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CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

COUNTRY China (Sinkiang)
SUBJECT Soviet-Sinkiang Economic Ties/Trade Agreements

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SUPP. REPORT [Redacted]

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THIS IS UNEVALUATED INFORMATION

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1. After the Bolshevik revolution, the Soviets found it rather difficult to re-establish the prewar trade that existed between Tsarist Russia and Sinkiang. In 1921, however, agents of Sibvneshtorg were successful in negotiating several trade contracts for Sinkiang cattle, wool, furs, hides and casings. In 1922 Kirvneshtorg replaced Sibvneshtorg as the primary Soviet trade agency in Sinkiang and continued to operate there until 1924. From 1924 to 1929 Vneshtorg and Vsesotorg (Vaic Soluzhne Aktsionernoe Obshchestvo - All Union Cooperative Trade Agency) operated in Sinkiang. In 1929 Sherst'torg (Wool Trading Agency) took over Soviet trade interests in Sinkiang and continued to operate there until Sovsintorg (Soviet-Sinkiang Trade Agency) was established in 1931. Meanwhile, another Soviet trade agency, Neitnuily Sindikat (Petroleum Syndicate), operated in Sinkiang from 1926 to 1929 in the field of supplying Sinkiang with petroleum products and allied manufactured items such as kerosene lanterns, oil burning stoves, etc. After 1931, and up to closing of the Soviets from Sinkiang in October 1943, Sovsintorg was the sole Soviet trade agency in Sinkiang.

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3. [redacted] the Provincial Trading Company, [redacted] was a government organization which dealt only with Sovsintorg. Through this firm, Governor Sheng Shih-tsai in May 1935 concluded a treaty with the USSR, allowing the Soviets many special privileges in Sinkiang including the establishment of eight Soviet agencies. The USSR, in return, gave the Sinkiang Government a credit of five million gold rubles, to be used up according to future supplementary agreements that were to be negotiated by Sovsintorg and the Provincial Trading Company. This credit was not established through the exchange of currency, but was actually a barter agreement. The Soviets, through Sovsintorg, credited the Provincial Trading Company with five million gold rubles worth of their manufactured goods and scientific and technical knowledge. The Provincial Trading Company, in turn, was charged with seeing that the terms of this treaty and its sub-agreements were fully complied with by the Sinkiang Government and was responsible to repay Sovsintorg, with Sinkiang raw and manufactured products, this credit, or "loan", of five million gold rubles plus four per cent interest. The Provincial Trading Company was also obligated to make a full accounting and settlement of this credit within five years of the initial signing of the treaty, by May 1940.

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4. As mentioned previously, the trade treaty specified that each sub-agreement under the five million gold ruble credit was to be negotiated separately. By 1940, some 30 of these sub-agreements had been negotiated and completed. As each of these was extremely complicated [redacted] the details of two less complicated sub-agreements. They are:

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- a. Road Building and Maintenance: Under this sub-agreement Sovsintorg was to supply passenger cars, busses, trucks, and road building equipment. It was also agreed to have Soviet engineering and specialist supervision in this field and that all salaries of Dorestroy (Sinkiang Main Road Build'g Agency) employees were to be paid by the Sinkiang Government. Aside from the motor vehicles and supervision of the building program, Sovsintorg was also to supply various Soviet manufactured goods such as jewelry, trinkets, ready-made clothing, etc. The Provincial Trading Company was to then sell these goods and give the money to Dorestroy for purposes of meeting its payroll. But, as the Provincial Trading Company had no outlets for this merchandise, another sub-agreement was made with Sovsintorg. This called for Sovsintorg to dispose of the merchandise in Sinkiang, for the Provincial Trading Company, for a small percentage of the profit and to turn the balance of the profit over to Dorestroy.

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6. In 1937 Governor Sheng instituted the first three-year reconstruction plan and negotiated a third treaty with the USSR, through Sovsintorg, for an additional credit of fifteen million gold rubles. In 1938 the local currency was devaluated, with the reorganization of the Provincial Commercial Bank as the Sinkiang Commercial Bank. Urunchi "Lans" were eliminated and replaced by Sinkiang dollars, with paper currency of one cent to 10 dollars. In 1941 Governor Sheng instituted his second, and last, three-year reconstruction plan, without any further trade agreement with the USSR. In 1948 one Sinkiang dollar was equal to CMC \$ four.
7. In addition to the barter trade that was carried on between Sinkiang and the USSR, under the afore mentioned three trade treaties, Sovsintorg also worked with the Provincial Trading Company and local merchants by giving an advance of funds against future delivery of merchandise, in the amount of 25% of their orders. Towards the end of Governor Sheng's reign over Sinkiang, approximately 1941 to October 1943, and especially after the arrest of most large merchants, practically all of this trade passed into the hands of the Provincial Trading Company. The Provincial Trading Company also did some buying on its own and trading with Sovsintorg according to common local business practices.
8. The Provincial Trading Company delivered to Sovsintorg, as specified by them, the following Sinkiang products in compliance with the sub-agreements of the trade treaties:
 - a. Fur skins: lamb (karakul), sable, fox, marten, squirrel, wolf, ermine, wild cats, marmot, banger and bear
 - b. Cattle: horses, camels, cows, sheep, goats, pigs and oxen
 - c. Raw hides: horse, cow, pig, sheep and oxen
 - d. Wool: camel, sheep and goat
 - e. Casings: sheep, goat and pig
 - f. Miscellaneous: hog bristles, cotton, grain, Khotan rugs, gold, silver, platinum, petroleum products and many various minerals and ores that the Sinkiang Soviet Mining Expedition uncovered and mined.
9. The three Soviet-Sinkiang trade treaties negotiated and implemented by Sovsintorg and the Provincial Trading Company totaled to 22 million gold rubles worth of trade between the USSR and Sinkiang from May 1935 to October 1943. This trade had the following result on the development of Sinkiang:
 - a. Electric generating plants were set up in Urunchi (Tihwa), Kuldja (Ining), Chuguchak (Tahoneng), Kashgar (Shufu), and Aqsu (Akosu). There were two electric generating stations built in Kuldja, one for city lighting and the other, a smaller station, was installed at the local military headquarters. The latter was later transferred to Suifing for use in lighting that city. The station in Chuguchak was a small one, only furnishing light to the regional governor's Yamen and several other government buildings. Each of these electric generating plants was installed under a separate sub-agreement. The planning and construction of all stations was done under the supervision of Soviet engineers. In Kuldja there was an electric flour mill constructed next to the electric generating plant. This was arranged for under a separate sub-agreement.
 - b. The installation of telephone stations in Urunchi, Kuldja, Chuguchak and Kashgar was also covered by separate sub-agreements. Each telephone station had 100 units. In Urunchi, in addition to the city telephone station, there was a second station consisting of 25 units. This station was located in the Governor's Yamen and connected it with all of the military and security offices of the city. A total of about 1,400 miles of telephone line was laid in Sinkiang.

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- c. Radio transmitting stations were installed in all the larger settlements of Sinkiang, the two most powerful stations being in Urumchi and Kashgar. Three mobile radio transmitting stations were brought to Urumchi and an equal number were set up in the Aqsu Region, or administrative district.
- d. Typographic offices were established in Urumchi, Kuldja, Chuguchak and Kashgar. In Urumchi, the Soviets also installed a supplementary typographic office for their publication "Pioneer". A lithographic office, for the printing of paper currency, was set up in Urumchi. Special machinery was also installed at the lithographic office for offset printing.
- e. In Urumchi, scheduled bus service was established for passenger travel within the city. Machine shops for manufacturing and repairing weapons were set up at the Fimagu Arsenal, northeast of Urumchi. A wool and fur washing plant and casings plant was built by Sovsintorg on the northwestern outskirts of Urumchi. On this same estate Sovsintorg also built a garage which repaired and serviced not only their own trucks, but also the truck convoys which passed through Urumchi carrying military supplies and equipment to the Chinese Army.
- f. In Turfan, Sovsintorg constructed an oil pressing factory and a cotton and wool cleaning plant. This equipment was originally ordered by Hodja Nias Hadji, a wealthy Moslem leader, but after his arrest were confiscated by the government. Oil pressing factories were also set up in Urumchi, Kuldja, Suiting and two in Chuguchak.
- g. Pharmacies and hospitals were established in Urumchi, Kuldja, Suiting, Chuguchak, Turfan, Aqsu and Kashgar. Soviet doctors took over all hospitals and pharmacies. Experimental stations were set up in Urumchi, Kuldja, Chuguchak and Sharasune, dealing with agriculture, agronomy and animal husbandry. All the experiments and activities of these experimental stations were supervised by Soviet scientists and specialists.
- h. The Sinkiang Soviet Mining Expedition surveyed the entire province in 1935 to 1936 and then commenced to mine minerals and ores needed by the USSR. I heard that they were mining wolfram ore in Bere Tale and were exploiting the gold mines in Altai, Hami and Urumchi. They established assay offices in most of the larger cities of Sinkiang, also providing the technicians for these laboratories.

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in Urumchi which was headed by a Soviet. The investigators and agents were also Soviets, but were sent into Sinkiang disguised as Russians who had escaped from the USSR. From 1935 on, wholesale arrests of Russians, Moslems, and Chinese throughout the province began. Even people who were very close to the Governor, himself, were arrested and liquidated by the Soviets.

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The Soviets, without question, were the real rulers of Sinkiang from May 1935 to the time of their forced departure, in October 1943.

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