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Economic Intelligence Report

ECONOMIC RELATIONS IN THE SINO-SOVIET ALLIANCE

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The alliance between the USSR and Communist China during the past decade has been a symbol of the solidarity within the Communist Bloc in its effort to gain positions of dominance in global affairs. Based essentially on mutual political, ideological, and strategic interests, which the USSR and Communist China initially regarded as virtually identical, the Sino-Soviet Alliance in fact has been a source of added strength to both the USSR and China as well as to the world Communist movement. A major element in the alliance as it has developed during its 10-year existence has been the support provided by the USSR for the economic development of China, support which has aided China in moving from a position of industrial impotence to a position of considerable industrial potentiality. These economic achievements of China have increased its value as an ally to the USSR at the same time that they have raised the status of China as a world power.

Dissension has been apparent in the alliance, however, in recent years -- dissension that is partly a byproduct of the heightened economic status of Communist China. Each of the partners has developed reservations about the other, and neither now regards the other as a harmonious associate in a joint quest for a common goal. Economic relationships between the USSR and China have always had a commercial air about them, with both countries seeking advantageous terms in their transactions. Moreover, China has displayed a wariness toward economic dependence on the USSR beyond that necessitated by the forces of circumstances. The ideological and political discord probably has not stripped economic relationships to their bare commercial element, but it has virtually eliminated any benevolent content that might have existed. Nevertheless, the leaders of both countries recognize the cost of dissolution, and both discern the mutual advantages to be gained in maintaining and improving the basic strength of this alliance against the capitalist world. Thus, even in the absence of complete ideological accord, mutual interests of both nations seem to compel a continuation of economic relations of considerable scope and magnitude.

Communist China in its developmental program has emulated the Soviet economic model, including adoption of the Soviet system of economic organization and centralized planning. China has received Soviet technical guidance at all levels. Both countries adhere to the basic economic principles of Marx, Lenin, and Stalin. Because of its vast

* The estimates and conclusions in this report represent the best judgment of this Office as of 15 September 1960.

population, however, China has found it desirable to depart in important ways from the Soviet example and has given great publicity to innovations that are said to constitute unique features of the Chinese road to Communism. The three main Chinese Communist deviations that differ in varying degrees from the Soviet model are evident in (1) the formation of communes, which the Chinese have viewed as an instrument of rapid economic development leading to a Communist society and which Soviet officials have dismissed as merely another version of their agricultural collectives; (2) the new program called "walking on two legs," which, while retaining large-scale industrialization as the core of China's economic development, gives greater attention to agriculture, small-scale industry, and local capital development than did the First Five Year Plan (1953-57); and (3) the leap forward* program, characterized in particular by a willingness to depart in a wholesale manner from formulated annual plans, as well as by exhortations for more and more output at almost any cost, by mass mobilization of labor, and by emphasis on labor-intensive methods of production.

Chinese Communist deviation from Soviet experience has been objectionable to Soviet leaders because it suggested a lessening of dependence on Soviet guidance and generally poor Sino-Soviet rapport. China's communalization program, for example, apparently was undertaken without prior consultation with the USSR and was heralded as a shortcut on the path toward Communism, a shortcut that other countries of the Sino-Soviet Bloc were invited to imitate. This situation, probably more than any other domestic economic policy in the past 10 years, taxed the equanimity of the USSR toward its ebullient partner. Of lesser importance was the Soviet reaction to China's leap forward policy and the claims of extravagant accomplishments, particularly in agriculture, resulting from the leap forward program. Soviet planners also apparently were concerned with the imbalances that were generated in the Chinese economy as a result of this sporadic activity.

Since late 1958, Communist China has backtracked from extreme claims for the communes and now admits that decades will be required to overcome Chinese economic backwardness. Changes in the organization of the commune have been made that strip them of most of the features that were objectionable to the Soviet leaders. Ideological differences over the communes will continue, however, because the Chinese leaders still retain the pretentious name "commune" and because the timetable for advancing to a higher socialist stage continues as a challenge to Soviet ideological leadership.

* The term leap forward is a Chinese Communist propaganda term and refers to the economic policy introduced in 1958 under which tremendous increases in physical output of major commodities were to be achieved at almost any human or economic cost.

A crucial element in Sino-Soviet relations is the exchange of goods, in particular the flow of Soviet-produced machinery and equipment to Communist China. Since 1950, Sino-Soviet trade has grown more than fivefold from a value of $320 million* to more than $2 billion in 1959. More than $12 billion in goods have been exchanged between the two partners during this decade. The USSR extended loans to China amounting to about $1.3 billion, of which $430 million was for economic development and the rest was primarily for military purchases. The credits had been almost fully utilized by 1955, and China now has repaid about $800 million of the total indebtedness.

During the past 10 years, Soviet exports of complete installations and other capital equipment have amounted in value to more than $2 billion. In a series of agreements negotiated since 1950 the USSR has agreed to provide Communist China with complete installations for 291 major projects that form the core of China's industrialization program. About one-half of these major projects have been placed in full or partial operation and have contributed greatly to the extremely high rate of growth of industrial output in China.

All of the complete plants have been constructed and placed in operation with the aid of Soviet technical personnel. By late 1959, about 11,000 Soviet engineers, plant and machinery designers, planning advisers, and other experts had been employed in Communist China. Although the number of technicians in China has been reduced considerably in recent months, Soviet experts continue to fill essential positions on a number of important projects.

Although the economic gain to Communist China from Sino-Soviet trade has been given much greater emphasis, the USSR also has derived substantial benefit from the partnership. By obtaining industrial raw materials from China, the USSR has fulfilled critical needs and at the same time has conserved its own foreign exchange holdings. China's exports of agricultural products and semiprocessed goods add only a minor fraction to total availabilities of such items in the USSR, but they enable the USSR to divert labor and other resources to industry, a matter of particular importance at a time when Soviet manpower problems are especially acute.

In addition to the important economic ties that Communist China has developed with the USSR, China has formed extensive and mutually beneficial economic relations with all of the other countries of the Communist Bloc. During 1950-59, China received machinery and equipment from the European Satellites valued at about $1.7 billion, approximately 40 percent of Chinese imports of these items from all sources.

* All values in this report are given in current US dollars. Yuan values were converted at the rate of exchange of 4 yuan to US $1. This rate of exchange is based on the yuan-ruble-dollar rate and bears no relationship to domestic price levels.

Although none of the European Satellites has extended financial assistance for China's development effort, they have negotiated assistance agreements calling for the construction in China of a number of large projects. Agreements for at least 100 projects appear to have been signed, and construction of about two-thirds of these projects has been completed and the facilities placed in operation.

In the Far East, both the USSR and Communist China have attempted to make the Asian Satellites an integral part of the Sino-Soviet Bloc. Such efforts have been successful. These Asian countries are stamped with what has come to be acceptable as Marxist economic doctrine, and their international economic relations are closely linked to the Sino-Soviet Bloc. Both China and the USSR have given each of the Asian Satellites substantial amounts of economic aid. Although China has made its most extensive advances in North Vietnam, the regime of which appears to lean toward China for guidance, and the USSR has put forth its greater efforts in Outer Mongolia and North Korea, the leaders of which seem to follow the doctrinal lead of the USSR, a struggle between the USSR and China for dominant influence in the area, while a real possibility, is not yet evident.

The USSR and Communist China have many divergent political interests in the Free World, and certain differences in approach are apparent in their respective economic policies. Basically the economic policies of both countries in the Free World probably are harmonious; Chinese no less than Soviet interests would be served by reducing Western industrial influence in the world and in creating the conditions necessary for the Communist Party to take over in underdeveloped areas. Any tensions that may arise probably are reconcilable and, in any event, are unlikely to result in a significant schism in the alliance.

The irrational zeal of Chinese Communist leaders to rush the world triumph of Communism, however, combined with their resistance to a possible general settlement of world tensions and their aggressive attitude towards matters of unique concern to Communist China have led them to a number of acts that are embarrassing to the USSR. The most significant embarrassments for the current Soviet code for conduct in international affairs have been the bombardment of the offshore islands, the military operations in Tibet, and the border incidents in India. Economic incursions of China into Asian countries have been bolder and more brazen than those of the USSR. The intensity and extent of these incursions in recent years have varied with the truculence of China's foreign policy. China's threats to Indonesia, for example, as the latter has attempted to reduce the economic influence of its Chinese populace, have erased much of the good will and diminished the prestige of all Communist powers. Furthermore, China's unprovoked embargo on trade with Japan has served as a warning to other Asian nations that agreements with Communist nations cannot always be accepted at face value. Divergent aspirations in Asia, originating in incompatible

nationalistic and Communist Party ambitions of the USSR and China, may lead to tensions regarding economic policy in the future. The relevance of such tensions does not lie, however, in their schism-creating properties but rather in their capacity to prolong or accentuate other differences and in their impact on the effectiveness of policy.

The economic factor of greatest significance with respect to the future of the Sino-Soviet Alliance is the anticipated industrial growth of Communist China. China is not expected to maintain its past rate of growth in industry (averaging 24 percent per year during 1951-59), but it is expected to have a high rate of growth (averaging about 14 percent per year during 1960-65 and about 10 percent per year during 1966-75). Within two decades, China probably will become the third ranking industrial power in the world, even though industrial output will be less than one-quarter that of the USSR. China's dependence on the USSR for machinery and equipment -- in particular, for the more complex types of installations -- will continue to be great for the next several years, a period during which the economic leverage that the USSR can exercise over China will play a key role in determining the nature of the alliance. Although China will need advanced types of industrial machinery for the next few decades and although mutual commerce is expected to continue at high levels, China probably will have achieved a basic degree of self-sufficiency by the end of this decade. Economic dependence on the USSR clearly will be a less cohesive force in future Sino-Soviet relations, for China will not be reaping technological advantages in the same measure as it has in the past in its trade with the USSR.

The ability of Communist China to undertake a course of action or to adopt policies contradictory to or independent of those actions and policies of the USSR will be increased as the economic power of China grows. Accessibility to Free World suppliers of machinery and equipment may increase the scope of China for independent action. Conflict such as that arising from the formation of communes in China will not be so easily compromised, and disputes relating to such basic issues as the correct role of the Marxist-Leninist movement in an ideologically divided world may not be compromised at all when China no longer feels compelled to look to the USSR for crucial support for its industrial development. China's capability for acting independently of the USSR will develop simultaneously with a growth in economic means for achieving foreign political objectives. China's role as a counterpoise to the USSR in intra-Bloc affairs will be increasingly important, and its capacity for independent action in the Free World will be progressively increased. It cannot be assumed that these developments will be translated automatically into conflict between China and the USSR, for both countries undoubtedly will continue to have markedly similar foreign objectives for the indefinite future. Differences that do arise in foreign economic policy, moreover, will not necessarily

disrupt the alliance beyond remedy, because as long as the USSR and China regard the military power of the Western Alliances as the principal threat facing the Communist world, both countries will continue to look upon the Sino-Soviet Alliance as a crucial safeguard against the capitalist nations. Nevertheless, the growing economic capability of China for international mischief will increase the probability that situations of friction with the USSR will arise. At the same time, because the Soviet leverage on China gradually will diminish, the tensions that do develop probably will have increasing impact on the effectiveness of Bloc foreign policies.

I. Ideology and Economic Practice

Since 1958, world attention has been drawn to the spectacle of open Sino-Soviet discord over Communist China's internal economic policy. In particular, the Soviet leadership has reacted coolly to the commune program especially to the original claim that the commune system is a shortcut to Communism. The deviations of China from the Soviet line contrast with China's deferential attitude in the early 1950's on matters of economic policy and mark the first time a major Chinese economic program has met with open Soviet disapproval.

Chinese Communist innovations adopted during the leap forward, combined with the commune movement, now amount to a distinct Chinese variant on the Soviet model for economic development that guided Communist China during its First Five Year Plan (1953-57). The emergence of a Chinese variant offended the USSR in spite of the Soviet acknowledgment of the need of each country of the Sino-Soviet Bloc to pursue its own road so long as the Bloc country adheres to basic Communist principles. The innovations that have been most irritating to the USSR generally are deviations to which the USSR has expressed ideological objections or which would appear to the USSR to create economic instabilities that might inhibit industrial growth in China. The harmless or permissible deviations that have emerged are original techniques or programs developed to make the most effective use of China's particular economic resources, most specifically its vast population. The USSR has encouraged this latter type of deviation, partly in the interests of promoting over-all Bloc economic strength and partly to increase the appeal of Communism to countries with economies resembling that of China.

Several factors complicate the attempt to distinguish between objectionable and permissible deviations in the economic policies of Communist China. Some of the new programs have involved both types of deviation in a confusing mixture. The commune, for example, by the beginning of 1960 had come to resemble an unobjectionable federation

of agricultural collectives, while still retaining its objectionable name. Isolating any ideological element in Chinese deviations also has been made difficult by China's refusal to admit unorthodoxy at all. The regime has explicitly claimed that all innovations have been well grounded in Marxism-Leninism and have been undertaken following the urging of the USSR in 1957 that each country of the Sino-Soviet Bloc adapt basic Communist principles to its own special conditions. 1/* China's frequent shifting of the ideological justification and important characteristics of its new program must have confused the USSR, which has exhibited uncertainty in recent months over the degree to which some elements of the Chinese program may exceed the leeway allowed in the 1957 mandate for creative adaptation. Moreover, Soviet efforts to soft-pedal differences, in the interest of upholding Bloc unity, have made it difficult to measure the full intensity of Soviet annoyance at certain Chinese internal policies.

A. Issues in Economic Ideology

There is little in Communist China's basic approach to economic development with which the USSR could reasonably disagree. Both countries subscribe to basic Marxist-Leninist-Stalinist economic aims of socialization, centralized planning and administration of the economy, and forced-draft industrialization. Both countries give top priority to production of producer goods and furnish heavy industry with the best managers, workers, machinery, and raw materials. In both countries, consumers chafe under the restrictions placed on production of consumer goods. The USSR continues generally to endorse China's economic program. On the eve of the 10th anniversary celebrations in Peking last October, for example, Khrushchev praised the Chinese Communists for their many "outstanding successes in all fields of socialist construction." 2/ The Soviet attitude seems to be that the modified features and claims of the leap forward and commune movements, while distasteful, are peripheral and subsidiary.

The Chinese Communists for their part have been vociferous in their professed devotion to basic tenets of Communism. People's Daily (Jen-min jih-pao), for instance, published this statement of ideological allegiance in January 1960: "China's socialist cause strictly adheres to the universal truth of Marxism-Leninism in all basic principles, loyally carrying forward and developing the glorious cause of the /Soviet/ October Revolution." 3/ This statement is one of the strongest in what appears to be a campaign of persuasion which Party leaders have conducted since December 1958 to convince Soviet skeptics, as well as their own faithful, that the Chinese road to socialism is a thoroughly orthodox one. This campaign has been marked by moderation of language and policies compared to the period of formation of the communes in mid-1958, when Chinese Communist leaders were predicting the early advent of Communism.

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It was that ideologically presumptuous claim, as well as various features of the communes themselves, that drew open Soviet objections. Chinese backtracking, however, seems to have brought the Chinese estimate of their timetable for ideological development back into line with the Soviet view. The editorial in People's Daily in January 1960 was an important statement reviewing prospects for the coming decade, yet it made no reference to the building of communism, which Liu Shao-chi had said in July 1958 would be realized "very soon." 4/ Instead, as in estimates dating from precommune days, the editorial described the coming decade as one of building socialism and of realizing in the main the modernization of industry, agriculture, science, and culture. This projected level of development appears to equate to a stage of "socialism," which Stalin claimed was achieved "in the main" by the USSR in 1936. A Chinese timetable for achieving basic socialism in 10 years would seem consistent with a recent semiofficial Soviet estimate that Communist China is 17 or 18 years away from full socialism.

The Chinese Communists also have belatedly acknowledged the Soviet stand that abundance of material goods per capita is a prerequisite to the achievement of socialism. With humility that would have been inconceivable during the height of the leap forward movement, the 1960 New Years Day editorial in People's Daily qualified the longstanding slogan to overtake Great Britain in output of major items in 10 years by admitting that even then "China's per capita output will still be very low; still very backward compared with that of Britain." In the same vein a Chinese diplomatic note to India in December 1959 asserted that Communist China was not a threat to other countries partly because it would be internally preoccupied for "decades or even more than a century" in overcoming its economic backwardness. 5/

In addition to acknowledging that in the development of a Communist society China is well behind the USSR, China has gone far in removing ideologically controversial features introduced into its domestic program during 1958. Although retaining the pretentious name "commune," China has admitted that this form of organization is "not communistic" but is based only on collective ownership, a low form of socialist ownership. The communistic element of free supply,* originally an important and controversial feature of the commune, has been reduced. Liu Shao-chi explained to the Communist world in the October 1959 issue of the Cominform journal Problems of Peace and Socialism (Problemy Mira i Sozializma) that free supply now formed

* Under the system of free supply, it was planned that an increasing portion of food, clothing, and other basic consumer goods would be distributed free by the communes.

only 20 to 30 percent of a peasant's income and was really only a form of social insurance. Private activity revived slightly during 1959 as individual peasants were again permitted to cultivate small private plots, to raise hogs, and to trade privately at rural fairs. Participation in communal activities such as messhalls is now encouraged but not enforced, even in model communes.

The USSR, although not openly critical, probably had reservations about the way Communist China carried out the mass labor drives of 1958. The technique of carrying out economic programs by mass campaigns -- huge labor drives under political pressure -- has been a fundamental feature of China's leap forward movement. By contrast, the USSR in recent years has stressed material incentives and orderly economic planning; it has not employed shock campaigns as a primary economic technique since the Stakhanovite movement of the early 1930's. It seems probable, therefore, that the USSR considered unwise the Chinese shock campaigns of 1958, both because they relied on political coercion rather than on material incentives and because they disregarded the balanced planning of labor and supplies of raw materials. Neither of these objectionable features, however, was prominent during the 1959 mass campaigns, which were conducted so as to interfere as little as possible with established economic programs. An important ideological concession to the USSR was China's admission in August 1959 that it had been too egalitarian in 1958. An immediate result of China's change of view was that peasants conscripted for labor drives began to be paid.

By backtracking from its original extreme position, Communist China has reduced Soviet opposition to the leap forward and the commune. A turning point in the Soviet attitude was perhaps evidenced in October 1959, when top Party leaders Liu Shao-chi and Teng Hsiao-ping (apparently second-ranking and fourth-ranking members of the Party hierarchy) stated the Chinese case for communes and mass campaigns in articles appearing in Problems of Peace and Socialism and in Pravda. Although Soviet leaders have not been completely won over, it was evident at the October celebrations in Peking that the USSR had made little attempt to restrain the delegates from the European Satellites from praising communes and the leap forward. Softening of the Soviet attitude also is suggested by the willingness of Radio Moscow to incorporate favorable items on communes in foreign broadcasts, for example, to Indonesia. Further evidence of Soviet unbending is a speech by Ambassador Chervonenko in Peking on 13 February 1960 (at a banquet celebrating the 10th anniversary of the Sino-Soviet treaty of friendship) in which he quoted with approval a Chinese press item about the contribution of the leap forward movement and the commune to China's economic successes. His speech is the first major speech by a visiting or resident Soviet official in China that even mentions the word commune.

Communist China and the USSR seem to have reached an uneasy working agreement over their doctrinal differences. This relationship may have become stabilized for the time being because neither side has significantly changed its position in recent months and neither side is under immediate pressure to do so. China seems satisifed both with the commune organization, which was functioning efficiently last fall, and with economic progress being made under the leap forward. The USSR, entering a long period of international negotiation, also has no apparent cause to stir up the conflict.

Although Sino-Soviet discord over the internal policies of Communist China has been largely patched over, there remain unresolved differences over the commune, and there also is probably a residue of ill will and suspicion on both sides following nearly 2 years of misunderstanding. Soviet leaders must still resent, for example, not being taken fully into Mao's confidence in the early stages of the commune program in 1958. The USSR may regard the extraordinary revolutionary spirit and egoism exhibited by Chinese Communist leaders during the leap forward movement as further evidence of their unreliability as allies. Chinese leaders probably feel with some bitterness that Soviet criticism of the communes has strengthened rightist opponents of the regime and has constituted Soviet interference in Chinese internal affairs. Moreover, China may be irked at the patronizing air with which the communes have been dismissed by Soviet leaders as neither novel nor practical. No top Soviet leader has yet spoken favorably of the Chinese commune movement, which China insists is one of the most significant elements of its internal program. Thus there were some awkward moments last October at the 10th anniversary celebrations in Peking, as Khrushchev and Suslov tried to avoid mentioning the word "commune" in their speeches. Khrushchev ducked the issue, saying it was not for him as a guest to discuss Chinese accomplishments in detail. Suslov, even more awkwardly, merely noted that Chinese peasants were "firmly set on the socialist path of development."

The chances of an open Chinese challenge to Soviet ideological leadership on this matter have been receding in recent months as Communist China has taken steps to stretch out the period of evolution of the commune. An intervening stage of evolution below the higher socialist level has been introduced. Whereas transition to state ownership was once said to be the next stage, in January 1960 it was decreed that the next goal would be the gradual transition from collective ownership on the basis of ownership by the production brigade* to

* The production brigade, the next administrative level below the commune, became in 1959 the fundamental unit for production and ownership when the commune failed to live up to expectation. The production brigade is approximately the same size as the old agricultural producer cooperative.

collective ownership by the entire commune. The current emphasis seems to be on the word gradual because in the meantime China has been reassuring production brigades that basic ownership would remain at their level for the foreseeable future.

B. Economic Practices

Participating in the worldwide Communist movement and being heavily dependent on Soviet advice and help, the Chinese Communists have established practices and institutions similar to those that had proved effective in the USSR. The Chinese adopted, in particular, the system of economic organization developed by the USSR during its early 5-year plans. The State Council, equivalent to the Soviet Council of Ministers, administers the whole economic program under policies set down by the handful of Communist leaders at the top. Major industrial plants are controlled through central economic ministries and minor plants by provincial and local governments. The machinery of central planning in Communist China is a copy of that developed by the USSR, although statistical support for this machinery is less sophisticated and less reliable in China. The economy in China, as in the USSR, is directed through a comprehensive annual plan, which in turn is guided by a more general 5-year plan. These plans emphasize the building up of industry, especially heavy industry, and the rapid transformation of ownership from the individual to the state.

The role of the top Party leaders in establishing broad economic policy and insuring its implementation is the same in Communist China as in the USSR. By borrowing Soviet fiscal and commerical policies, the Chinese Communists have effectively controlled inflation, limited personal consumption, and directed resources toward uses favored by the regime. Like the USSR, at least during its early plan periods, China has been obsessed with quantity rather than quality of industrial output and has used industrial and transport equipment far more intensively than is customary in non-Communist countries.

Notwithstanding the controversy raised by the commune movement, state control over rural life has been firmly secured and is being administered in a fashion similar to Soviet administration of rural economic life. Like Stalin, Mao Tse-tung decided to collectivize peasants rapidly after announcing plans to do it gradually. Chinese agricultural collectives, including the present commune, have assumed the same relationship to the government and Party as the collective does in the USSR. The government collects taxes, sets procurement quotas, and assigns production targets. Close Party supervision, amounting at times to virtual operation, has been a feature of both Soviet and Chinese farm organizations. The Chinese production brigade, nominally subordinate to the commune, is now the basic unit of farm ownership

and management and in size and function resembles the Soviet collective.

The wholesale adoption by Communist China of Soviet techniques and standards in trade, transportation, and communications has greatly facilitated economic dealings between the two countries. Communist China has adopted the metric system and uses the Soviet ruble as the medium of exchange in its trade with other members of the Sino-Soviet Bloc. China, like the European Satellites, has not attempted to alter its 56-inch gauge railroad system to conform to the Soviet 60-inch gauge. Fast and effective techniques have been developed for transferring freight or for changing the trucks of the cars themselves at the change-of-gauge points, although tieups at these points still occur from time to time. Agreements between China and other Bloc countries have reduced complications in routing intra-Bloc railroad traffic, which usually can proceed from origin to destination on a through bill-of-lading.

Communist China adhered closely to the Soviet pattern for economic development throughout the period of the First Five Year Plan (1953-57). As early as 1956, however, Chinese dissatisfaction with the economic guidelines provided by Soviet experience began, for these guidelines did not help solve China's population problem, which is unlike any that the USSR had ever faced. China then sought to devise its own program to create more complete employment for its huge, unskilled, and rapidly growing labor force. In 1958, radical modifications of economic policies were instituted with the goal of changing China's population from an economic liability to an asset. Emphasis -- in both industry and agriculture -- was placed on combining large amounts of labor with relatively small amounts of capital equipment.

By early 1960 it was clear that a distinct Chinese Communist variant of the Soviet model for economic development had been established. In spite of drawbacks and growing pains, the new program appears effective in stepping up the pace of economic development. It is now believed that as a result of economic gains achieved during the leap forward movement the gross national product of Communist China will rise about 70 percent during the Second Five Year Plan (1958-62), instead of the 45 percent projected by the original plan.

Innovations adopted in 1958 were designed not to replace but to supplement the Soviet model previously followed, which concentrated on construction of capital-intensive large-scale factories. While large-scale industrialization remains the core of the new Chinese Communist program, Chinese planners simultaneously have been giving greater attention to agriculture and small-scale industry than they did during the First Five Year Plan period. This diversified emphasis,

which the Chinese Communists call "walking on two legs" or the "general line for building socialism," along with the leap forward and the commune make up the Chinese variant.

The Chinese Communists have been willing to depart radically from planned programs and regard some economic imbalances and even some dislocations as evidence of progress. They have never believed, however, that the resources needed by the main industrialization program should be diverted into small-scale and local industry. When such diversions occurred, as during the nationwide drive of 1958 to set up thousands of native types of blast furnaces, they were soon regarded as excesses to be corrected. The Chinese plan has been to rely primarily on manpower and materials available locally to carry out new ventures. The program has been characterized by the mobilization of manpower on an enormous scale. In agriculture the regime initiated massive labor drives to increase the crop area under irrigation, to plow more deeply, and to collect and spread vast quantities of manure and primitive fertilizers. These measures not only eliminated unemployment that had existed in the countryside but also added greatly to the burden of those farmers who had been fully employed. In industry the regime transferred control of many state enterprises to local governments and promoted construction of many small projects requiring the labor of vast numbers of people but relatively little equipment. Small-scale production contributed substantially to over-all production of coal, cement, pig iron, and crude steel during 1959. In both the agricultural and industrial program, however, a great deal of waste and inefficiency developed during 1958, leading to the modification of some practices and the elimination of others in 1959. Nevertheless, the basic program is being pushed with fervor by dedicated Party cadres, with the result that the average Chinese on the farm or in the city is one of the most overworked persons in the world.

Although withholding specific approval for the commune, the USSR has been able to muster a fairly tolerant attitude toward the Chinese Communist variant for economic development taken as a whole and seems to accept the Chinese claim that this variant was undertaken in conformity with the principle laid down in the USSR that each country pursue its own road to Communism. The USSR has indeed provided material support for the new Chinese program -- for example, by accelerating deliveries of transportation equipment during the height of the leap forward movement when a shortage of transport capacity developed.

II. Level and Growth of Sino-Soviet Economic Relations

One of the more significant developments of the past decade has been the growth in economic relations between Communist China and the USSR. The USSR during the 10-year period 1950-59 has regularly accounted for

between 40 and 50 percent of the total trade of Communist China. Similarly, China has been one of the leading trade partners of the USSR, participating in about 20 percent of total Soviet trade. There has been about a fivefold expansion, averaging about 23 percent annually, in the dollar value of Sino-Soviet trade from 1950, when it amounted to $320 million, to the peak year of 1959 when exchanges totaled more than $2 billion, as shown in Table 1 and Figure 1.* The dynamic growth of this partnership in trade dominates the impressive expansion in China's total foreign trade, which has increased at an average annual rate of about 15 percent, and gross national product, which has increased at an average annual rate of about 10 percent.

Table 1

Balance of Trade of Communist China with the USSR a/
1950-59

Million Current US $

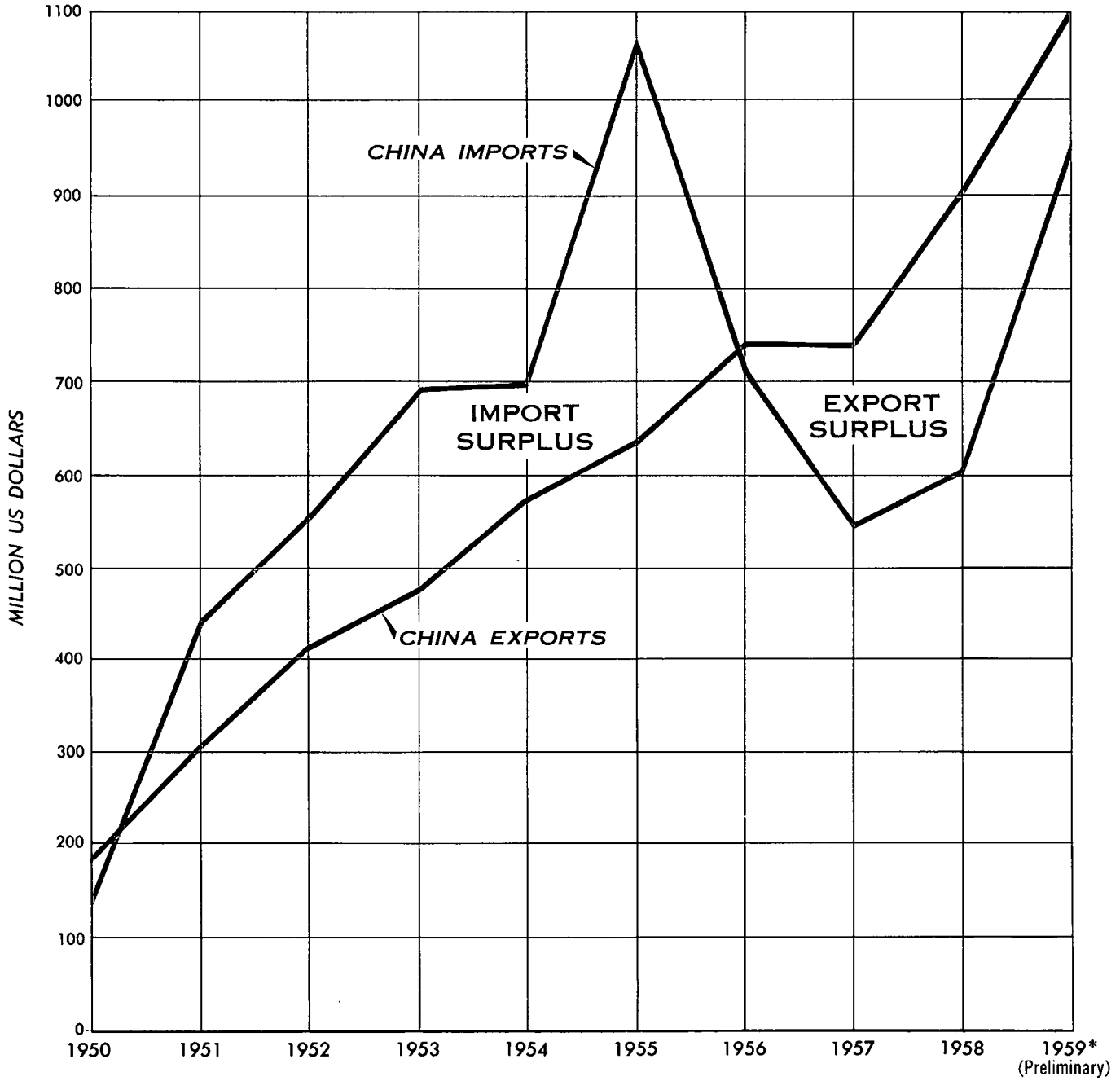
Year	Total Trade	Exports	Imports	Trade Balance
1950	320	183	137	46
1951	750	308	442	-134
1952	965	413	552	-139
1953	1,170	474	696	-222
1954	1,275	575	700	-125
1955	1,705	636	1,069	-433
1956	1,460	745	715	30
1957	1,290	743	547	196
1958	1,515	881	634	247
1959 b/	2,050	1,100	950	150
Total	12,500	6,058	6,442	-384

a. Derived from information released by Communist China and its trade partners. Soviet reporting of Sino-Soviet trade differs in certain details from the above data. For the value of trade as reported by the USSR, see Appendix A, Table 5, p. 40, below.
b. Provisional.

* Following p. 14.

Figure 1 50X1

COMMUNIST CHINA
BALANCE OF TRADE WITH THE USSR
1950-59*



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More than $12 billion was involved in the turnover of trade between Communist China and the USSR during 1950-59. Exports and imports were basically in balance, with the USSR having a small export surplus of about $400 million for the 10-year period. During the first 6 years of this partnership (1950-55), however, China incurred trade deficits totaling about $1 billion in trade with the USSR. These deficits were offset by Soviet loans and credits totaling about $1.3 billion which were almost entirely utilized during this formative period. China achieved export surpluses estimated to total about $675 million during the 4-year period 1956-59. This accomplishment reflects, in part, rather startling economic progress by the Chinese and their execution of a rigid foreign trade policy that emphasizes steady expansion of exports and spartan restriction of imports. China should be able to continue to maintain substantial export surpluses in its trade with the USSR for the next 2 or 3 years, enabling it to liquidate short-term obligations and to meet the remaining payments due on long-term loans. By 1962 the unpaid balance of China's debt to the USSR probably will amount to little more than $100 million. It appears likely that annual payments will continue for several years after 1961 or 1962 but at a considerably reduced annual level.

The keystone of Sino-Soviet economic relations lies in the major projects being built in Communist China, using Soviet equipment and machinery and Soviet technical assistance. In a series of agreements extending from February 1950 to February 1959 the USSR committed itself to assist China in the construction of 291 major projects, by providing complete installations and technical services valued at approximately $3.3 billion, as shown in Table 2.* Agreements signed during the period February 1950 to April 1956 envisioned the construction of 211 major Soviet-assisted projects. The Chinese Communists announced in April 1959, however, that the 211 projects had been reduced in number to 166 as a result of merging some of these projects during construction. The subsequent agreements of August 1958 and February 1959, providing for the construction of 125 additional major projects extending through the Third Five Year Plan (1963-67), places the total of major projects to be constructed in China with Soviet assistance at 291. Of this number, approximately one-half have been fully or partly completed and put into operation. The principal Soviet aid projects in China are shown in Figure 2.**

Maintenance and expansion of existing transportation and the development of new routes play a crucial role in the continuation of close economic ties between the USSR and Communist China. Railroads are by far the most significant form of transport connecting the two countries.

* Table 2 follows on p. 16.
** Following p. 16.

Table 2

Soviet Project Construction Agreements with Communist China a/ 1950-59

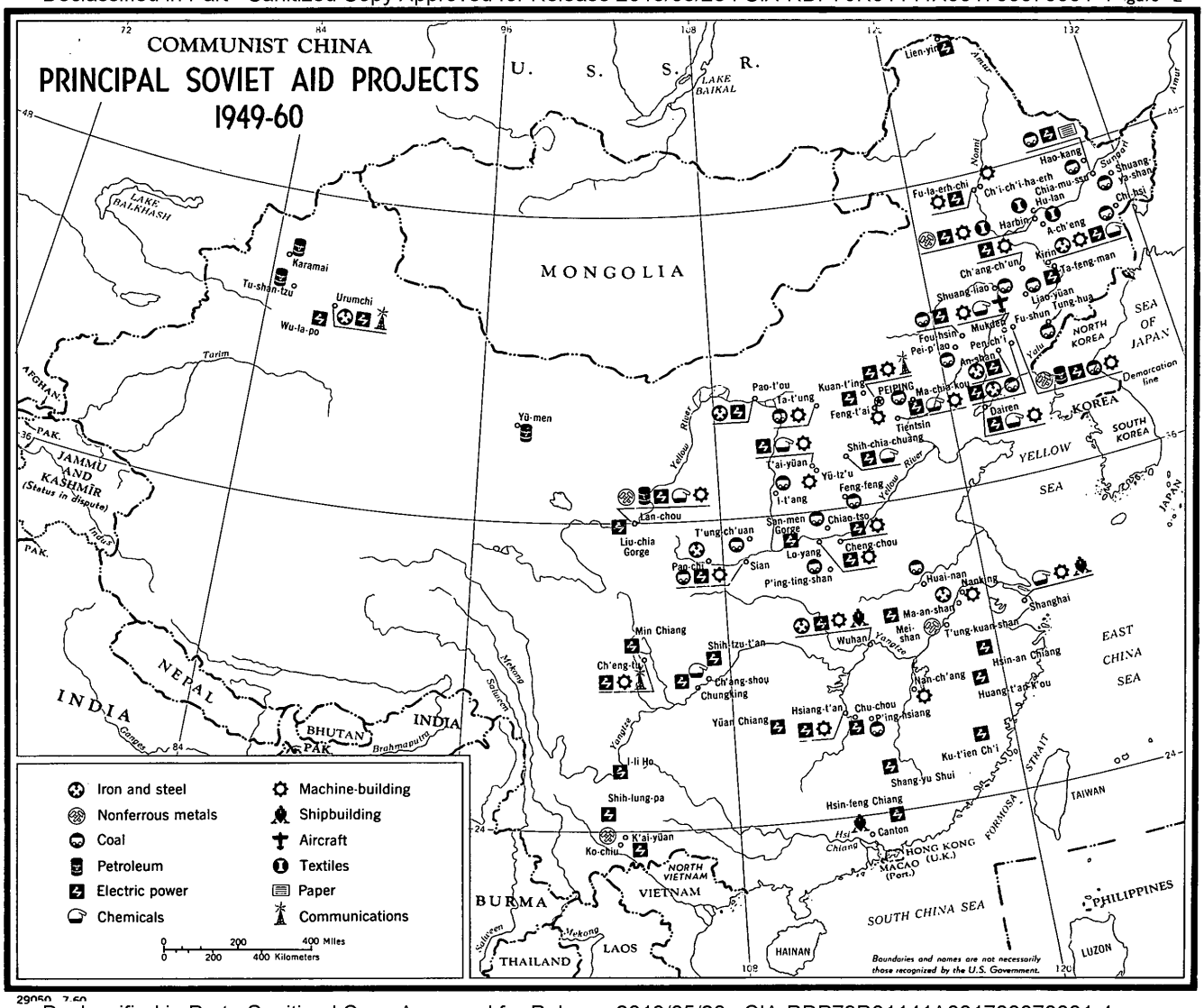
Date of Agreement	Economic Credits (Million Current US $) b/	Number of Projects	Value of Complete Sets of Equipment c/ (Million Current US $) b/
February 1950	300	50	N.A.
September 1953 d/	0	91	1,300 e/
October 1954	130	15	100
April 1956	0	55	625
August 1958	0	47	N.A.
February 1959	0	78	1,250
Total	430	291 f/	3,275

a. 6/
b. Converted from rubles at the official rate of exchange of 4 rubles to US $1.
c. Including technical assistance related to these projects.
d. An agreement signed to deliver equipment for a total of 141 projects.
e. This sum includes the value of equipment and technical assistance for all of the 141 projects.
f. The Chinese announced in April 1959 that the 211 major Soviet-assisted projects agreed on through April 1956 were reduced in number to 166 as a result of merging of some projects during their construction. Thus the total of 336 projects was reduced to 291.

The Trans-Siberian Railroad and its three connecting lines with China in past years have carried about one-half of the volume of total imports and exports of Communist China.

An additional railroad link between Communist China and the USSR, the Trans-Sinkiang Railroad, may be completed before the end of 1961. The Soviet broad gauge line is in operation from Aktogay in Kazakh SSR to the Chinese border and the Chinese Lung-Hai Railroad has been extended westward as far as Hami. The Trans-Sinkiang line will be of

 igure 2



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considerable strategic and economic importance. It will provide the shortest rail route from the central and southern part of the European USSR to the Chinese east coast and will shorten the rail transport distance between Moscow and Peking by more than 1,000 kilometers.

Improvements on existing rail links also have been made in recent years. Nevertheless, these lines still have certain operating limitations, such as the transloading facilities between the USSR broad gauge and the Chinese standard gauge, especially at Chi-ning and at Otpor-Manchouli, temporary shortages of special types of railroad cars, and lack of coordination between Chinese and Soviet railroad officials.

In 1958 the USSR and Communist China signed a Treaty of Commerce and Navigation calling for joint utilization and development of waterways common to both countries. Subsequently, considerable publicity has been given to the sailing of Chinese vessels to the Soviet port of Khabarovsk and of Soviet vessels to Harbin in China. Survey teams have been sent out, and several development projects have been suggested although none is known to be under construction. Further development of the Amur, Sungari, Ussuri, Ili, and Irtysh Rivers could significantly increase their capacity for the movement of foreign trade.

A. Soviet Financial Assistance to Communist China

The only foreign borrowing by the Chinese Communists during their 10-year tenure has been the $1.3 billion in loans and credits received from the USSR. According to the Chinese, foreign loans accounted for only 2 percent of the total state budget revenue in the past 10 years. Loans for economic development amounted to $430 million, special loans covering the return to Chinese ownership of the four Sino-Soviet joint-stock companies accounted for an amount estimated at $75 million, and the remainder of $820 million probably represented military loans, as shown in Table 3* and Figure 3.** Communist China, as of the end of 1959, is estimated to have paid about $824 million, including interest, on its total Soviet debt obligations. Of this sum the greater part probably has represented repayment of Soviet military loans.

The most complete information on terms of Soviet loans to Communist China is related to that of the 1950 economic loan of $300 million. 7/ This loan was drawn on by China over a period of 5 years, beginning in January 1950. Repayment of the loan began in 1954 and is being made in 10 annual installments of $30 million, plus interest at the rate of 1 percent per year. Timely drawing on the Soviet economic loan of 1954 of $130 million, which was fully utilized by the end of

* Table 3 follows on p. 18.
** Following p. 18.

Table 3

Estimated Utilization and Repayment of Soviet Loans to Communist China 1950-59

Million Current US $

Year	Loans a/	Utilization		Repayments by China b/
		Industrial	Military and Other	
1950-52	544	166	378	0
1953	110	67	43	0
1954	221	78	143	35
1955	414	84	330 c/	110
1956	29	29	0	154
1957	6	6	0	151
1958	0	0	0	189
1959	0	0	0	185
Total d/	1,325	430	895	824

a. Soviet loans to China during 1950-59 amounted to 5,294 million yuan and were converted at an exchange ratio of 4 yuan to US $1.
b. Including interest.
c. Including $75 million estimated to be the value of assets of joint-stock companies returned to China by the USSR.
d. Totals are derived from unrounded data and may not agree with the sum of their rounded components, including data in footnote a.

1957, alleviated the burden of servicing the outstanding loans during the first 3 years of repayment, 1954-56. There is no information available, however, indicating the terms under which China is repaying its 1954 economic loan or military loans received from the USSR. Repayments by China since 1955 are probably inclusive of all loans. Soviet military loans to China may have been intended for repayment over a 10-year period.

B. Commodity Composition of Sino-Soviet Trade

The composition of trade between Communist China and the USSR reflects the complementary nature of the different degrees of

Figure 3

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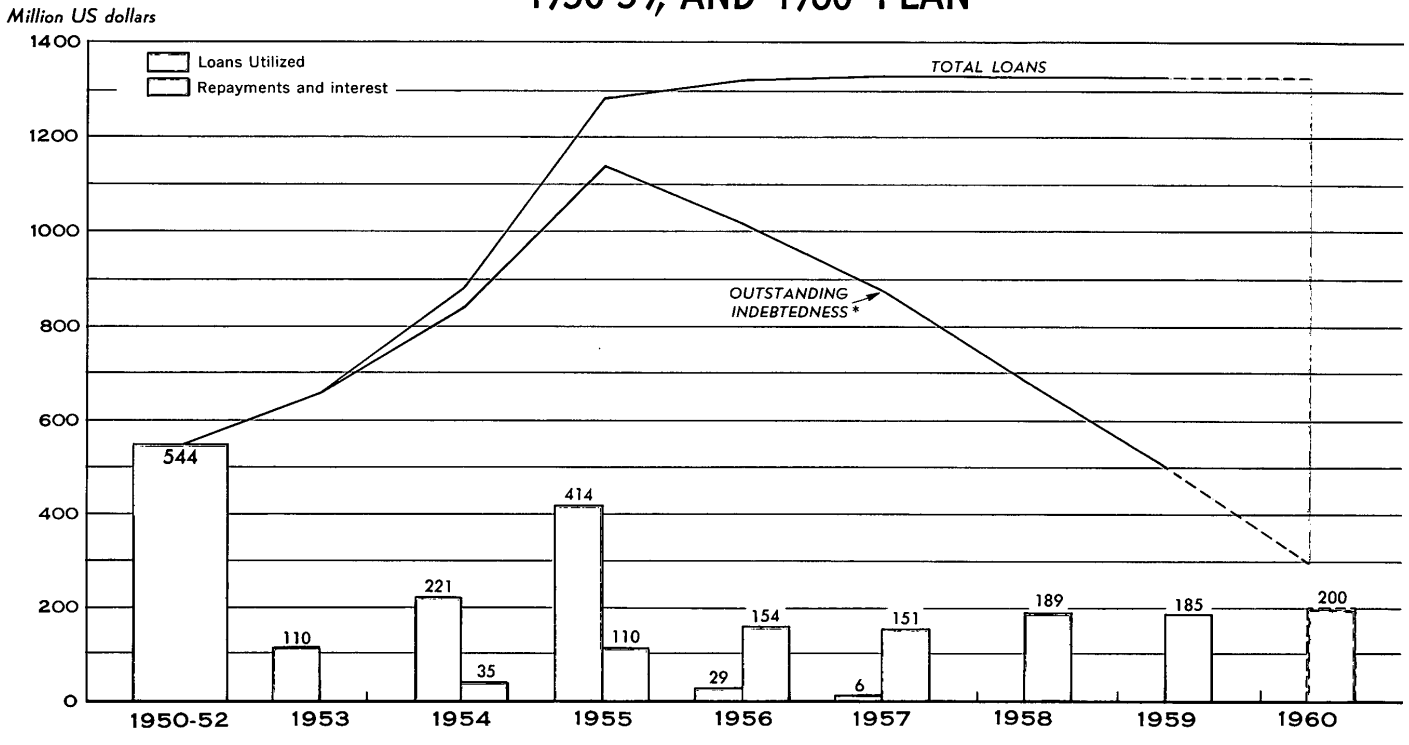
COMMUNIST CHINA

ESTIMATED UTILIZATION AND REPAYMENT OF SOVIET LOANS 1950-59, AND 1960 PLAN



*Excluding amount paid as interest on debt.

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50X1

industrialization of the two economies.* Soviet exports consist largely of machinery and equipment for China's industrialization program, and China's exports to the USSR are primarily foodstuffs and raw materials. Soviet exports of capital goods provide a priority contribution to China's industrialization program, while Chinese exports provide a means for more rapid development and less expensive maintenance of the Soviet Far East. These Chinese goods also represent labor-intensive goods the import of which obviates the need for a transfer of Soviet labor into areas of low labor productivity. Imports from Communist China such as tin and tungsten have been extremely valuable to the USSR, inasmuch as these items have not been available in sufficient volume from Soviet resources to satisfy internal requirements. By obtaining such commodities from China, the USSR has fulfilled a critical need and at the same time has conserved its own foreign exchange holdings.

Imports from the USSR such as industrial equipment and complete installations have made a major contribution to the economic development of Communist China. During the First Five Year Plan (1953-57), China imported about 40 percent of its required capital equipment, of which more than one-half came from the USSR. Among the other major imports from the USSR during this period, China received more than 6.5 million tons** of petroleum and petroleum products, more than 2 million tons of steel (including castings, prefabricated steel, and other such products), about 3,000 metal-cutting lathes, more than 2 million tons of ferrous metals, approximately 10,000 agricultural machines, scientific apparatus worth about $25 million, and large amounts of other equipment needed for the industrialization program of China.

The major exports from Communist China to the USSR are agricultural products, but there has been a significant shift in the relative importance of agricultural raw materials and foodstuffs. Shipments of agricultural raw materials -- principally tobacco, soybeans, peanuts, tung oil, and oilseeds -- declined from about 36 percent of total exports to the USSR in 1950 to about 12 percent in 1958, even though the value of this category of exports has increased greatly since 1950. Foodstuffs -- principally wheat, rice, and edible vegetable oils -- however, increased from about 12 percent of total exports to the USSR in 1950 to 25 percent in 1958, representing a ninefold increase in value. The other principal Chinese exports to the USSR are nonferrous metals and alloys, textile raw

* For a detailed summary of commodity exchanges between the USSR and Communist China during 1950-58, see Appendix A, Tables 6 and 7, pp. 41 and 43, respectively, below.

** Tonnages are given in metric tons throughout this report.

materials, and textiles, the latter accounting for more than 20 percent of Chinese exports to the USSR in 1958, valued at almost $200 million.

Comprehensive data on exchanges in 1959 are not available, but it appears that the exports from Communist China to the USSR increased by more than $200 million. Shipments of food products were cut in an effort to conserve available supplies for home use, and the entire grouping of agricultural goods probably either declined in value or remained at about the level of 1958. Thus the anticipated expansion of exports to the USSR probably consisted of textiles and, to a lesser degree, of other manufactured and semiprocessed goods and metals.

Imports by Communist China from the USSR probably increased by more than $250 million in 1959. Large shipments of electric power equipment, turbogenerator installations, diesel generators, power transformers, hydroelectric plants, drilling units, and mainline locomotives were expected to contribute substantially to a general rise in imports of machinery and equipment to a value double that of 1958. 8/ Imports of complete installations probably were greater than in 1958, partly because some shipments originally scheduled for the earlier year apparently were carried over to 1959. In order to absorb the much higher level of imports of machinery and equipment, which apparently represented about 75 percent of total imports from the USSR in 1959, China probably reduced some other types of imports. Imports of petroleum probably were increased, whereas imports of metal products and military equipment probably declined. The internal capability of China to produce many conventional armaments has improved substantially in recent years.

III. Impact of Soviet Trade and Technical Assistance on the Economy of Communist China

The machinery and the technical assistance received from the USSR since 1949 have been vital to the industrialization program of Communist China, playing a major role in the restoration of China's war-torn economy and in the subsequent construction of substantial new industrial capacity. Soviet exports of items other than capital equipment -- petroleum products, for example -- have been important in the running of China's economy. Without the receipt of Soviet goods and technical advice it would have been impossible for China, under existing conditions, to have achieved the extremely high rate of growth of industrial output -- 24 percent annually -- estimated to have been attained from 1950 to 1958. In the absence of Soviet or comparable assistance from outside the Sino-Soviet Bloc, industrial development in China would have taken a qualitatively different course, for China would not have attained its present level of technology.

A. Imports of Soviet Industrial Plant and Equipment

To the Chinese Communists the most crucial items received from the USSR have been the complete sets of plant equipment for the large, modern industrial plants -- steel mills, a large petroleum refinery, aircraft and truck plants, and machine-building plants -- and electric power installations, which form the core of the Chinese industrial development program. The Chinese have described the large plants being equipped by the USSR as "aid" projects. By "aid" the Chinese do not mean grant help but Soviet assistance in making modern technology and the services of its experts readily available. Soviet assistance for these projects has included selection of plant sites, collection of data for planning purposes, supply of the equipment, supervision of construction at the site, installation of machinery, and guidance in the stage of trial production. The Soviet role in building these projects was especially comprehensive during the Chinese First Five Year Plan (1953-57). At present, according to the Chinese, China is more capable of coping independently with the building of modern industrial plants and performs much of the planning and construction work on aid projects formerly done by Soviet experts. As the Chinese advance in technical competence, however, they are attempting more complex types of production -- aircraft, electronics equipment, and steel-making equipment -- and Soviet assistance continues to be important, although on a much higher technical level.

Data for the First Five Year Plan indicate that the joint projects involve Soviet capital equipment and technicians but that Chinese Communist materials, equipment, and labor accounted for 44 percent of all state investment in industry during that period. In absolute figures, China invested about 11 billion* yuan in Soviet projects during the First Five Year Plan out of a total industrial investment program of slightly more than 25 billion yuan.

The original proposals of the Chinese Communist Second Five Year Plan (1958-62), which continued the emphasis on large-scale industry and on Soviet projects, probably were based on the assumption that the proportion of state industrial investment in Soviet aid projects would be maintained at about the level of the First Five Year Plan. The leap-forward drive, however, which greatly increased investment in small-scale, local industries, has radically changed the pattern of investment. The trend established in 1958 and 1959 suggests that industrial investment during the Second Five Year Plan may be twice as large as originally planned -- 100 billion

* This figure includes the value of the investment goods imported from the USSR for these projects.

instead of 50 billion yuan. Meanwhile, investment in Soviet projects, even though seemingly expanded, probably will not exceed 25 billion to 30 billion yuan. According to these figures the proportion of investment in Soviet projects to total industrial investment will decline from 44 percent during the First Five Year Plan to about 25 to 30 percent during the Second Five Year Plan.

Communist China imports from the USSR items other than plant installations, items that also are important to China's economy. A substantial proportion of the other items consists of investment equipment but for purposes outside the scope of the assistance agreements with the USSR. Also vital to the running of China's economy are imports of Soviet industrial raw materials, transport equipment, and petroleum products.

Some aspects of the changing significance of Soviet goods and technical assistance in the economy of Communist China have already been touched on -- the increasing Chinese ability to plan and to help equip large-scale, modern factories and the decline of the relative importance of Soviet projects in the economy as a whole. This trend toward greater self-sufficiency is also characterized by the growth of the machine-building industry in China. Although China must continue to import all of its requirements for some types of machines, it is reportedly now able to fulfill from internal production about 80 percent of its over-all requirements for machinery, as compared with a production rate during the First Five Year Plan that met only 60 percent of such requirements. This advance has not been uniform in all lines of production, however, and much of the additional machinery produced in China has been of simple types -- for example, irrigation pumps for agriculture or simple equipment for small factories.

B. Technical Assistance

The role of Soviet goods is inseparable from that of Soviet technical help in the economic development of Communist China. Technical assistance has been carried out through the medium of a large body of experts, most of whom have been on Chinese Communist payrolls or included in the cost of the Soviet assistance to major aid projects. About 11,00 Soviet economic experts reportedly have worked in China at one time or another. These experts have included not only top-notch Soviet industrial specialists but also economic advisers who have helped formulate economic planning in all sectors in the Chinese economy.

As the technical capabilities of Communist China have expanded and as projects that employed large numbers of Soviet technical experts have been completed, the number of Soviet technicians in China has been reduced. This downward trend has been especially noticeable in recent

months, when large numbers of Soviet citizens have been reported departing from various cities in China. The magnitude of the apparent outward movement indicated, however, that what was happening could not be considered as a normal course of affairs. Rather, the withdrawal seemed related to the political and ideological controversy and probably was the result of an effort by the USSR to bring economic pressure on the leaders of China to accede to certain political demands. Although this instance of economic coercion -- unprecedented in the Sino-Soviet Alliance -- has momentous implications, it appears to reflect a decision to admonish rather than a resolution to punish, for the USSR, no less than China, is keenly aware of the grave political and economic consequences of an excessive reduction, or severance, of Soviet technical aid to China. Thus, although a large number of Soviet citizens have departed, several hundred have been retained in China, employed in some of the most essential positions in the economy.

Another mechanism for transmitting Soviet technology to China has been the training program for Chinese students in the USSR. China reportedly has sent 7,000 students to the USSR for college training or postgraduate study and at least 8,000 individuals to Soviet industrial establishments for on-the-job training. Most of those receiving practical training were assigned to plants similar to ones under construction in China to prepare them for serving as the initial group of skilled workmen and technicians in newly completed Chinese factories.

Although less tangible than technical assistance in the form of expert advice and training, Soviet transfers of scientific and technical information have been of considerable importance in the industrialization program of Communist China. A vast amount of such technical data appears to have been received free of charge. Under the Sino-Soviet Scientific and Technical Cooperation Agreement of October 1954 the USSR has provided China with blueprints for the construction of 600 kinds of factories and enterprises, designs for 1,700 sets of machinery and equipment, and substantial information on production processes. Additional agreements for further technical cooperation were negotiated in 1958 and 1959 for application during the Second Five Year Plan. Knowledge and data obtained in this manner from the USSR have been useful to China even on projects with which the USSR has not been involved.

C. Chinese Exports to the USSR

It is a significant feature of Sino-Soviet relations that Communist China has received little aid in the form of long-term loans for its investment program and has therefore been obligated to pay with goods for most of the vital industrial machinery and military material received from the USSR. [redacted] 50X1

50X1
50X11

[redacted] it appears [redacted] likely that the Chinese leadership has insisted on limited financial assistance, presumably as a matter of pride and in order to retain a more independent position. An important consequence to China of receiving only a small amount of financial aid has been that exports to the USSR have been considerably greater, especially during the past 4 years, than otherwise would have been true.

Chinese Communist exports of consumer goods to the USSR have been a source of popular grumbling against the USSR because they have required a small degree of belt-tightening. Such exports have consisted primarily of products of agriculture and light industry equivalent in value to about 1 percent of Communist China's gross national product. Top leaders in China, however, probably have been less resentful than the Chinese population in general of the need to export to the USSR, for senior Chinese have few compunctions against enforcing austerity as the means to rapid industrialization and they prefer to be free of liens against future output. To these men the salient fact is that China's exports to the USSR have enabled China to acquire the machinery and technology essential for one of the most rapid industrial buildups in history.

D. Cost to the USSR

Soviet support of Communist China's forced-draft industrialization program has cost the USSR little. The technical experts sent to China, many of them top-notch design and production men, could have been used in the USSR, and the priority allocation of some machinery to China may have occasionally interfered with Soviet programs for industrial expansion. Nevertheless, the technicians and equipment taken by China are small in relation to the personnel available in the USSR and in relation to total Soviet production of machinery. Moreover, the continued rapid expansion of Soviet industrial output -- about 10 percent per year -- means that deliveries to China can increase without becoming a greater portion of Soviet output.

Although the goods received in return by the USSR from Communist China are not vital to the Soviet economy, the USSR derives benefits from Chinese exports of such commodities as tin and beryllium, which are not available in sufficient volume from Soviet sources. Other Chinese exports to the USSR -- foodstuffs, textiles, and raw materials -- reduce the need for Soviet planners to release additional resources to production of consumer goods or transport service. Moreover, the major portion of the goods imported from China consists of products for which the productivity of Soviet labor is low. Importation of such goods enables the USSR to devote a greater share of its labor resources to production of industrial items, where the productivity of Soviet labor is relatively high.

Although the displacement of labor involved may be minor relative to the total labor supply in the USSR, it is a matter of some significance during a period when a labor shortage exists in the country. Thus trade with China, even though entailing exports of capital goods that could be used in the Soviet economy, may increasingly enable the USSR to maintain higher growth rates in industry than would be true in the absence of such trade.

IV. Role of Communist China in Intra-Bloc Economic Relations

The approach of Communist China to foreign relations has been dominated by the belief that it was advantageous to form a close political and economic alliance with all Communist nations. China has formed strong economic bonds not only with the USSR but also with the European and the Asian Satellites in order to buttress its own ideological ties with the Communist orbit and to strengthen those existing among other members.

A. Economic Relations Between Communist China and the European Satellites

The wide variety of relations between Communist China and the European Satellites in the fields of foreign trade, transportation, finance, technology, planning, and economic policy reflects the development of this interdependence. The primary link between China and the Satellites is commodity trade based on the exchange of Chinese raw materials and foodstuffs for Satellite industrial products, an essentially complementary trade. With the consolidation of Communist power in Eastern Europe and China, a dramatic increase in trade between China and the Satellites has occurred, rising from a level of $20 million in 1950 to about $650 million in 1959. Long-term trade agreements now in effect provide the formal arrangements for a long-run expansion and coordination of Sino-Satellite trade.

The expansion of trade between Communist China and the European Satellites has buttressed political relations within the Sino-Soviet Bloc and has served as a highly satisfactory approach to key economic problems in both China and the Satellites. The trade potential between the two areas was considerably improved by the economic policies and particularly by the investments in heavy industry that followed the installation of Communist governments in the countries of Eastern Europe and in China. Thus many of the import requirements for machinery and equipment for the industrialization program of China have been supplied by the Satellites. The Satellites, for their part, have been able to sell to China industrial products that have been difficult to dispose of in other markets.

During the Chinese Communist First Five Year Plan the European Satellites supplied equipment for 68 complete installations. By the

end of 1957, 27 projects were completed and at least in partial operation. Since 1957, additional projects have been completed, and new agreements covering at least another 30 projects have been negotiated. Generally, Satellite projects are smaller and less costly than the Soviet projects. China's purchases of complete installations have been on current account and have involved no extension of long-term credits by the Satellites.

Some specialists from the European Satellites have been sent to Communist China to assemble and service machinery and equipment and to work on complete installations imported from Satellite countries. Satellite personnel have been employed, for the most part, directly in production. There is no evidence, for example, that Satellite experts have filled advisory posts in ministries, as Soviet experts have done. China also has obtained important technical assistance through the operation of intra-Bloc Scientific and Technical Cooperation Agreements.

Communist China has provided emergency economic support on occasion to the European Satellites, in particular to those experiencing economic problems associated with domestic political difficulties. All three instances of major unrest in the Satellites have prompted China to offer economic assistance to help alleviate the economic difficulties that had played an important role in the developing crises. After the June 1953 riots in East Germany, China agreed to ship additional foodstuffs worth about $13 million, although the Chinese clearing credit to East Germany amounted to more than $60 million at the time. The Chinese agreed after the Polish uprising in 1956 to pay for Polish iron and steel products in Western currency in order to alleviate the shortage of foreign exchange in Poland -- a policy that probably was continued in 1957. Chinese Communist aid of about $58 million to Hungary after the uprising in 1956 was the largest extended to a European Satellite.

B. Communist China and the Council for Mutual Economic Assistance

The Council for Mutual Economic Assistance (CEMA) was established in 1949 as the mechanism for coordination of economic activity and mutual economic aid throughout the Soviet Bloc. Although Communist China's role in CEMA has been limited to that of observer, China probably has been as active as full members regarding decisions by CEMA when these decisions have been in harmony with Chinese interests, which is the same approach to recommendations by CEMA as that employed by the member countries. The Chinese have been active in such activities of CEMA as promoting long-term trade agreements and technical and scientific exchanges. They have signed long-term trade agreements and Scientific and Technical Cooperation Agreements with nearly all members of CEMA. They have participated aggressively in discussions regarding pricing problems in intra-Bloc trade. Thus,

in those CEMA matters affecting China's international trade with Communist nations and its internal development, China has cooperated as thoroughly as have the full CEMA members.

Many questions before CEMA, however, have involved detailed discussions of particular industries and have been of primary concern to the industrialized countries of Eastern Europe. Accordingly, Communist China and the other countries of the Sino-Soviet Bloc in Asia probably have believed that they had little to gain from active participation. China, for example, has not taken part in the technical discussions regarding the petroleum pipeline to be laid from the USSR to the European Satellites. Moreover, China has not participated in the decisions regarding industrial integration. Although China may ultimately benefit from the gains in efficiency resulting from economic integration within the Soviet Bloc, active participation in industrial specialization and economic integration is not a matter with which the Chinese can be seriously involved, given the present state of economic development in China.

C. Economic Relations of the Asian Satellites

Considerable energy and substantial amounts of resources have been expended in an effort to develop strong and self-supporting economies in the smaller Communist countries of Asia. Both the USSR and Communist China have allocated large sums of economic assistance funds as well as technical aid to these countries, as shown in Table 4. Soviet commitments have amounted to nearly $1,300 million and Chinese to more than $700 million. North Korea, North Vietnam, and Outer Mongolia have experienced considerable economic improvement, in large measure because of the assistance obtained from their more powerful allies, and each has become a staunch member of the Sino-Soviet Bloc.

Table 4

Commitments of Economic Assistance
by Communist China and the USSR to the Asian Satellites
as of 15 September 1960

Million Current US $

Asian Satellites	Communist China	USSR
North Korea	295	500 a/
North Vietnam	300	253
Outer Mongolia	115	529 b/
Total	710	1,282

a. Including debt cancellations amounting to $132 million.
b. Including debt cancellations amounting to $100 million but excluding assistance committed in February 1960 for which no value has been announced.

These three countries, in fact, are more insulated from non-Bloc economic influences than any other countries in the Sino-Soviet Bloc. Whereas the almost complete detachment from international affairs of North Korea, North Vietnam, and Outer Mongolia is a consequence of and a corollary to their political isolation, these countries probably could not have survived as Communist-controlled entities in the absence of the broad range of technical and economic associations with the USSR and Communist China. Joint efforts of the two Communist powers in the Asian Satellites have been successful in changing positions of weakness in the Sino-Soviet Bloc to positions of considerable strength.

There is a high correlation between the flow of economic assistance and the apparent ideological orientation of the various Asian Satellites. Communist China has provided more aid and has devoted more attention in other respects as well to North Vietnam -- which has leaned toward China for ideological and economic guidance -- than to the other Asian Satellites. The USSR, for its part, has provided North Vietnam less economic assistance than the other Satellites, concentrating more on North Korea and Outer Mongolia, both of which avow prior allegiance to the USSR rather than to China and, within limits imposed by their economic status, have followed Soviet rather than Chinese precedents. There may be no serious rivalry between the USSR and China for a dominant economic position within the various Asian Satellites, but it seems apparent that each of the major powers of the Sino-Soviet Bloc has devoted its major efforts to strengthening those Asian Satellites where it already has a strong position of influence. In this way, both the USSR and China seek to improve their relative positions within the Bloc at the same time that they consolidate the power position of the Bloc as a political entity within the world community.

V. Economic Relations with the Free World

Economic relations between countries of the Free World and the USSR and Communist China have expanded greatly in recent years, in particular since the Geneva Conferences of 1954-55 ended the war in Indochina and established the psychological setting for policies of peaceful coexistence. China's trade with the Free World has risen from $800 million in 1955 to $1.4 billion in 1958 and to about $1.3 billion in 1959. Soviet trade with the Free World has increased from $1.4 billion in 1955 to $2.4 billion in 1958 and to $2.7 billion in 1959. Although Soviet trade with industrialized countries has been expanding in recent years, the greater increases have been in exchanges with underdeveloped countries. China also has increased its trade with underdeveloped countries, but the increase has been modest and overshadowed by a much larger expansion of trade with industrialized areas.

A fundamental facet of Soviet economic policy in the Free World in recent years has been its offers of economic assistance to underdeveloped countries. Soviet commitments for economic assistance to date amount to about $2.8 billion, of which about $1.1 billion has been allotted to countries in Asia. The role of Communist China in supporting this program has been quite modest, involving commitments of only about $165 million, most of which have been allocated to other countries in Asia. During the past 2 years the Soviet program has been growing rapidly (drawings on Soviet credits amounted to about $230 million in 1959) while China has reduced its actual outlays for economic assistance in the Free World to token levels (about $10 million in 1959).

These divergent patterns of economic relations with the Free World are primarily the reflection of the different stages of development in the USSR and Communist China. China's trade with the industrialized West complements its exchanges with other countries of the Sino-Soviet Bloc, enabling China to procure industrial materials in short supply or not readily available within the Bloc. China's preoccupation with its own development of heavy industry, however, presently limits expansion of either trade or economic assistance in the underdeveloped areas. The USSR has attained a state of affluence that permits it to devote a substantial volume of economic means to foreign policy ends without disrupting internal economic objectives. The USSR can undertake and maintain a long-range, comprehensive economic program having prescribed political objectives. China has less productive power for such an effort at the present time and must even anticipate frequent frustration in seeking specific, limited political objectives through economic tactics. Whereas the USSR seeks to develop improved political relations through economic contacts, China generally operates under the contrary principle -- that good political relations must precede economic exchanges.

There are no apparent disharmonies in the broad economic policies followed by Communist China and the USSR in the Free World, although Chinese leaders have reservations about Soviet economic support for governments (such as in India) that they believe are controlled by bourgeois or reactionary elements. Leaders of both countries probably agree that, while placing principal reliance on trade within the Sino-Soviet Bloc, high levels of trade with the Free World provide economic benefits not only to the country immediately concerned but also to the entire Bloc as well. Both Soviet and Chinese leaders probably are also in agreement on the general political objectives of the economic offensive in underdeveloped countries. China no less than the USSR is interested in reducing the influence of the US and in creating a more favorable attitude toward Communist Party organizations in the underdeveloped countries of the Free World. Both Chinese and Soviet officials repeatedly have sworn allegiance to the principle of peaceful coexistence, a concept championed by the USSR and one that the Chinese have related closely to the Bandung Conference of Afro-Asian nations.

Although Soviet exports of machinery and equipment to countries of the Free World could restrict availabilities to Communist China, it is not likely that this result has occurred. Total expenditures for economic assistance by the USSR in the Free World have amounted to only about $365 million to date, and much of this sum has been utilized for economic surveys, which China does not need; for technical services, which China has increasingly provided for itself; or for small plants of types that China now produces wholly from internal resources. Exports of Soviet machinery and equipment to China have been rising rapidly in spite of the assistance program in the Free World and probably amounted in value to about $600 million in 1959. It does not appear likely either that the receipt of goods from the underdeveloped countries has interfered seriously with China's efforts to sell its products to the USSR. A substantial portion of the goods bought by the USSR in the Free World consists of items such as rubber, sugar, and cotton that are not produced in China or are not offered by China for export in sufficient volume to fill Soviet requirements. Soviet imports from China have risen from about $580 million in 1954 to about $1 billion in 1959, whereas Soviet imports from the underdeveloped countries of the Free World have risen from about $78 million to about $300 million during this same period. Furthermore, it is highly improbable that the Chinese resent Soviet offers of financial assistance to underdeveloped countries of the Free World on the ground that such arrangements might reduce long-run credit availabilities which they might seek. In fact, China probably would spurn any Soviet offer of financial assistance, preferring the independence from financial obligations to the convenience of delaying payment for a few years.

Thus there is probably basic agreement between the USSR and Communist China about the broad objectives of the competitive coexistence policy and about the use of an economic approach to attain those objectives. Within the context of harmony with regard to the general policy, however, there are specific matters of discord, largely confined to the Asian area. Some differences in approach to economic relations with Asian nations are probably the reflection of ideological tensions or disagreements on other matters of policy. Chinese leaders, in particular, have questioned the extension of Soviet economic assistance to governments which are actively opposed to local Communist movements or which have had major disputes with the government of China. In no instance, however, does it appear that the differences in approach create of themselves an unbreachable chasm in Sino-Soviet relations. Such friction as may arise in international economic affairs may accentuate or prolong dissension in other matters, but the questions at issue between China and the USSR in Asia are sufficiently overshadowed by other interests so that they probably will not lead to schisms of significance to the alliance. Nevertheless, dissensions in international economic affairs -- as other sources of

tension in the Sino-Soviet Alliance -- may reduce the effectiveness of foreign policy strategy, making it more difficult for either the USSR or China, or both, to attain their objectives.

One potential source of friction lies in the power ambitions of Communist China and the USSR in the Asian area. As long as the Soviet economic offensive has a substantially ambiguous connection with local Communist movements and as long as it is primarily associated with the promotion of anti-US sentiment, China has little to lose in supporting Soviet intrusions into Asia. China faces serious obstacles, for it lacks the economic capability for large-scale foreign assistance in increasing its influence through economic means in a context of competitive coexistence. Bloc-wide tactics which are oriented around local Communist parties or which provide a foremost role for these groups promise greater returns to Chinese interests than tactics that mainly involve government-to-government relations. China, for example, at least verbally, offers support to the Algerian rebels, support that the USSR has withheld in order to avoid offending France. The USSR, for its part, provides economic aid to both Egypt and India, both of which have governments that are unfriendly to local Communist groups and both of which, for this reason, have been the subjects of Chinese vituperation. Other problems for the Sino-Soviet Alliance stem also from other situations that Chinese leaders, because of wholly unique circumstances, are virtually compelled to view in a different perspective than that of Soviet leaders. Even if the USSR and China can agree on respective spheres of influence -- and the continued efforts of the USSR to retain influence in North Korea and North Vietnam give rise to considerable doubts about the authenticity of such an arrangement -- leaders of both countries probably would regard an agreement to divide Asia, especially before it is theirs to divide, with some apprehension. Moreover, if the ultimate political objectives of the Soviet economic offensive in Asia were to approach fruition, China might well modify its attitude toward the offensive to such a degree that friction of some significance would develop.

Other elements of discord stem from the preoccupation of Communist China with problems of unique concern to it or reflect differences regarding specific avenues of approach. These elements of discord probably cause no direct conflict between the USSR and China; they do, however, create problems that may be embarrassing to either or both countries, or they may create situations that are potentially inflammatory. China must provide some defense for the economic well-being of overseas Chinese, a matter of no direct importance to Soviet policy aspirations. China has foreign exchange problems that probably are no more acute than those of the USSR, but China unlike the USSR must look to Asian markets for major portions of its foreign exchange requirements. In Asia, consequently, China is primarily a seller rather than a buyer, whereas the reverse is true of the USSR. China is

therefore experiencing the conventional antipathy toward the seller, especially the aggressive type, and the USSR enjoys the respect accorded the customer.

Communist China seems willing to follow more daring approaches than the USSR. The USSR has made strenuous efforts to create the impression that its economic offers have no strings, trying in particular to avoid the appearance of any obvious connections between its economic activities and local Communist Party affairs. The record of the USSR on this matter is not perfect, but it has been surprisingly consistent. China, for its part, in one instance offered Laos economic aid on the condition that the Communist organization in Laos be admitted to the government. In addition, China has favored Party members in some trade operations. The Bank of China has earned a certain notoriety because of the preferential treatment that it gives to pro-Communist Chinese and to businessmen interested in trading with China. The significance of these differences in policy in Asia, it should be noted, does not lie in the possibility that they reflect underlying fissures or conscious conflicts in approach to policy. The USSR, in fact, has used techniques in other areas analogous to those applied by China in Asia. The real relevance lies in the consequences of these differences in policy and in the reduced effectiveness of having the partners seemingly operating at cross purposes.

The apparent conflicts between Chinese Communist and Soviet tactics in Asia so far have not affected the Sino-Soviet Alliance but have reduced the effectiveness of the policy of peaceful coexistence and the economic offensive in the area. The impact of the aggressive foreign economic activities of Communist China in Asia has been reinforced by China's simultaneous belligerency in politico-military affairs. China's military forays in Asia, in any event, would have created serious doubts about its peaceful intentions in Asia; economic aggressiveness strengthened such doubts, particularly in areas not immediately threatened by China's military might but where China's economic incursions were recognized.

The export drive of Communist China in Asia during the latter months of 1958 was greatly exaggerated by many prominent Asians and regarded as a threat, at least in part, because it coincided with the bombardment of the offshore islands of Quemoy and Matsu. Fear of competition from Chinese exports and the revelation of the single-minded policy followed by the Bank of China in favoring Chinese traders led to the closure of all branches of the Bank of China in Malaya and the erection of stiff import restrictions during these same months. Similarly, in 1959, China's zealous defense of the economic interests of the Chinese residing in Indonesia coincided with its aggression on the Indian borders and its support of the Pathet Lao rebels in Laos and closely followed its military operations in Tibet, reinforcing the impression that China was a belligerent and hostile power.

Communist China has continued to protest its peaceful intentions, and its major short-run economic aims in Asia probably are not basically hostile. Even its friendly approaches are now suspect, however, and the misgivings that other Asian nations feel toward China are felt in some degree toward other Communist nations.

The USSR has sought to disassociate itself from the resulting hostility toward Communist China without publicly denouncing the latter and has attempted to recover prestige by submitting new offers of assistance to countries offended by China, although such efforts have not been fully successful. The economic offensive has suffered a setback of considerable significance, for Asian nations have become more apprehensive about the intentions of all Communists, local as well as foreign. Although the underdeveloped countries in Asia undoubtedly will continue to accept and even to seek assistance and trade propositions from the Sino-Soviet Bloc, the prospects for the attainment in the Asian area of the political objectives sought by the Bloc have been reduced.

VI. Implications for the Sino-Soviet Alliance of the Growing Economic Power of Communist China

The economic support that the USSR has provided for Communist China has been motivated by a desire to bolster an alliance which magnifies the world power position of the Communist Bloc and gives the Bloc a strong political presence in Asia. Soviet leaders regard the success in industrializing China as a current and striking example to other backward countries of what can be accomplished in a country governed by the Communist Party and organized along Marxist lines. Although the USSR may be apprehensive about the competitive nature of recent Chinese assertions of having discovered a new pattern for industrialization, it has shown appreciation for the political impact of the rapid growth of production in China during the past decade. Khrushchev, himself, in a recent speech in Peking told his hosts that the Chinese successes in industry, agriculture, and culture since the Communist assumption of power in 1949 were exerting an immense influence on Asian and African countries and that this example could inspire other peoples to follow suit. In addition, the rapid industrialization of China has contributed significantly to the over-all economic strength of the Sino-Soviet Bloc. In 1950, China provided about 5 percent of the total Bloc industrial production; in 1965 it should provide 15 percent or more.

A. Growth of Industrial Power in Communist China

In evaluating the future course of Sino-Soviet relations it is important to assess the over-all industrial strength and the future rate of growth of Communist China and its relative position now and in the future among world powers. Estimates of the average annual

rate of growth* of industrial production in China compared with that in the USSR for selected periods are as follows:

	Percent		
	1951-59	1960-65	1966-75
Communist China	24	14	10
USSR	10	9.5	9

During this same time, however, it is estimated that the actual level of industrial production in China would represent the following percentages of that in the USSR:

Year	Percent
1950	6
1959	16
1965	20
1970	21
1975	22

These figures indicate that the gap between industrial production in Communist China and that in the USSR will have narrowed between 1950 and 1965 as a result of the much higher rate of growth in China during the period. After 1965 it is estimated that the narrowing process will be more gradual because of an expected slowdown in China's rate of growth. In fact, even if China somehow could sustain the high pre-1965 rate of growth over the long run, the gap is so large, and the projected rate of Soviet industrial growth is so high, that the absolute gap between the two economies probably will remain very wide for many decades. From the Soviet point of view this trend would seem to be an entirely favorable one. Contrary to popular speculations that the USSR may fear being overtaken or contested by Communist China in the economic field, the actual prospects probably foreseen by the USSR for the coming decades are that Communist China will enhance its position as a world power without even coming close to the USSR in the degree of industrialization of the economy. If the above estimates are put on a per capita basis, the balance in favor of the USSR is overwhelming.

* Average annual rates of growth are computed at the compound interest rate for the stated period, including the terminal years.

Communist China, however, probably will continue to be directed primarily toward the Asian Satellites, at least during the next 2 or 3 years. Annual expenditures for assistance in this area probably will not be increased, and, for the immediate future, outlays in the Free World probably will remain at the extremely low levels of the past 2 years. The decision of China to reduce its assistance to Free Asia was primarily a reaction to current political developments and could be reversed. A reversal seems unlikely in the immediate future, however, for the stern posture of the immediate past has a momentum of its own that cannot readily be arrested.

As the industrial power of Communist China increases and China is able to assume a position of greater independence from the USSR in the more distant future, both economic power and independence may be reflected in its foreign economic policy. Contention between China and the USSR for influence in Communist Party organizations, in particular in the Far East, may become more acute. Such contention would be reflected in the efforts of each power to strengthen its economic ties with a particular country at the expense of the other. Controversy over the appropriate policy approach in specific countries probably also will assume greater importance as China develops the economic capability for assuming a more independent role in international affairs. Tensions that arise in foreign economic policy, regardless of whether they reflect other dissension or develop spontaneously, can seriously impair the effectiveness of general foreign policy. The friction that may develop between the USSR and China in this area during the next decade or two, however, is unlikely to cause a serious rupture in the Sino-Soviet Alliance.

C. Dependence and Self-Sufficiency

The central aim of Communist China's economic program is to build up as rapidly as possible an industrial establishment that is not only large and modern but also self-sufficient and diversified. In the pursuit of its overweening ambitions to pull abreast of the US and the USSR in industrial strength and technology, it would seem that China will be dependent on Soviet help for at least two decades. The Chinese leaders, however, can reasonably hope to attain lesser objectives, such as self-sufficiency in essential basic industrial processes, by the end of the Third Five Year Plan (1963-67).

By that time, if the optimistic promise of current trends is fulfilled, Communist China will have a machine-building industry capable of producing all the standard-size machinery needed to equip new iron and steel plants, electric powerplants -- both thermal and hydroelectric -- and a wide range of other types of industrial establishments. Domestic production also will meet China's requirements for ships, trucks, tractors, and railroad rolling stock. China should then be able to produce electronic gear of standard design, conventional

military weapons in substantial quantities, and, with minor exceptions, all the minerals and metals it needs. It will have overcome most or all of its deficiency in production of petroleum by that time.

At the same time, there will be substantial areas in which Communist China probably will not have overcome limitations and in which it will still be dependent on the USSR. It will be unable, even after the Third Five Year Plan, to produce a wide range of high-precision and specialized machine tools, including some types of large metal-forming machinery, and machinery for chemical refineries and synthetic fiber plants. [redacted] 50X1
[redacted] the huge electric equipment plant in 50X1
Leningrad has contracted to build the 50 turbogenerators of 500,000 kilowatts each (the world's largest) scheduled to be installed in the Yangtze River dam project before 1980. This Soviet-made equipment would be a substantial proportion of the total electric generating capacity to be installed in China during the decade after 1970. There may be other grandiose river projects requiring Soviet help, which like the Yangtze River project may take decades to carry out.

Moreover, as a result of the educational policy of Communist China, which emphasizes applied science rather than basic research, the technological level of its industry will almost certainly be lower than that of Japan and the UK even should China's industry overtake the industry of these countries in the quantity of basic industrial output. It is doubtful, for example, if -- even after the Third Five Year Plan -- China's machine-building industry will be able to match the present capability of Japan's machine-building industry to design new products and to produce with flexibility a variety of complex products.

Nevertheless, Communist China's industrial capacity and technological capability will have advanced during the course of the Third Five Year Plan from a level heavily dependent on the USSR to a level at which basic industrial processes have been mastered and production of many complex items undertaken. The need for Soviet aid will have narrowed to selected, specialized processes and equipment. Having achieved a basic degree of self-sufficiency and perhaps having become the leading industrial power in Asia, China will not be so dependent on Soviet aid for its economic development. Although the Chinese Communists will still need Soviet help in these special fields after 1967, economic dependence on the USSR will not continue to be as strong a cohesive force in Sino-Soviet relations as it is at present. This conclusion will be valid even though the absolute volume of Sino-Soviet trade probably will increase substantially, for after 1967 China will no longer be reaping the striking technological advantages that it now gets from trade with the USSR. By 1967, China's economic

ties with the USSR will be such that they can more easily be loosened if political or ideological conflicts should develop.

During the next decade the strategic, political, economic, and ideological forces that have held the USSR and Communist China together in the past will continue to exert powerful unifying impulses. Frictions that do occur probably will not be disruptive, as leaders of both nations will seek to avoid the disastrous consequences of a breakup of the alliance. Discord may be more frequent, however, for the dissension of the past probably has created a reservoir of ill will at the same time that it has broken the facade of mutual compatibility on all issues. A wide range of unresolved issues, moreover, lies between the two countries. Even though the discord probably will not split the alliance, the weight of such discord on the effectiveness of the policy of both countries probably will fall more heavily during the next decade than it has in the last.

In the more distant future the strength of many of the forces now holding Communist China and the USSR in union will have waned. Although the growth of national power in China would strengthen a unified monolithic alliance, it actually may reduce the value of the alliance to either or to both countries, for China's capacity to stand alone will increase at the same time that its role as a potential rival to the USSR becomes more attainable. The possibility of dissension will be greater with the passage of time, in particular if the world situation, which has provided nourishment to the alliance, also changes with the passage of time. In the absence of a considerable change in the atmosphere of world politics, however, and as long as the USSR and China view the alliance as a crucial bulwark against hostile non-Communist forces, only an irrational reaction to an impassionate quarrel is likely to result in an unbreachable rift in the union.

APPENDIX A

STATISTICAL TABLES

Table 5

Imports, Exports, and Trade Balances of Communist China with the USSR, as Reported by the USSR a/
1950-59

Million Current US $

Year	Total Trade b/	Exports	Imports	Trade Balance
1950	576	188	388	-200
1951	808	332	476	-144
1952	968	414	554	-140
1953	1,172	475	698	-223
1954	1,338	578	759	-181
1955	1,392	644	748	-104
1956	1,497	764	733	31
1957	1,282	738	544	194
1958	1,515	881	634	247
1959 c/	2,050	1,100	950	150
Total	12,598	6,114	6,484	-370

a. 9/
b. Totals are derived from unrounded data and may not agree with the sum of their rounded components.
c. Provisional.

Table 6

Exports from Communist China to the USSR, as Reported by the USSR a/
1950-58

Exports	1950		1951		1952		1953		1954		1955		1956		1957		1958	
	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent
Raw materials of agricultural origin	67	36	86	26	125	30	122	26	116	20	130	20	139	18	129	18	102	12
Foodstuffs	22	12	23	7	57	14	89	19	149	26	179	28	201	26	128	17	219	25
Raw materials of animal origin	10	5	17	5	32	8	13	3	25	4	22	3	26	3	21	3	22	2
Nonferrous and alloy metals	20	11	46	14	73	18	101	21	107	19	118	18	126	16	142	19	123	14
Textile raw materials	17	9	30	9	39	9	58	12	56	10	60	9	59	8	49	7	38	4
Textiles	N.A.	N.A.	4	1	15	4	17	3	37	6	59	9	96	13	136	18	194	22
Miscellaneous c/	52	27	126	38	73	17	75	16	88	15	76	13	117	16	133	18	183	21
Total	188	100	332	100	414	100	475	100	578	100	644	100	764	100	738	100	881	100

a. 10/
b. Converted from rubles at the official rate of exchange of 4 rubles to US $1. All values are in current US dollars.
c. Including industrial goods, industrial raw materials, chemicals and rubber, and cultural and consumer goods.

Table 7

Imports by Communist China from the USSR, as Reported by the USSR a/
1950-58

Imports	1950		1951		1952		1953		1954		1955		1956		1957		1958	
	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ (Million US $)	Percent	Value b/ c/ (Million US $)	Percent
Equipment and machines	41	11	108	23	157	28	161	23	199	26	230	31	305	42	272	50	318	50
Of which																		
Complete installations	(1)	(0.3)	(32)	(7)	(41)	(7)	(49)	(7)	(93)	(12)	(142)	(19)	(217)	(30)	(209)	(38)	(166)	(26)
Ferrous metals	20	5	50	10	66	12	68	10	88	12	76	10	61	8	33	6	61	10
Nonferrous metals	3	1	17	4	16	3	14	2	22	3	13	2	18	2	8	1	16	3
Petroleum and petroleum products	11	3	39	8	33	6	45	6	45	6	79	11	86	12	90	17	92	14
Paper	4	1	11	2	17	3	9	1	6	1	7	1	6	1	3	1	Negligible	Negligible
Miscellaneous d/	23	6	51	11	19	4	10	2	25	3	16	2	15	2	15	3	31	5
Unaccounted for e/	286	73	200	42	246	44	391	56	374	49	327	43	242	33	123	22	114	18
Total	388	100	476	100	554	100	698	100	759	100	748	100	733	100	544	100	634	100

a. 11/
b. Converted from rubles at the official rate of exchange of 4 rubles to US $1. All values are in current dollars.
c. The total is derived from unrounded data and does not agree with the sum of its rounded components.
d. Including such categories as chemicals, building materials, pharmaceuticals, and cultural and consumer goods.
e. Representing the value of goods [redacted] believed to be primarily of military and strategic origin.

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