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COMMUNIST CHINA'S IMPORTS AND EXPORTS, 1956:
TRADE AND TRANSPORT INVOLVED*

I. Summary of Major Developments During 1956 and Prospects for 1957.

A. Level of Trade.

The foreign trade of China** in 1956 was announced as 10.9 billion yuan (approximately US \$4.4 billion***), compared with 11 billion yuan in 1955, marking the first year in which China's trade has declined. The decline was on the import side and reflects a sharp reduction of receipts under Soviet loans. (See Figure 1.****)

A further decline in trade is planned for 1957, with total trade expected to be 9,955 million yuan (slightly more than \$4 billion), or 8.4 percent less than in 1956. For the first time, exports will decline. This further decline in trade reflects the economic maladjustments resulting from the overambitious economic activity of 1956 and the effects of typhoons and floods on the agricultural production of China. Despite this decline the foreign trade goal of the First Five Year Plan (1953-57) is expected to be overfulfilled by 6.4 percent by the end of 1957.

Trade with the Free World in 1956 rose by more than one-third and accounted for almost one-fourth of China's total trade, compared with less than one-fifth in 1955. Unrecorded imports fell slightly from \$76 million in 1955 to \$65 million in 1956, largely as a result of the increased use of the CHINCOM exceptions procedures. The amounts licensed under these procedures in 1956 were approximately \$82 million, compared with a total of about \$15 million for the preceding 4 years. By mid-1957 the UK, followed by most other CHINCOM countries, had abolished the China differential,

* The appendix (see p. 101, below) presents the revised estimates of value and direction of China's foreign trade for the years covered by the previous studies published in this series (EIC-R1 through EIC-R1-S5), as well as a discussion of the problems involved in the conversion of yuan values to dollar equivalents.

** Unless otherwise specified, the terms China and Chinese are used hereafter in this report to mean Communist China and Communist Chinese.

*** All dollar values in this report are in terms of US dollars or equivalents.

**** Following p. 2.

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applying COCOM trade control rules to the entire Sino-Soviet Bloc, thereby largely nullifying the importance of the exceptions procedures.

Trade with the USSR declined about 15 percent, and trade with the Far Eastern Satellites fell slightly -- together offsetting an estimated 13-percent increase in trade with the European Satellites. A further shift in the direction of trade toward the Free World is expected in 1957.

In 1956, China achieved for the first time an export surplus, which amounted to about \$115 million and which consisted of a \$90-million surplus with the Free World and a \$25-million surplus with the Bloc.

The balance-of-payments position of China appears to have deteriorated in 1956 and 1957, reflecting in large part the sharp reduction of receipts under Soviet loans, the increasing commitments for the repayment of previous Soviet loans, and the further extension of China's own aid program. Despite the development of an export surplus in 1956 and 1957, it appears that China has been hard-pressed to meet its foreign exchange commitments and has had to reduce its holdings of foreign exchange and gold as well as to obtain short-term credits from the USSR.

B. Volume of Trade and Transport Services.

The tonnage volume of China's trade in 1956 is estimated to have been 17.4 million metric tons,* divided equally between sea-borne and overland transport. The volume of exports is estimated to have been 11.5 million tons (primarily agricultural products and minerals), and imports 5.9 million tons (primarily machinery, petroleum, fertilizers, iron and steel, and other industrial materials).

Railroads continued to carry approximately 95 percent of China's overland foreign trade. The opening of the Trans-Mongolian Railroad on 1 January 1956, in offering the shortest route between the European USSR and central and south China, diverted a considerable volume of traffic from that portion of the Trans-Siberian Railroad line connecting with the Chinese system at Otpor. Nearly two-fifths of the 1956 Sino-Soviet rail freight moved on the Trans-Mongolian Railroad, more than two-fifths moved through Otpor, and approximately one-fifth moved through Grodekovo. The substantial restoration of railroads and roads in North Vietnam facilitated the

* Tonnages throughout this report are given in metric tons unless otherwise indicated.

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16 DEC 1957

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ER file

BRIEF FOR: Director of Central Intelligence
THROUGH: Deputy Director/Intelligence
SUBJECT: Briefing Note on IAC-D-42/15 for IAC Meeting on
17 December 1957

1. This memorandum provides, for your information, a brief note on the seventh in the series of periodic EIC studies on Communist China's trade and transport (EIC-R1 series). This study covers calendar year 1956 and prospects for 1957.

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[REDACTED] EIC-R1-S6 was approved by the EIC on 21 November 1957. There are no known agency reservations or unresolved conflicts embodied in this study.

2. Some highlights of the paper follow:

a. The value of Communist China's 1956 total foreign trade decreased slightly for the first time. This decline was on the import side and reflects a sharp reduction in receipts under Soviet loans. The tonnage volume of this trade, however, increased and was equally divided between seaborne and overland transport. In 1956, nearly two-fifths of the Sino-Soviet rail freight moved over the Trans-Mongolian Railroad.

b. Trade with Free World countries continued to rise in 1956, while trade with the USSR declined. The value of imports from and

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SUBJECT: Briefing Note on IAC-D-42/13 for IAC Meeting, 17 December 1957.

exports to the Free World rose sharply in 1956.

3. In the Appendix, this year's report presents revised estimates of the value and direction of trade for earlier years, as well as a discussion of the problems involved in the conversion of yuan values to dollar equivalents.

4. The IAC members should be asked to approve the subject report, as they have previous ones in this series,

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OTTO E. GUTHE

Chairman

Economic Intelligence Committee

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