

**U.S. Department of Commerce
International Trade Administration
Deputy Assistant Secretary For Export Development
Office of Country Marketing
Asia-Africa Division**

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The China Trade Act

The purpose of the China Trade Act (US Code, Title 15 Sec. 141-162) which became law in 1922 is "to authorize the creation of corporations for the purpose of engaging in business within China." The British Government in 1915 had authorized tax relief for British firms specially incorporated to do business in China, and the U.S. Government provided similar benefits for U.S. firms incorporated under the China Trade Act.

To qualify for incorporation under the Act, a company must be organized to do business within China (restricted since 1950 to Hong Kong and Taiwan), and must aid in developing markets in China for goods produced in the United States. The Department of Commerce has principal responsibility for administering the Act, with the Secretary of Commerce designated as the Registrar. Presently, these functions are delegated to the Acting Registrar located in the Asia-Africa Division of the Office of Country Marketing. Any action undertaken by the Acting Registrar may, on appeal, be affirmed, modified or set aside by the Secretary as he deems advisable.

Prior to the establishment of the People's Republic of China in 1949, many U.S. companies were in business there under the China Trade Act. Approximately 250 companies have been incorporated under the Act since 1922, but all except four have become inactive, have been formally dissolved, or have ceased to exist by reason of the expiration of their charters.

China Trade Act Corporations are required to file annual reports of their activities, including a balance sheet and a profit and loss statement with the Department of Commerce. Such reports are due March 15, but extensions are often provided. It is on the basis of these reports, together with corroborative material, that the U.S. income tax relief authorized for such corporations was secured.

In addition to the relief from corporate income tax which China Trade Act corporations enjoyed, the act provided that individual stockholders of the China Trade Act corporations who reside in Hong Kong or Taiwan are exempt from Federal Income Tax on dividends received. These provisions were repealed by the Tax Reform Act of 1976.

1. China Trade Act Program Files--documents the institution, development and administration of the Act. These are arranged alphabetically by subject and consist of incoming and outgoing correspondence, reports, cables and the like dealing with the China Trade Act and economic conditions within China dating from 1922. The post-war

period (1946-1950) is particularly emphasized where economic conditions are concerned.

Destroy when 20 years old or when China Trade Act of 1922 is repealed, whichever is sooner.

2. China Trade Act Case Files--consist of company files arranged alphabetically by name. Applications for incorporation, companies with dissolved charters, and companies with perpetual charters constitute the bulk of the files. Documents included here are annual reports; affidavits; minutes of stockholder meetings; balance sheets; U.S. corporation income tax returns; statements of profit and loss; certificate of incorporation; power of attorney; by-laws of the corporation, and related correspondence and memoranda.

Transfer to WLNRC when no longer active. Destroy when 20 years old or when China Trade Act of 1922 is repealed, whichever is sooner.

3. Country File--consists of data accumulated on various aspects of the economy, chiefly production, exports, imports, tariffs, trade treaties, industry and investments. Included among the documents are FSO reports, intelligence reports, commercial attaché reports, press clippings, publications, studies and other secondary source materials.

The files are arranged by a numerical subject classification system and divided into two categories: Files dealing with all of China and a Second group dealing exclusively with Manchuria. Inclusive dates range from 1922 through 1952.

Destroy immediately.