatsoever.

Which I sometimes think the Chinese think they do.

I can definitely say to you that our food and drug has been fair in all the dealings with all nations. If a product is good, it is passed. If there is a health hazard, it is not passed.

I fault the Chinese for all their criticism of what they claim is harassment by the FDA. In my business, the chemical business, they really seem to claim this that it's burdensome and aimed in their direction to harass them or something like that which I think is incredible because I have pointed out repeatedly to the Chinese as surely you have that it's in the interest of the American public that it is without discrimination and they treat everybody the same and it's for my health purpose and yours and Americans and so forth. In any case there's been a lot of talk about the problem of importing foodstuffs both from a labeling standpoint and from a how you freeze things. For example does the FDA want to know how it's frozen.

No, they're not concerned with the method. They are only concerned with the result and it has to meet our standards which means that it has to be low in bacteria, it has to be handled correctly so that there are no impurities, there can be no decomposition.

And transported correctly.

Naturally. It has to be transported in refrigerated

And the Chinese are responsible for that transportation, aren't they?

Yes.

They trans ship it too.

Well in most cases today, again this is one of the disadvantages of not having direct relations with China and that is that certain of the shipments have to be trans shipped via sHong Kong.

We've learned.

Excuse me, for just correcting something. I think that you mean in the absence of normalization.

Normalization not direct

I'm glad you mentioned that. What

we have found now is that when a product gets to sHong Kong we have inspectors there that check the product, check the vessel, and do everything we can to cooperate with the Chinese to get it here in A-1 condition.

Could you reject it there \*\* Are you part of CYF or CNF?

No, we buy our products now 2 ways. CNF, The United States, and also if CIF Hongkong because we now are selling our product throughout actually Europe.

Oh, some of it you don't take to the United States.

Thats right. We sell it to Europe or we'll sell it to other parts of Asia.

If you say you sell it to Europe will the Chinese ship directly to



Europe for you.

No, not they will just sell the product to us in Hong Kong and its our determination as to what we want to do with it.

Does that mean they are hiding from the fact that you are selling it in Europe?

No, not whatsoever. It just means that

That you haven't decided yet where its going.

That's exactly what it is. We don't, we don't know what areas will bring the best price or where the best market is of this particular situation.

Is this something you buy forward? How many months ~~xxx~~ advance do you buy?

We purchase shrimp on the average of 3 to 5 months ahead of delivery.

It's a great crap game.

I bet you it is. Thats very. you have to make it your business.

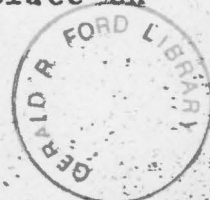
That's a nice deterrent for us to stay out of. A business I assure you I would be terrified of it. But anyway when it comes to the United States it comes in foreign flag vessels or American flag vessels from Hong Kong.

That is right. Mainly. There have been some direct shipments on Japanese vessels from China but very few, very infrequent.

But then the goods are refrigerated as it would be for shipment to anywhere where in the world from wherever. And then the goods get here and if there is going to be rejection it always takes place on arrival at the dock

Not at the dock. It goes into a refrigerated warehouse.

Nothing can be shipped directly from the dock to a customer then.



Oh yes, you can ship it direct to a customer but the customer must hold it in his warehouse until Food and Drug clears the shipment. So it could even be inland.

Oh, yes it could be shipped anywhere in the United States but it cannot be utilized or shipped out to a consumer until it has been inspected and passed.

And is that a strict inspection.

Yes.

And what happens if there is rejection.

If there is rejection you have choice. You have one choice which is drastic, destroy the merchandise. Second choice, ship the merchandise back to the original shipper. Third choice, sell the merchandise outside the United States.

And whose choices are these. The insurance companies?

That can be the insurance company or the owner of the goods or the shipper. It can be his choice too.

If you've rejected the goods, you've rejected them to the insurer, the insurance company let us say to whom you've subrogated ownership or whatever.

Yes, but we have a responsibility and that responsibility is to be of help to not only the insurance company but also to the shipper, to see that they receive the most value for the product.

Right. That the loss is mitigated in so far as possible.

And keeping it to a minimum.

Right. It's clear. So give us an example if you don't mind, Murry, about what happens in the case of rejection of Chinese goods. That must be a complicated situation.

Well, we've had product rejected. It's been reinspected.



Reinspected by.

By our inspectors and found that there was a definite reason for the rejection.

You mean the FDA has rejected it.

And then we inspect it.

You've inspected it and you've found what, you've confirmed what the FDA has found.

We confirm that the product was at that point decomposed.

Have you ever argued with the FDA

No, because we have found them to be correct.

Always.

That is right.

So then you both agree that the goods are decomposed.

That is right.

And that's the fault of the shipper now, is it. Or what.

We feel at that time it was the fault of the producer. We check back and we found that the vessels on which the product had been delivered were the temperature had been maintained correctly the product had been handled correctly, and by the way, frozen product it can easily be determined if it has been poorly handled because you can see it in the condition of the cases. So then

If refrigeration failed on the way over or something like that you can see that.

You would see wet water marks on the cases, the cases would be dented because it is corrugated and crushed so our next step was to bring this to the matter of the insurance company and they assumed liability.

We then determined where the responsibility was and we made it known to



in this particular case, the corporation that had in Peking made the shipment. And we lodged a claim.

You lodged a claim.

Oh, yes.

Now Seabrook lodged the claim.

We lodged the claim for the insurance company, that's right.

Is that because the Chinese took the position that they didn't do business with the insurance company.

That is right, andn they didn't. They did business with us.

Their point is they did business with Seabrook.

And also it become s, first of all, our next responsibility was to keep the claim to a minimum so after inspecting the product we found that although it was rejected not all the product was decomposed, actual only a small percentage which only, you only need a small percentage to have the rejection so we then found a customer outside the United States who was willing to pay a lower price for the product but willing to regrade the product and remove the decomposed shrimp before they were placed on the market.

Which you would not be permittd to do here.

We could do it, yes, but we've found it would be just as economical to send it outside the country where the labor is cheaper or lower price labor. It gets too expensive here to do it. So here we kept the loss to a minimum.

So on behalf of the insurance company you helped to mitigate their loss by finding somebody outside the United States.

And we kept the loss to a minimum

For the Chinese

For the insurance company and for all parties concerned.





What happened to the final decomposed stuff that nobody took?  
That was dumped.

With the permission of the Chinese?

With our permission and a insurance companies permission. It  
couldn't be eaten. Anything that was decomposed was not edible.

Then what happened. Then the insurance company claims against the  
Chinese?

They claimed against the Chinese.

Then what happened?

Then I got involved and made a trip to China and discussed the matter  
and we ~~settled~~ amicably settled our problems.

O.K.

You went on behalf of the insurance company.

Yes.

In a way to discuss some compromise of the problem with the Chinese

Well, I went more than just on behalf of the insurance company.

You did this with the Canton Fair?

No, this was a separate trip.

But not to Peking.

Not to Peking. This was to Canton where I spent 10 days between faxis  
and I spent 10 days of straight negotiating and discussing.

They came from Peking

And met you in Canton

They met me in Canton. They were kind enough to do it because there  
again my time was limited and they were nice enough to meet me in Canton  
because it was a shorter trip, this was before they had the direct  
service to  
to Peking



And I, you asked the question did this on the behalf of insurance company. Well, yes, I did it on their behalf, I did it on our behalf because we had put so much time and effort into developing trade. I didn't want it to be destroyed because of one mistake. You did it on behalf of your friendship with the Chinese.

That's right.

So all parties

All parties were concerned

Sure they were in the matter. And by the way this is a good method of trading with an understanding of the other fellow's problems and he of yours.

We are back. We settled our problem and to everybody's satisfaction and we are continuing to trade. We didn't miss a Fair.

Where did you negotiate between Fairs. In the Hotel.

In the Tung Fang. Yes, and by the way it's much nicer between Fairs.

We had a great time.

I've never been to the Tung Fair between fairs. I've been to Peking.

I've got to tell you a quick story if I can.

Please do.

I like to smoke cigars. Especially when I am negotiating and they are pacifiers and on this trip I brought a box of cigars and by the third day, I'm out of cigars. Well I had smoked some in Hong Kong and this was pretty tough

Pretty tough. Yea, I bet.

Well, it was fun but it was a long day. This wasn't like the Fair day. We start at 9 in the morning and would finish up at 7, 8 o'clock at night.



Just negociaying this one matter.

Thats' right and at the end of the 3rd day I was with my associate who is Harnot Hoose, I think you know Harnot and not finer companion could you have on a trip like this - great international attorney and I said to Harnet, "I'm going home." He says, "What do you mean you're going home?" I said I'm out of cigars. Well he took me serious because as times I like to put him on and he said you can't go home. Now we were also with another Chinese friend of mine from Hong Kong who got very concerned that I was leaving at the end of the third day. This was Y Y Wong was with us and they're trying to placate me and said well we are going to get you cigar. Well, they ~~\*\*\*~~ looked around and they could only find the small cigarette type of cigar.

Figarello.

So, it so happened the next day was a Sunday so Harnet said let's take a walk and we took a walk all through the streets of Canton and I know you've done that and it's very pleasant on a Sunday.

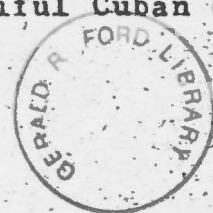
It sure is.

And yet I'm still a bit uptight and they think I'm serious about leaving Monday and we're walking past the storefronts and you know how little stores, little shops, everything out in the open, and we see some children buying some candy and I don't know what made me stop and look into the cabinet and there I saw the most beautiful Cuban cigars in tubes, silver tubes.

Amazing.

I couldn't believe it.

A candy store, a candy shop if you like with an open front in Canton. In Canton, China and I said to Harnet do you speak Chinese, now find



out if that is really true or is that strictly, maybe it is for show. So he spoke Chinese and asked the question and they were 60¢ American, I guess RNB's that would be equilizant to \$1.20 and I took one to start because I was still suspicious that these could have been there for years. I couldn't believe who would be smoking 60¢ American Cuban cigars and I'll be darn they were the finest cigars. I rushed back.

Fresh, too.

Fresh as can be. I rushed back bought the whole box.

How do you account for that?

I got a feeling they didn't want me to go home.

This really may, they're corny enough and wild west and pioneer enough to have just planted them there, who knows? They've gone to the airport and collected people at the ~~planes~~ point in the negotiation what was failing at the moment they were setting foot on the plane to turn around. Let me ask you another question. That's a great story. What about Great Wall Cigars?

Well, they are very small and they are good cigars but they are very small and I happen to like the larger cigar

Fantastic and these, these hit the spot and they carried me through the next 7 days.

Fantastic.

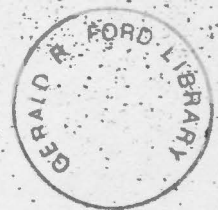
They were marvelous

That's marvelous

Now I went back on this last rip, I couldn't find them.

Did you go to the same shop?

Same shop



We told me he sold out.

That's fantastic.

We really think they joined a barter with Cuba. That they took in cigars but again I must say.

But why in a candy shop? That's not for kids.

Who would be spending 60¢ though in China based on

And this was not a shop for foreigners or Europeans

No

This was just a shop for Chinese

Anyway, in your negotiations were they tough in the settlement?

Let me say that they are very fine negotiators and we, it took us two days of understanding each other and we solved our problems very amicably, that is the term I use.

That's all you want to say about it, that's fine. Anyway your business goes on and you're doing very nicely and all is well. I'm pleased to hear that. I so you are going to keep returning.

I hope so as long as I have my health.

And you do it yourself.

Yes, I have

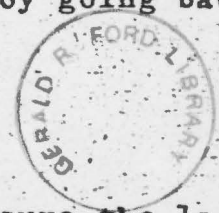
Do you enjoy the culture and all the other references besides the business there.

I do. I have become a collector of jade and I enjoy going back to find out what's new in the jade world.

Has Mrs. Berger been there too.

Yes, she has been there twice and we had the pleasure the last time of having dinner with your wife and it was quite enjoyable.

That's wonderful. I am delighted. Well, I hope you come to Boston to visit one of these days. Thanks a million, Muray.



I thank you, Julian.

And I hope we'll see more of one another.

Thank you.



Sobin: I am Julian Sobin sitting in New York with Bob Boulogne of J. C. Penney, one of the largest retailer organizations in the country, if not the world. Bob, what is your title in J. C. Penney?

Boulogne: I am Director of International Buying, which encompasses all the buying across the world which we do on a direct basis.

Sobin: How much international buying does the company do that you are responsible for?

Boulogne: Well, our sales in imported merchandise are about 10% and we do 7 1/2 billion dollars worth of sales so we're talking about big figures.

Sobin: That's a company by itself, a big, big company.

Boulogne: Yes, it is. It is handled through a corporation subsidiary of which I am Executive Vice President.

Sobin: I see, I see. But you are the Chief Operating Officer, really, of that business I judge.

Boulogne: That's right.

Sobin: Do you have a lot of people buying who work for you?

Boulogne: Actually we run a subsidiary that is more a service type organization because we really rely on our domestic buyers to buy categories of merchandise which is the only viable way; you cannot have a different team buying imported merchandise; it has to mesh in.

Sobin: How do you rank as a retail organization in the country?



Boulogne: We are the second largest.

Sobin: Who is the largest?

Boulogne: Sears does about 11 1/2 billion dollars and we are second with 7 1/2.

Sobin: How many stores do you have?

Boulogne: We have about 1600 stores plus a very large catalogue operation, plus a large chain of drug stores and a smaller treasury division which is sort of a discount. The drugstore chain is called Thrift Drug.

Sobin: Has this been your career, J. C. Penney?

Boulogne: Pretty much. I will be finishing my 24th year soon.

Sobin: Bob, how did you get involved in the China business?

Boulogne: Well, we, of course, had been listening and reading about some of the Americans that were going in after the first Nixon visit and it was obvious from my point of view and eventually our company's point of view that market had to be a fascinating one with immense potential and we started pursuing various ways and I talked to a few people; I went to some seminars, some sponsored by, I think, management.

Sobin: AMA?

Boulogne: AMA. I tried to contact the Canadian embassy, you know, did the whole bit.

Sobin: That we all went through.

Boulogne: And really the break-through came when the US China Council was formulated and we received an invitation to participate and I recommended to the company, it join the Council.





Sobin: That was the spring of '73.

Boulogne: That was the spring of '73. Then, furthermore, the Council, when they arranged that first group tour that was sponsored by the CCPIT realized after they formulated their list that there were no importers in the group and. . .

Sobin: No consumer merchandisers?

Boulogne: No consumer merchandise importers and they went through the list of people who had already joined and they saw the J. C. Penney name and decided that really they should do something about it. They appointed our chairman as director of the Council and, of course, after that we received an invitation right away.

Sobin: That was your launch pad. So when did you first go to China? In the autumn or so of '73?

Boulogne: That was in the fall of '73.

Sobin: And you have been there what, five or six times?

Boulogne: Five times now. I missed one Fair.

Sobin: And you are likely to go to each Fair and bring somebody?

Boulogne: Well, I'm going to try to phase out personally because I cannot spend that much time but I am trying to phase out and try to get our Far East Regional Manager in Hong Kong to take most of the brunt of it.

Sobin: In a routine way but will you always have somebody from here sort of overseeing it and seeing its potential.

Boulogne: I think I will try to go there at least once a year. I think the personal relationship is very important with the Chinese



✓  
and we've already <sup>have</sup> had that and we want to continue it.

Sobin: Have you ever been to Peking?

Boulogne: Yes, oh, yes.

Sobin: You have.

Boulogne: Twice.

Sobin: For business reasons?

Boulogne: Yes.

Sobin: Has that been of more benefit to you than just going to the Fair?

Boulogne: Oh, absolutely. We really didn't get to know the Chinese until we went to Peking.

Sobin: What's getting to know them do for you?

Boulogne: Well, I think it gives us more of an awareness of the tremendous problems that we are faced with in conducting business. The Fair is more superficial for the average fair goer and at first there is a great deal of euphoria about going to the Fair and you think there are a lot of things that can be done but I think when you visit Peking and spend time, which you just never have at the Fair, and you can meet with them without the pressures of the Fair.

Sobin: Without the competition of a lot of other buyers.

Boulogne: And the buyers crowding you out, you begin to understand how different their ways of doing business are and really it is a very tough market and a very difficult enterprise.

Sobin: Is it fair to say that in Peking you get a private negotiations?

~~is it fair to say that in Peking you get a private negotiations?~~



Boulogne: Yes, you have their full attention and they have yours.

Sobin: And the attention that you get is from, I take it, from the Light Industrial Corporations.

Boulogne: No, no actually. We really have decided of our own, that we would specialize in the textile field in the Chinese market because we just are unable to cover the entire field of products from China. By concentrating on textiles we can do a better job.

Sobin: So you are excluding yourselves from other products, or what?

Boulogne: We are not excluding ourselves but we have made no major effort to get them to know us in that area.

Sobin: Isn't that interesting. It's a very logical step for us. First of all we are the largest retailers of apparel in probably the world, certainly in the United States. Penney's has been known for their textiles selling apparel while Sears, you know, is more in the hard line area.

Sobin: Right.

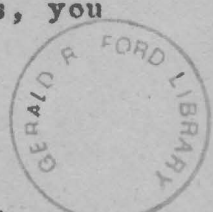
Boulogne: Now, of course, they are trying to get into apparel in a big way and we are trying to get into hard lines but really that is our home.

Sobin: Do you think that's a major thrust of export potential from China to the United States in the apparel field?

Boulogne: In consumer goods I don't think there is any question in my mind, that's where it is.

Sobin: Rather than Light Industrial products.

Boulogne: Light Industrial, there are some exciting spots but there's



✓ Boulogne

much more development that has to be done in the Light Industrial areas. They just don't have the sophistication in designing and finishing of metals, and in the sophistication of packaging anything that has to do with electrical machinery or appliances. They have too much catch up to do at this point.

Sobin: Do you have a serious import duty problem on the apparel and textile products you buy from China?

Boulogne: Yes, it's a very serious step to overcome.

Sobin: How do you overcome it?

Boulogne: Well, we've overcome it simply because of the somewhat really unfair scheduling of the duty rates that have been promulgated over the years by our customs and treasury.

Sobin: No, I meant overcoming it from the standpoint of the Chinese respond to that problem and therefore give you prices so that you can compete.

Boulogne: Yes, but I was trying to point out something else for reasons that are probably today not logical; there are differences in the cotton duties vs. synthetic duties and in the synthetic duties, for example, the Chinese are penalized very, very heavily and in the cotton area where the duties are much lower the. . .

Sobin: The problem is not as serious?

Boulogne: The problem is not as serious.

Sobin: You mean if the base is lower?

Boulogne: So we are skirting that problem somewhat by concentrating on the cotton field.

Sobin: Cotton is rationed in China, isn't it?



Boulogne: Yes, it is. In fact we have been told that. . .

Sobin: Cotton goods.

Boulogne: That they are really trying to save their cotton goods for exports and trying to infiltrate the apparel, their own apparel industry with some synthetic yarns.

Sobin: Do you buy cotton gray goods too or only finished?

Boulogne: Yes, we have been buying cotton gray goods also.

Sobin: And you are having them finished here then?

Boulogne: Yes.

Sobin: Are they a major supplier yet of cotton gray goods?

Boulogne: Yes, I think on certain constructions today they are a very major factor and of course you have been hearing the clamor of all the mills people who are the ones that are doing the importing and that amuses me somewhat.

Sobin: What you're suggesting is that some of those very people and mills are themselves large buyers of cotton goods from China and elsewhere.

Boulogne: Not only large, but they are the largest buyers and they are the ones that really have created the problem and to my knowledge the reason the goods are being purchased and being so successful in this country is because there is a shortage of this type of construction and our own mills could not produce the kind of quantities that are being bought.

Sobin: So what are they unhappy about?

Boulogne: Well, I think they are anticipating what is going to happen and possibly on the next go around.

Sobin: Especially if we grant MFN.

Boulogne: If we grant them that and if. . .

Sobin: Will that make a lot of difference?

Boulogne: Oh, yes, it would make a big difference. Oh, absolutely. But



then if we grant them that I think the quotas will come hand and hand.

Sobin: Voluntary quotas.

Boulogne: Voluntary quotas. And I think there are probably some justified reasons for the apparel industry and our textile mills to be very concerned about what could happen if China made a concentrated effort to come into this market, but to this point it's still a very small amount; it's insignificant.

Sobin: Do you really think that granting Most Favored Nation treatment would really increase imports so dramatically?

Boulogne: It would not increase them dramatically in the very near future. No, it would not because China is suffering from shortages of yarns and fibers, production, and it is not possible for them to overcome these overnight so I don't see that as an immediate problem but it certainly could be in five, six, eight years.

Sobin: Haven't you ever had the experience I've had in my business where the kind of currency is devalued overseas and the supplier raised the prices to reflect the difference because the balance is maintained usually and the Chinese are probably shipping as much as they can do right now, do you think that's so?

Boulogne: I think that's a very fair assumption and certainly they are subsidizing to some extent the prices that they are quoting to the United States. We have an organization which belongs to Penneys that is located in Belgium, were the second largest retailers in Belgium, and I have gone into the Fair with our Belgium buyers and we, side-by-side, have been buying the same article and been quoted different prices so we know this to be a fact.

Sobin: Do you think if you quoted different prices side-by-side with



an American competitor?

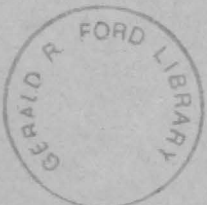
Boulogne: I think that probably could happen. It hasn't happened to me.

Sobin; I used to think that the Chinese quoted the same price to all, at least to people of the same country but I've already discovered that they don't necessarily quote the same prices in the same country. From the standpoint of fairness the Chinese often told me and sort of hammered into me the fact that they would always construct prices on goods that I buy so that a competitor in another country wouldn't be able to afford the ocean freight and the import duty if he brought it to his country and tried to ship here to compete with me. That's long gone.

Boulogne: Long gone.

Sobin: Well, the year before last I discovered I could buy goods the Chinese were still shipping to me on long contracts. I could buy from Japan, for example, and from countries in Europe at lower prices than my own contract even after they took the goods to their country now to reship them all over again, warehouses and so on.

Boulogne: Another area which I think is one that perhaps indicates that they are businessmen first and you know, theoreticians later, but they are giving exclusives to several buyers and it gets very confusing because the exclusives sometimes are very hard to define and I just found out that several other people are buying flannel shirts which we are supposed to have an exclusive



along with some other person but a third buyer is now buying them and what they do is change the construction slightly by. . .

Sobin: Do you have it in writing, Bob?

Boulogne: Oh, no. I would never ask for it in writing anyways.

Sobin: I discovered that whatever is not in the contract is a waste of time anyway and that doesn't mean that the Chinese don't mean it, but I've even bought something from the Chinese according to the specifications, the specification was not the entire specification and signed a contract then two days later said to the Chinese, what about this content and they have told me by word of mouth. I said will you put it in the contract. No, you signed the contract two days ago; it's too late. But he said it to me, o.k. and I counted on it. A month later I gave a sample to my customers, prospective customer, and he tested it and said it wasn't right. I sent a cable to China and I got a cable saying a different specification. I then went back to them and said none of these things agree and they said the only thing that counts is the contract. I mean whatever we tell you later, we tell you to the best of our ability, but nothing counts but what is in the contract so I assert, that if you keep buying something and buy enough of it, they probably won't sell to your competitors to too grossely effect your business but if . . .

Boulogne: I think that's what it is all about.

Sobin: That's what I think they mean by exclusivity by and large.





Boulogne: Well, we're not that concerned with that anyways. We're not trying to keep people out particularly.

Sobin: Have you done a lot of business with China?

Boulogne: No, not really. For the market and for the stage of the market development, it's substantial but certainly in view of all the purchasing we do around the world, it's very minute. We still have some question marks. We think we will resolve several areas which will eventually be of some benefit to us but actually up to now we've lost money on Chinese goods.

Sobin: You're not alone.

Boulogne: Really, in most other markets we just probably at this point would decide to get out.

Sobin: But you don't dare, out of this market.

Boulogne: Well, we don't dare. Yes, because we know it's got to develop; it's got to be important. In other markets we would say, well, we'll come back when it is ready. With this market, there's no other market like it; it's too big. We cannot take that chance. We think relationship because of the political aspect, is very important and for that reason we are hanging on and we are learning and we have developed a couple of programs that are getting to be quite sound and which we can use and which are building our relationship and where I think we have finally found the way to make some money.

Sobin: Has any big company pulled out that you can think of?

Boulogne: I don't know of any.

Sobin: We're all afraid to pull out anyway.



Boulogne: I guess we are. We're cowards.

Sobin: Well, it isn't that. We all know what a giant market place it is as a resource and as a market for things we want to sell and all of us just keep going back.

Boulogne: Progress is being made; I think we have to keep coming back to that. Progress has been made. There are things that they are doing for us today that they were not considering two years ago. It's very slow progress but it is progress nevertheless..

Sobin: Like what?

Boulogne: Well, the things that have been talked about by so many people: the labeling, the styling, the packaging, the assortments. I mean they are trying. They really are trying to give in to some of our demands and they are a little more flexible and they are making it a little bit easier. It's still a long ways from what we can do in other markets but as long as there is progress, I think it's worth the effort.

Sobin: What are they failing to do still?

Boulogne: Well, it's not so much the little things. It's the big things. It's the only market that I know of where we really cannot do any planning. We can not cut out a section of the market and say well, this this market is going to do this much for us and the next year we will increase it by this much and we are just operating in total darkness and that's the biggest problem.

Sobin: It's uncertain.



Boulogne: The uncertainty of the market is just, well you go to the Fair, you don't know what the price will be because you really don't know the economic conditions.

Sobin: You don't even know what's available at the Fair.

Boulogne: You don't even know if it's available. You don't know if you are too early or too late or you go before the Fair and they're waiting for the Fair to set the prices. You go after the Fair and maybe it's too late, everything is sold out.

Sobin: Sold out, right.

Boulogne: And if you ask what the problems are or how you can improve the situation you get blanks; you just don't get any good answers.

Sobin: Do you notify them before you go to the Fair? Do you tell them what you are interested in buying?

Boulogne: No, we haven't done that. That's a good point, I think perhaps.

Sobin: We do. That may be helpful to you. A month before a Fair we are sending them cables already. Each of the corporations that we do business with and we are saying we would like to come and discuss the following quantities with you and so forth and then we send somebody even a few days before the opening of the Fair to make sure we're there at the opening even a person not exactly involved in the business per say, who goes around the corporation and says look the buyer from such parts of our company will be here.

Boulogne: The guy with the pencil is coming over.



- Sobin: That's right. Well, this is what we really seriously want to buy at this Fair and we hope you'll reserve the quantities for discussion.
- Boulogne: I think that's a little easier for you because you're focusing on certain commodities and for us, you know, fashions change, styles change. Really till you get there, it's not as easy to plan, but I think it's a good point; I think we should do that and I think we would if we were in a more advanced stage. We can do it in maybe one or two commodities now.
- Sobin: I can only think that it's to your credit that you have identified an area of opportunity to concentrate in.
- Boulogne: We have done that really because of the Fair and the structure of their marketing, it is very difficult for a large department store organization like us to cover the Fair adequately and we, as you know, we can only get three invitations. There are no three people in our company who could assume to buy any of those commodities for the whole company so I think it makes sense.
- Sobin: Are you training people for buying, for Chinese buying in that peculiar atmosphere?
- Boulogne: I run sort of a very informal indoctrination. We go over some of the things that they would be faced with and some of the etiquette and some of the things to say and not to say.
- Sobin: Is this different than buying most anywhere else, Bob?
- Boulogne: Not really.
- Sobin: The negotiations?



Boulogne: Well, yes, the negotiations are different. The principals are the same but certainly we would want to indoctrinate anyone in any new market so that part of it is not different but I do think the big difference is that there is a total different political atmosphere. You have central planning and when you have central planning you're dealing with a set of circumstances that is really very different for most of our people. They are used to a more capitalistic society and markets where they can get a freer exchange of ideas, information, prices. I think certainly doing business even in Rumania is a little easier. I've never done business in Russia perhaps in Russia where you have total central planning you run into some of the difficulties of central planning.

Sobin: Different kinds of negotiations, a different spirit in the negotiations.

Boulogne: Yes, and the people that you talk to just don't have the same control over their merchandise, their materials, their scheduling, their timing, and then, of course, in China I am not certain today what the role is of the factory worker, the committee, the revolutionary committee, and what point do they see the order, or do they see the order at all. These are all such unknowns.

Sobin: Have you ever visited a factory making anything for you that you knew was making something for you at that time?

Boulogne: No, we have not. Of course, we have visited factories and I think we will be seeing a factory. In fact, right now, next



week one of our buyers there now, and he is going to Shanghai and he's asked to see his product being made and I think they will probably go along with that.

Sobin: That's a big step forward, I think.

Boulogne: Yes, it is.

Sobin: And I think it probably is motivating for the workers in the factories to see the buyer, the end user of this side for their purposes. Don't you think so?

Boulogne: Well, I would like to think so.

Sobin: It may be interesting to you if you ever have a chance and I don't know that this is still true but at one point I told the Chinese I was very interested in paper technology and I had heard that there was quite a big factory right in Kwanchou and they took me as a private visitor one day, for the whole day, to see the Kwangchou Paper Works. What was interesting to me was talking about incentives, there was a shift of women in that factory and they competed with a shift of men on the same machines doing the same exact work and they were very proud to exceed the wutput of the men. And I witnessed the shift changing and the enthusiasm.

Boulogne: That's fascinating. I must say that's the one area that concerns me the most about the Chinese potential and that is the incentive and what it transfers into productivity because certainly right now some of the factories we've seen, the productivity is just absolutely unbelievably bad.

Sobin: Don't you discover that the Chinese, for all of us who might



thinking this is a tremendously motivated gung ho society don't you witness five people for every job?

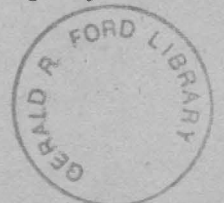
Boulogne: Well, you know, this again is part of the concern I have. We feel that the system may not create the incentive and therefore the productivity is affected. Certainly the flexibility is affected where you have a factory of 4,000 people producing 10,000 dozen shirts a month in a market such as Japan or Korea, that same factory, the same number of workers could produce perhaps 60,000 dozen and that's a tremendous difference.

Sobin: Of course.

Boulogne: Now whether it's the system, whether it's the newness of manufacturing merchandise - that's hard to say at this point.

Sobin: And still we have to account for the fact that the Chinese so proudly tell us all that they've never revalued or devalued their currency in 25 years but ours has - they respond to the fluctuations and the value of our currency and the value of their currency is fully backed by their productivity and the rest of the world seems to respect that. I am a product of the same experience that you have had. I've been to petrochemical works that employ 10,000 people and from what I know about the output of that plant, we could do the same thing with 700 people in this country. Now that's a fantastic difference. There are 15 times as many people.

Boulogne: Well, we don't know at this point if this is overemployment.



Sobin: Of course, we don't. Employment is essential, we know that and everybody has to work. And the fact of the matter is that whatever has to be done, gets done. Whatever the goals seem to be laid before them they seem to meet them, don't they, because that's a tremendous achievement in the country and that's a great feeling of accomplishment in serving the people.

Boulogne: And that's what we are concerned with - the end result - right?

Sobin: What percentage of your time do you spend in China?

Boulogne: Oh, it's really not very much.

Sobin: It's still an auxiliary business at the moment that you keep your eye on?

Boulogne: Yes, outside of some visits away from the Fair where we may be going into Peking and Shanghai which always takes a minimum of 10 days, our average stay at the Fair is three days.

Sobin: And you buy volume things?

Boulogne: And we buy volume things, selected areas in volume in large quantities.

Sobin: And the Chinese are now putting your label next to theirs or something like that?

Boulogne: No, no, we've gone beyond that.

Sobin: Only yours. But you are not in the fashion business, per se.

Boulogne: No, we're not.

Sobin: Like Bill Blass's visit there or something.

Boulogne: Well, the market does represent a paradox because in one hand, the beautiful meticulous handwork is conducive to high fashion,





expensive items, silks, brocades, etc. But then, of course, you have the long lead times, transportation problems, etc. so that is very difficult to overcome. On the other hand, if you want to go from mass, real mass volume priced merchandise there again your work there, your workmanship and the fabrics are so good that you really feel that should not be directed there and of course prices don't make it possible to.

Sobin: Is that right; I believe that.

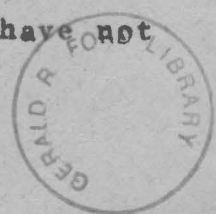
Boulogne: And, of course, if you go in the middle market, right in the heart of the market, you are competing directly with the United States and our own market so it's a tough situation.

Sobin: You really have to discern the area of opportunity which gets very narrow, does it?

Boulogne: At this moment it is quite narrow and of course we would like to see a market that we could go into it more on our own scheduling where we could drop in there more frequently in context with our trips to the other markets around that part of the world, where we could visit factories, making our goods where we could inspect merchandise while it is being produced and eliminate so many problems and where we could be partners with them in producing merchandise and I think we have a long ways to go.

Sobin: But they don't seem at all inclined to let you do that.

Boulogne: They have not said no but in their polite way they have not said yes either.



- Sobin: Why do you think they don't let you do that when it seems to you and me that it is so much in their interest to allow you to do it?
- Boulogne: Oh, I think it's logistics to a certain extent. The number of people that are available to take you around.
- Sobin : Interpreters.
- Boulogne: Hotels. The whole thing. I think it's very hard for them. They have too many customers; their business is fragmented. They have hundreds of countries literally that they are dealing with and it is very difficult.
- Sobin: Have you expected things to be ongoing when you have had business with them and developed over a period of a few Fairs, you did some business and then you came there next time and they didn't have any goods for you.
- Boulogne: No, they never cut us out totally. They didn't have as much goods as we wanted to buy but I guess that's perhaps as we referred to in our earlier conversation, we should have done better planning also.
- Sobin: I guess in terms of big American corporate management technology this especially is needed because you do profit planning and budgeting and forecasting, how can you forecast this business? But it gets lost in the shuffle, it's not really that.
- Boulogne: That's right it does and we certainly don't count on it for our own profits at this point.
- Sobin: Do you think it's reasonable that anybody who does count on



it for his livelihood ought to be very nervous.

Boulogne: Julian, I have talked to a lot of people who have said that they were interested in going into China to trade and to set up business and I've always discouraged everyone of them that I could.

Sobin: Me too, Bob.

Boulogne: Because unless you have the resources, and the money, and the patience, and the time, it could be a disaster.

Sobin: And you never know if it will pay off unless you just happen to make a hit which is so unusual. What do you see going into after apparel, are you in the shoe business, for example?

Sobin: Oh, we think footwear would probably be another area that would be very important but footwear is a little more sophisticated than apparel. When I say sophisticated, it's a little more technical and they really would have to make some progress in those areas before we would.

Sobin: There are plenty of American shoe fellows over there by the way.

Boulogne: Oh, they are beginning to go in there, yes. Certainly footwear should have great potential and it should be one of our next areas of interest.

Sobin: Do you normally buy, let's say, imported footwear, just to take an example, from a wholesaler?

Boulogne: Oh, yes, from an importer.

Sobin: Yes, but now going to China, the Chinese invite you. You don't need that importer, do you?

Boulogne: No, we may not need an importer for a particular commodity but we still do a lot of business through importers.



Sobin: Are you likely still to buy some Chinese goods through importers?

Boulogne: Yes, we do in fact. An example is the straw shop which is very successful in our store there is a man who I think you may know. Clipper Industries.

Sobin: Oh, yes, yes.

Boulogne: They buy straw goods from all parts of the world. Poland, Spain, China, the Phillipines bring it all into a common warehouse, ship a selection to our store. We cannot compete with that sort of thing as an importer who really is a specialized person. He really has something to sell. Now someone like that we would do business with.

Sobin: And it's just more desirable to do business with him than try to buy that stuff yourself.

Boulogne: Oh, absolutely. We just don't have the facilities, he inspects.

Sobin: So there is a place for wholesalers, importers, in some of these businesses even with China.

Boulogne: Oh, absolutely.

Sobin: That's very encouraging.

Boulogne: It could be true in footwear; it could be true in apparel. Any good importer who carves his own little niche if he's an expert in his field.

Sobin: Is it possible that there will be such a renaissance of importers that you may find yourself not needing to go to the Fair at all and you might buy everything from importers?

Boulogne: No, we would never let that happen. We think it's too important



for us to keep contact with the market to know what the price structure is and if you get away from the market and do it through importers only you really don't know what the price of the commodity is.

Sobin: True, and you could be taken advantage of, can't you?

Boulogne: Absolutely.

Sobin: Have you had any claims?

Boulogne: Yes, we have had a claim.

Sobin: Settled decently and fairly?

Boulogne: They were settled decently, somewhat. We compromised and mostly on our side but we received damages against future shipments and it was all done according to. . .

Sobin: Do you want to let them insure? Who insures?

Boulogne: No, no, this was just quality problems.

Sobin: No, I'm just curious to know.

Boulogne: Oh, we are self insured.

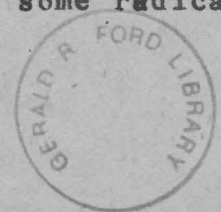
Sobin: So you buy things CNF?

Boulogne: CNF.

Sobin: As we all do. You haven't had any claims against Chinese insurance have you?

Boulogne: No.

Sobin: What about the political situation? Do you think that there can be a big change? The Chinese are such expedient people and all this investment you've made in time and effort and so forth may be out the window or something or some radical element takes over and . . .



Boulogne: It could very well happen. I must say that this is the part that I don't get as involved in as I should. I let you be the expert on that one.

Sobin: Oh, boy, I'm no expert; I'll tell you that. I sit and worry about it just like you do. Well, this has been very, very helpful and you are so knowledgeable in this area so thank you very much for all the time you spent.

Boulogne: I enjoyed very much doing it. Thank you.

