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PRESENT NEED FOR DETAILED COORDINATION ON ESTIMATES AND ANALYSIS  
OF COMMUNIST CHINA'S FOREIGN TRADE AND SHIPPING

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1. The original need for the extraordinarily detailed intelligence coordination of analysis and estimates of Communist China's foreign trade and shipping arose out of the discovery by the President of the United States [redacted] that the judgment of the intelligence experts [redacted] differed widely not only on questions of analysis of such trade and shipping, but on the facts themselves. Agreement on the nature and extent of China's dependence upon external trade and shipping was felt to be essential for such policy considerations as economic blockade and the differential trade embargoes. Consequently, between 1950 and 1955 intelligence representatives [redacted] met annually for the purpose of coordinating the research results and publishing [redacted] paper on Communist China's trade and shipping.

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2. Early in this period there also existed disagreement within the US intelligence community as to the proper evaluation of the intelligence information and research findings. Thus, extensive coordination within the US intelligence community was necessary each year [redacted]

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3. By 1956, not only were the policy problems (economic blockade and differential trade controls) no longer pressing but the coordination within the US intelligence community [redacted] had become routine. Although minor differences as to the precision of a few estimates still existed, no real differences concerning the major research findings remained.

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4. In 1956 it was also decided that the policy need for [redacted] publication on Communist China's foreign trade and shipping had diminished to the point where such publication of the coordinated research findings were no longer necessary although the coordination itself continued. Finally, by 1957, it was decided that even the [redacted] coordination was no longer necessary.

5. A considerable amount of coordination (formal and otherwise) of research on Communist China's trade and shipping takes place within the US Government outside the framework of EIC-RI. The major vehicle for such coordination is the annual NIE on Communist China. Within this study the major aspects and estimates of China's trade and shipping have interagency coordination and agreement. For example the

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current NIE (13-58) contains a 26-page economic annex which includes the major estimates of the value of China's exports and imports by geographic area, the general commodity composition, and the foreign loans, credits and capital transfers.

6. In addition to the coordinated research, a great deal of research on various aspects of Communist China's trade and shipping is carried on in the US Government by a number of research components. For example, ORR alone has scheduled some 25 projects and contributions to projects on such subjects over the next year and a half. These include projects on the role of transport in China, rail transport, coastal shipping, inland waterways, foreign merchant shipping, foreign exchanges, foreign economic relations, etc. (see attachment for complete list).

7. It is therefore considered by ORR that there is no longer a policy or research need for special research or coordination activity on China's trade and shipping and that the research and coordination which normally takes place is adequate to US Government's needs. Under the circumstances, it is recommended that the EIC-R1 series be discontinued and that such special coordination as may subsequently be needed be handled through the EIC Subcommittee on International Trade and Finance.

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Tab A

R.R. TRADE AND TRANSPORT RESEARCH PROJECTS

PROJECTS TO THE EIC RI SERIES: 1958-59

Fiscal Year 1958

1. CIA/RR 117, The Role of Transportation in the Economy of Communist China, 31 December 1957. S.

This report presents an analysis of the growth of the Chinese Communist transportation system during 1950-56 and contains tentative estimates and predictions for 1957-62. It examines the transportation situation in the light of persistent reports of congestion in transportation beginning as early as 1954 and evaluates these statements in terms of the current and projected performance of the system.

2. Project 43.2033, The Role of Transportation in the Economy of Communist China, (Supplement).

This report presents an analysis of recent developments in the transport sector of the Chinese Communist economy. It is designed as a supplement to RR 117. It incorporates recent information and the results of analysis not available at the time RR 117 was published.

3. Project 43.2034, Coal Consumption by the Chinese Communist Railroads.

Recently released statistics on coal consumption by the railroads are evaluated and interpreted and formulae are developed relating consumption of coal by road freight locomotives to total net ton-kilometers for any given year. The Communist statistics on coal consumed and rate of consumption prove to be consonant with their figures for net ton-kilometers performed.

4. Project 43.2038, Developments in Railroad Transportation in Communist China, 1956-57.

An analysis of Chinese Communist railroad operations based mainly on a recent series of articles by executives of the Ministry of Railroads which reveals a significant amount of operational data not hitherto available. The report shows some of the reasons the Chinese Communists have been able to increase rail transportation output with such remarkable rapidity.

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5. Project 43.2007, Employment and Adequacy of Coastal Transport in Communist China.

An analysis and evaluation of the coastal water transport sector of the Chinese Communist economy. The size, character, employment, and contribution to the requirement for transport of that economy are determined. Emphasis is on the employment of the merchant fleet and an assessment of modern coastal activity compared with primitive.

6. Project 43.1954, Comparative Study of Freight Rates in Communist China

A study of the levels of freight rates in Communist China as they apply to various modes of transportation. It will include an analysis of the policy of the government in setting rates and their effect on the performance of various modes of transportation.

7. CSM No. 515, Transportation Across the Sinkiang-USSR Border, 3 September 1957.

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In 1956 and 1957 at least 140,000 metric tons a year were shipped across the Sinkiang border between Communist China and the USSR. The road between Urunchi and Sary Ozek carries the most traffic, followed by the Ili and Cherny Irtish Rivers. The Soviets say that 70 to 80 percent of the road traffic is from the USSR to China. Improvements are scheduled for several trans-border roads and for both the important rivers.

8. Project 10.1510. Transportation contribution to NIE 13-58, Economic Development in Communist China under the First and Second Five Year Plans, 1953-1962.

9. Project 10.1510, Foreign Trade Contribution to NIE 13-58, Economic Development in Communist China under the First and Second Five Year Plans.

This project provided basic Chinese foreign trade and balance of payments value data for 1950 through 1957. In addition to the level and direction of trade, this paper included a sketch of the general commodity composition of trade. The paper analyzed the balance of payments position of China, looked at the trends in China's trade with underdeveloped Free World countries, considered the effects of the relaxation of Free World controls on the level and direction of trade, analyzed the effects of recent developments in China's trade on Sino-Soviet relations, and forecast the trade prospects through 1962.

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10. Project 40.1882, Sino-Soviet Economic and Financial Relations

This project provides Sino-Soviet trade and balance of payments data for 1950 through 1957. A fairly comprehensive examination has been made of the composition of Sino-Soviet trade during 1950-1956, the terms of trade, and the balance of payments' effects on Sino-Soviet relations. The role of economic, financial, and technical relations in the industrial development of China is also considered.

11. Project 40.1883, Sino-Satellite Economic Relations

This project provides the basic Sino-European Satellite trade and balance of payments value data for 1950-1957. This project traces the development of Sino-European Satellite trade. Special attention is focussed on the re-export trade of the European Satellites. Conclusions are drawn concerning China's trade policy toward European Satellite trade and the possible effects on future developments.

Fiscal Year 19591. Project 43.2302, Railroad Transportation in Communist China, 1954-58.

This report will be an up-dating of CIA/RR 72, Railroad Transportation in Communist China, 1950-54, 28 May 1956. 3. It will analyze the adequacy of the Chinese Communist rail system, its rail network, inventory, investment, performance, operating costs and revenues, and inputs into the system, in order to determine the ability of the system to meet the economic demands placed upon it.

2. Project 43.2304, Inland Waterway Transportation in Communist China, 1950-58.

A basic analysis of the inland water transport system of Communist China, its network, performance, investment, and operating costs in order to determine the ability of the system to meet the economic demands placed upon it.

3. Project 43.2309, Highway Transportation in Communist China, 1950-58

This report will analyze the highway transport system of Communist China, its network, performance, investment, and operating costs, and the ability of the system to meet the demands placed upon it.

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4. Project 43.2293, Coordination and Standardization of Surface Transportation in the Soviet Bloc.

This project will analyze the recently intensified trends toward coordination and standardization of Bloc surface transportation. It will try to establish the degree to which these trends contribute to or inhibit transportation and economic development of the Soviet Bloc.

5. Project 43.2301, Dependence of Communist China on Foreign Merchant Shipping.

This report will determine the extent of Communist China's reliance on other maritime nations, in terms of the volume of shipping services and the foreign exchange costs of these services; and the acquisition of foreign shipping for its fleet expansion programs.

6. Project 43.2312, Role of the Maritime Fleet in Soviet Domestic and Foreign Trade.

This project is designed to supplement previous reports on the Soviet tanker and dry cargo fleets. It will study Soviet merchant fleet performance, major cargo movements in Soviet domestic and foreign trade, foreign exchange earnings, and extent of utilization of foreign shipping services.

7. Project 43.2311, The Soviet Inland Water Cargo Fleet.

This project will result in a basic report on the Soviet inland water cargo fleet, its characteristics, ship types, geographic distribution, and future expansion in order to assess its role in the economy and its relation to other modes of transport.

8. Project 43.2307, Pattern of Petroleum Traffic in the USSR, 1951-57.

To determine the flow of petroleum traffic on major transport systems in the USSR, the share and burden this traffic creates, and the extent to which pipeline movement relieves the traffic burden on the railroads.

9. Project 43.2295, Role of the Merchant Marine in the Polish Economy.

To measure the effectiveness of the Polish merchant fleet as an instrument of foreign trade, the study will determine the financial

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contribution of the fleet to Polish foreign exchange earnings and Polish gross national product, and assess the degree of Polish reliance upon foreign shipping.

10. Project 43.2300, The East German Merchant Marine.

To analyze the growth, actual and planned, of the East German maritime fleet, which is expanding more rapidly than any in the Bloc. The report will analyze the areas of operation of the East German maritime fleet, its ocean-borne trade, and share carried by East German vessels, and assess its role in Sino-Soviet Bloc maritime activities.

11. Project 10.1803, Transport contribution to the NIE 13-59, Chinese Communist Capabilities and Probable Courses of Action Through 1963.

12. Project 10.1803, Foreign Trade contribution to NIE 13-59, Chinese Communist Capabilities and Probable Courses of Action Through 1963.

Plans call for a similar coverage of China's trade as in Project 10.1510. However, a more detailed examination of the commodity composition of trade is contemplated at this time.

13. Project 42.2259, The Role of Foreign Exchange in Financing Communist China's Foreign Trade.

This proposed project will analyze the use of foreign exchange by Communist China in its conduct of foreign trade. It seeks to determine the types and amounts of foreign exchange held by China throughout the world. This report will consider the limitations which possible shortages of foreign exchange place upon China's foreign trade operations as well as the manner in which the Sino-Soviet Bloc banking system facilitates foreign exchange transactions for China.

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