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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

SINO-SOVIET ECONOMIC RELATIONS

Note by the French Delegation

Substance of the Note

1. Since 1950, Sino-Soviet economic relations have been the subject of a series of agreements of which only two - the agreements of February, 1950 and October, 1954 - provide for Soviet credits to China (to a total amount of 430 million dollars).

The volume of the credits granted by the USSR is in reality greater than this for:

- (a) China, between 1950 and 1955, had an adverse trade balance of 990 million dollars which had to be made good with credits;
- (b) the Chinese Finance Minister, Li Hsien-Nien stated in 1957 that the credits received from the USSR totalled 5,294 million yuans (2,100 million dollars) and that this figure included military credits omitted from the foreign trade statistics.

From this it can be deduced that the greater part of the total aid afforded by the Soviet took the form of deliveries of goods of a military character.

2. China's trade balance, since 1956, has shown an overall surplus and, starting in 1957, there has moreover been a decline in deliveries of capital goods by the Soviets. These trends point to the existence of economic difficulties.

A. For the USSR trade with China imposes certain constraints:

- (a) A breakdown of the sale-prices to China reveals that the USSR invoices Trans-Siberian transport charges - and 80% of Sino-Soviet trade follows this route - at rates lower than cost in order to be able to compete with the freight charges between China and Europe.

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- (b) The capital goods supplied to China represent 40% of the Soviets' total exports of machinery. They are only a small fraction of the National Income (less than 1%) and of the overall equipment effort of the USSR (2 to 3.5%). Nevertheless, in certain branches of heavy industry, deliveries to China absorb a relatively large share of Soviet production (about 8% (1)), and this confirms the effect of the journey of Khrushchev and Bulganin in China (1954) on the stepping-up of heavy industry in the USSR.
- (c) In exchange for these capital goods which it might well prefer to instal at home, the USSR - even today a net importer of capital goods - is obliged to accept a majority of products of minor interest (hog bristles, tea).

B. For China the economic constraints appear to be even more severe

- (a) Having exhausted the Soviet credits, in order to finance the country's industrialisation, China is obliged to export more every year (an annual increase of 10%) which means ever greater withdrawals from an agricultural production which is unable to keep pace (a 4% annual increment between 1952 and 1957) and which must, moreover, meet the needs of a population whose expansion represents 15 million more consumers every year.
- (b) As a result China, since 1957, has been obliged to diverge increasingly from the Soviet economic "model", based on the creation of great combines, by adopting a series of reforms the aim of which is:
- (1) to restrict the growth of the population, more especially of the towns,
 - (2) to achieve virtually complete collectivisation of agriculture,
 - (3) to decentralise industry and to expand small-scale production along traditional lines so as to reduce imports of capital goods.

In brief, separated from their political context, Sino-Soviet economic difficulties - in the absence of credits - seem little different from those confronting trade between China and the West: unlimited requirements to be met with small, undiversified exportable surpluses.

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- (1) As compared with the 6% of France's industrial production absorbed by the overseas territories (including Algeria).

3. Some of the above obstacles might, it would seem, disappear gradually as a result:

- (a) of the achievements of agriculture during the present year and the industrial expansion which is already making China less dependent on outside sources for certain types of equipment;
- (b) of China's specialisation in certain mineral (tin, tungsten) and tropical (oil-seeds, tea, citrus fruits) products for which there is a demand in the other countries of the bloc;
- (c) of the prospects for triangular trade between the USSR, China and the peoples democracies (especially the German Democratic Republic which now exports more capital goods than does the USSR). The USSR is already re-exporting part of its imports from Eastern Europe and China, and there is also an upward trend in the trade between China and the people's democracies.

4. In the Communist countries, political considerations always over-ride strictly commercial considerations. Sino-Soviet economic difficulties could therefore only be pleaded to explain any future tension if, in addition, causes of friction also arose in the diplomatic or ideological fields. In the long run, however, the political factors are bound to be affected by the disquieting dynamism of the new China, especially as regards the balance between the population of the two countries (the present ratio of 1 Soviet citizen for every 3 Chinese citizens will, in 50 years' time have become 1:6).

N O T E

Sino-Soviet economic relations.

There is no attempt in this note to make an historical analysis of the economic relations between China and the Soviet Union - their chronological development is given at annex - its only purpose being to answer certain questions pertaining to these relations, such as:

- (a) What is the nature and magnitude of the economic aid given by the USSR to China?
- (b) Are the terms of trade and the prices applied to its imports and exports favourable or unfavourable to China?
- (c) Does aid to China exert pressure on the economy of the USSR, and conversely, what is its impact on the Chinese economy?
- (d) What are the prospects for Sino-Soviet trade?

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I. NATURE AND VOLUME OF SOVIET AID TO CHINA

(A) FINANCIAL AID

1. When presenting China's 1957 budget, LI HSIEN-NIEN, the Chinese Finance Minister stated that the loans granted by the USSR totalled 5,294 million yuans (roughly 2,100 million dollars). For his part, KHRUSHCHEV told the Twentieth Party Congress (February 1956) that the value of the equipment with which the USSR had supplied China could be put at 8.1 milliard roubles (2,025 milliard dollars) including the additional deliveries covered by the agreement of 7th April, 1956. The correspondence between the figures quoted in the above statements (2 milliard dollars) might lead to the belief that all the Soviet supplies of equipment for China were delivered on credit.

This would not seem to be the case, for:

- (1) The greater part of the Soviet equipment is covered by Chinese exports.
- (2) Deliveries of a military character represent a large proportion of Soviet aid.

2. The following arguments can be advanced in support of the first contention:

- (a) KHRUSHCHEV stated before the Twentieth Congress: "We supply (China) with equipment to a total value of about 5.6 milliard roubles. In exchange, the Soviet Union receives from China goods of interest to our country." It will therefore be seen that these transactions involve exchanges, not credit.
- (b) Similarly, on the signing by MIKOYAN of the agreement of April, 1956, which increased by 2,500 million roubles the value of the premised equipment (1), NCNA (the Chinese press agency) stated in a communiqué: "this equipment will be paid for through trade channels".
- (c) Official documents referred to the granting of economic credits by the USSR to China only on two occasions: in February, 1950 and October, 1954, the total amounts being 300 million dollars and 520 million roubles (130 million dollars) respectively. This is a long way behind the total of 2 milliard dollars mentioned by LI HSIEN NIEN.
- (d) The foreign credits in the Chinese budget, which it can be presumed were virtually all granted by the Soviets, begin to dwindle from 1955 on, although Soviet deliveries of capital goods have risen consistently over the past few years (see table hereunder).

(1) Thus raising the number of factories to be erected from 156 to 211.

Table 1

MOVEMENT OF THE FOREIGN CREDITS OBTAINED BY CHINA AND
OF SOVIET DELIVERIES OF CAPITAL GOODS OVER THE PERIOD
1950-1957

(million dollars)

	Foreign credits entered in China's budget	Soviet capital goods exports to China	
		Total	Complete factories included in total
1950-52	300 (a)	304	70
1953	175	162	45
1954	354	198	93
1955	663	223-229 (b)	135-141 (b)
1956	47	305	217
1957	9	272	209

(a) Soviet credit of 1950; no statistics of the 1950-1952 budget are available.

(b) The two figures are derived from different sources.

(e) In 1956 and 1957, the Sino-Soviet trade balance left China in a creditor position (see Table 4 attached at annex), while the Soviet exports of capital goods attained 305 and 272 million dollars respectively. These deliveries were therefore not covered by credits.

(f) Between 1950 and 1955 China had an adverse trade balance, but the total deficit for these six years did not exceed 970 million dollars, an amount which only represents 46% of the loans referred to by LI HSIEN-NIEN.

3. Since the economic credits granted to China by the USSR only cover part of the aid received, it can be assumed that military credits were by no means negligible. In this connection we find that:

- (a) In this same 1957 budget report, LI HSIEN-NIEN announced that out of a total of 5,294 million yuans lent by the USSR, 2,174 million yuans, or about 820 million dollars, had been used before 1953. Now, since the total deficit of the trade balance for the period 1950-1953 does not exceed 500 million dollars (see Table 4 at annex) and deliveries of equipment 300 million dollars, it can be assumed that over this period, Soviet aid was mainly military in character and that, for this reason, it is not taken fully into account in the foreign trade statistics (1).
- (b) In presenting the 1955 budget, LI HSIEN-NIEN stated: "the increase in budgetary revenue in 1955 from foreign loans is due to the fact that when Port Arthur was handed back in May, 1955, the Soviet Government also reconveyed a large quantity of military goods to us on credit". Table 1 above shows that foreign credits reached a peak in 1955 which coincided with the recovery of the military installations in the Port Arthur area.
- (c) During the short period of blooming of the "hundred thousand flowers", the NCNA agency published on 18th June, 1957 the following interesting statement by LUNG YUN, Vice-President of the National Defence Council: "It is not reasonable for China to assume all the costs of the resistance to America during the Korean War During the Second World War, the United States granted credits to its allies; some of the latter repudiated these debts and obtained their remission from the United States. It will take us more than ten years to pay back the USSR credits if reimbursement is demanded and we shall have to pay interest to the USSR".

4. On the supposition that the adverse Sino-Soviet trade balance between 1950 and 1955 is entirely due to credits of an economic character, or in other words, that deliveries of military goods are not included in the official foreign trade statistics, it must be concluded that the proportion of military credits represent a little more than one-half of the total of roughly 2 milliard dollars.

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- (1) In a Soviet study on "the economic relations of the USSR with China" (Vnechtorgizdat 1957), the author, SLADKOVSKII gives details of Soviet exports for the years 1951, 1952 and 1953 only for 57.8%, 54.7% and 50.8% of the total. What does the remainder represent?

On the contrary, however, if the statistics for Soviet exports to China include certain deliveries of military goods, the proportion of military aid might well be still greater (1). Deliveries under atomic aid, such as the 10 milliard electrovolt accelerator recently put into service, must also be placed in this category.

(B) TECHNICAL ASSISTANCE

5. Chinese reticence as regards credits is only equalled by the readiness with which the role played by Soviet technical assistance is acknowledged. There must be no minimising of the importance of this form of aid for, as is generally stressed in studies on the problem of the industrialisation of under-developed countries, the main obstacle to the economic advancement of these countries is not so much the difficulty of procuring capital - which can be raised abroad - as the almost total lack of technical cadres able to use it with reasonable efficiency.

6. In this respect, the Soviet Union has not spared its efforts to help China. "There is not a single new undertaking in China which has not had to rely on Soviet experience" (2). The number of experts and technicians "who work or have worked in China" totals 7,000 (Peking Review, 29th April, 1958). This figure is three times greater than the corresponding figure for technical assistance experts employed in implementation of the Expanded United Nations Programme throughout the world.

7. The trend is for Soviet experts in China to decrease, for the present policy favours the training in the Soviet Union of Chinese specialists. There are 7,000 Chinese students and 6,200 technical trainees studying or following courses in the Soviet Union (Radio-Peking, 21st October, 1957). For the iron and steel industry in particular, Chinese specialists are trained at Magnitogorsk, Tcheliabinsk and Kusnetsk (Pravda, 14th September, 1958). Chinese geologists apply themselves to their oil prospecting initiation in Bachirie with an enthusiasm which arouses the admiration of their instructors ("Novy Mir", No.8, 1958, p.210).

II. THE TERMS OF SINO-SOVIET TRADE

8. When the French delegation of economists went over the Gosplan in May, 1958, the Soviets volunteered the information that USSR aid to China consisted mainly in the granting of preferential prices. If this is so, accurate knowledge of the credit or debit position of the trade balance cannot of itself give us reliable information regarding the lack, or the true volume, of Soviet

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- (1) As regards China's military expenditures, which fell from 7.2 milliard yuans (2.9 milliard dollars) in 1955 to 5 milliard yuans (2 milliard dollars) in 1958, the volume of Soviet military aid is not hard to believe since only the USSR is able to supply China with certain types of military equipment.
- (2) Journal de la Chine populaire, No.23, p.3, December, 1952.

credits since, under the effect of preferential prices, a completely balanced position seems to obtain.

9. The USSR Statistical Year Book for Foreign Trade is, for 1955 and 1956, the only current source of information enabling a partial analysis of this question to be attempted. It indicates quantities imported and exported together with their value, thus enabling unit prices to be deduced. Unfortunately, this method can only be applied to semi-manufactures and raw materials, for in the case of equipment items, the disparity in the specifications is too great to enable comparisons between unit prices to be made. In other words, if, for instance, the value of Soviet exports of tractors to China and to Burma is divided by the number of tractors sold to these two countries, the resulting mean unit prices are found to be very different - \$ 7,400 and \$ 1,380 respectively - but there is no means of determining whether the differences are due to special terms or to divergencies in the type of equipment supplied.

Moreover, these statistics include an important section entitled "Equipment for complete factories" without reference to the type and price of the equipment delivered. Consequently, we remain in ignorance of the real prices charged by the Soviets for capital goods.

10. On the other hand, as regards other trade products, calculation of the prices (see Table 1 in Annex) charged to China for its imports from the USSR and to the latter for its imports from China do not appear to be favourable to China (except in the case of Chinese sales of rice). China exports its coal, pig-iron and its eggs at prices lower than those of the other Socialist countries. Similarly, China pays 40% less for paraffin than Afghanistan, but 50% more than Egypt. Cement is sold in China at \$29.3 per ton, whereas the USSR pays Poland \$10.7 per ton. The USSR sells rolled steel to India 20% cheaper than to China, and so on. This leads to the belief that for this category of goods, the information given on the Gosplan does not tally with the facts.

11. In reality, whatever the country concerned, prices are established at the time of the dispatch of the goods from the territory of the exporter (prices F.O.B.). In the case of Soviet deliveries to China, they therefore include the cost of conveyance by the Trans-Siberian Railway (which carries upwards of 80% of the Sino-Soviet trade). This explains why Egypt and India, whose traffic with the USSR is almost entirely sea-borne, obtain lower prices for their purchases in the USSR than does China. This is probably also the reason why the USSR pays less for Chinese than for Bulgarian eggs, transport costs accounting for the difference.

12. If consideration is given to the impact of transport costs on export prices, it is seen that the tariffs applied to China do not exceed the world rates. It would seem that the Soviets invoice Trans-Siberian transport at the flat rate of \$20

per ton, which is approximately the charge for a 4,000 km. railway run and the distance separating the Urals (Tcheliabihsk) from the Mongolian frontier (1).

Table 2

IMPACT OF TRANSPORT ON SALE PRICES TO CHINA
IN 1956

(dollars per ton)

	Kerosene	Diesel fuel	Rolled steel	Cement
1. Import price in USSR from Rumania from Poland from Yugoslavia	24.6	22.6	111	10.2
2. Cost of transport	20	20	20	20
3. Total of 1 + 2	44.6	42.6	131	30.2
4. Sale price of USSR to China	44.5	42.7	136	29.3

13. It can be deduced from the above that China, on balance, is granted specially favourable terms by the USSR since transport charges are invoiced at a flat rate lower than:

- (a) the actual cost to the USSR when the goods dispatched cover distances greater than 4,000 kilometers (such as is notably the case of certain petroleum products);
- (b) the China-Europe shipping rates which work out at about \$24 per ton (2).

III. AID TO CHINA AND THE SOVIET ECONOMY

1. The assumption by the Soviets of a high proportion of the transport costs in connection with aid to China explains the interest taken by the USSR in the construction of the Aktogai-Lian Tcheou railway, which will cut by 2,000 kilometres the distance between

- (1) The cost per kilometric ton conveyed by the Soviet railways is 3.5 kopeks (Kommunist, No.8, 1957, p.42). Dollars have been converted into roubles at a rate midway between the official and the tourist rates.
- (2) Vnechnaya Torgovlya, No.4, 1957.

Moscow and the Chinese frontier and is also the reason for the extensive works undertaken for the conveyance of oil from Seout Baku by pipeline to Irkutsk (1). SLADKOVSKII, in a study on "the economic relations between the USSR and China" points out that the industrial development of Siberia will enable deliveries to China to be effected 3 to 4 times more quickly and transport charges to be reduced roughly to the shipping rates between China and Europe or China and America (op.cit., p.348).

2. Transport costs are only an introduction to the far broader problem of the impact of aid to China on the Soviet economy. If its solution is attempted on the basis of the foreign trade statistics, the Soviet effort appears to be very small. Viewed thus, Soviet exports of certain goods to China in 1955 and 1956 hardly represent more than 1% of the total Soviet production of these goods (see Table 2 at annex). The proportion is higher, however, for certain items such as oil-field equipment (turbine drills 2%, oil piping 4.2%), metallurgical equipment (rolling mills 2.95%, electric furnaces 1.9%), lorries and bulldozers.

It is, however, difficult to reach firm conclusions for:

- (a) the trade statistics comprise a heading "complete factories", representing two-thirds of the value of the capital goods exported, about which there is no accurate knowledge. It seems likely, though, that the equipping of complete factories calls for the co-operation of a great many Soviet producers. The putting into service of the Wuhan blast furnace, for instance, which turns out 2,070 tons of pig-iron per day, required the assistance of 200 different industrial concerns (2).
- (b) part of the equipment supplied to China by the USSR is produced in the people's democracies, mainly rolling stock (standard guage) re-exported on delivery from Poland and Rumania, and cranes manufactured in Czechoslovakia and East Germany.

3. Independently of political motives, the reason for the re-export by the USSR to China of capital goods originating in the people's democracies must probably be ascribed to the shortage of shipping of the Communist bloc. The available tonnage would appear to be allocated in priority to the conveyance of products to the under-developed countries which are only linked to the bloc by sea-routes. This probably explains the peculiar geographical pattern of the trade of the USSR and its East European satellites with the under-developed area, the satellites accounting for 66% of

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- (1) It should be noted that the opening of the Moscow-Peking line via Ulan Bator has already reduced the distance between the two capitals by over 1,000 kilometres.
 - (2) Pravda, 14th September, 1958.

the Bloc's trade with the non-Communist under-developed countries, but only 26% of its exports to China (see hereunder the Table of exports for 1956).

Table 3

EXPORTS OF THE EASTERN EUROPEAN COUNTRIES IN 1956

(million dollars)

	To China	To under-developed non-Communist countries
Exports from the USSR	733	191
Exports from the European people's democracies	262	402
share of East Germany	95	

It therefore looks as if a certain proportion of the China-Eastern Europe trade merely traversed the Soviet Union in transit. This assumption is confirmed by certain items of the trade between the USSR and the German Democratic Republic in 1956 and Soviet imports from China (see Table hereunder).

Table 4

Product	USSR imports from China	USSR exports to the GDR
Tea	12,000 T	306 T
Natural rubber	16,900 T	9,000 T
Oilseeds	81,300 T	48,000 T

It is interesting to note that in 1956 the total Soviet exports of capital goods to China amounted to 305 million dollars (against 272 million dollars in 1957) whereas Soviet imports from Eastern Germany that year amounted to 378 million dollars (against 400 million dollars in 1957).

4. That is why it seemed appropriate to tackle the problem of the impact of aid to China on the Soviet economy on the basis, not of the Sino-Soviet foreign trade statistics, but on the available data on capital investment in China. The following table compares the Soviet effort over the period 1953-1957 with the production increments achieved by the First Chinese Five-Year Plan. In view of the fact that the industries of both countries worked to

full capacity, it can safely be accepted that the upward movement of production corresponds fairly closely to increases in capacity.

Table 5

GROWTH IN PRODUCTION OF THE CHINESE AND SOVIET
HEAVY INDUSTRIES

In terms of the increased production in 1957 over 1952

Product	Chinese Production	Soviet Production	Total Chinese + Soviet	China's percentage of total
<u>Electric power</u> milliard Kwh	+ 3	+ 20.7	+ 23.7	12.7
<u>Coal</u> million tons	+ 42.7	+ 162	+ 204.7	20.8
<u>Oil</u> million tons	+ 1	+ 51	+ 52	1.9
<u>Steel</u> million tons	+ 3.65	+ 16.6	+ 20.25	22
<u>Machine tools</u> thousand	+ 15	+ 55.4	+ 70.8	21.8
<u>Cement</u> million tons	+ 3.9	+ 15	+ 18.9	20.5
<u>Fertilizer</u> thousand tons	+ 540	+ 5,000	+ 5,540	10

It is a matter for astonishment that in a great many of the heavy industries, the Chinese effort in 1957 represented nearly 20% of the total Sino-Soviet capital investments needed

to achieve the corresponding production increases (1). If it is assumed that Soviet industry was alone in supplying its neighbour with the required equipment, the conclusion is reached that deliveries to China represented 20% of all Soviet equipment in certain branches of industry. It remains to be seen what was the real share of the USSR in this Chinese expansion.

5. According to SLADKOVSKII, "At first, the share of complete installations in the total value of the equipment required by the factories in course of construction in China amounted to 80%, only the balance of 20% being produced on the spot by the local industries. However, in line with the expansion of this national production, the proportion of Chinese equipment in the new enterprises rose and by the end of 1956, Soviet deliveries represented no more than 70%, and for certain enterprises 50 to 60%, of the total (2).

However, investment in new enterprises is only one factor of the Chinese and Soviet effort. The First Chinese Five-Year Plan was to have doubled industrial production by 1957, but 70% of the increase was to be obtained by reconditioning or restoring former enterprises. Of the 141 enterprises for which Soviet aid was planned in 1950, only 91 were to have been new factories. Consequently, the proportion of Soviet equipment in the total of Chinese industrialisation since 1952 must be a percentage slightly lower than that indicated above for new factories only.

Chinese sources declare that in 1957, 42% of the equipment required by the large-scale enterprises was supplied from national production. Under the 1958 plan, this figure was put at 60% (3).

(1) It has been found feasible to estimate that the amount of investment required to increase production capacity in China of cement, steel and electric power over the period covered by the First Five-Year Plan represents expenditure in the vicinity of 1,120 million dollars broken down as follows:

- Investment in cement works: 170 million dollars
(at the rate of 300 roubles per ton)
- Investment in steel works: 500 million dollars
(at the rate of 150 million dollars per ton)
- Investment in electric power stations: 450 million dollars
(at the rate of 1,100 roubles per installed KW).

It has been supposed that the power stations operated 4,000 hours per annum. Investment costs are based on Soviet prices converted at a rate half-way between the official and the tourist rate of exchange. If to this total are added the investment costs of the collieries, the full total exceeds 2.5 milliard dollars of which about one-third represents the cost of equipment. The final figure is fairly close to the value of the complete factories delivered by the Soviets (800 million dollars).

(2) Op.cit., p.336

(3) Peking Review, 4th March 1958

It can be deduced from the above that at least 50% of the equipment installed in China since 1952 was delivered by the USSR though it does not follow that it was always Soviet-produced since in some cases the USSR has merely re-exported equipment supplied by the peoples' democracies. On the assumption, however, that the overall deliveries of the bloc countries represent 60% of the equipment installed in China since 1952 and that the share of the USSR in this percentage is two-thirds, the conclusion is reached that certain Soviet industries producing heavy equipment for collieries, steel-works, engineering enterprises and cement factories devoted nearly 8% of their productive capacity to filling orders for China, which is a higher proportion than that of French industrial production, 6%, in the French overseas territories including Algeria.

This figure provides confirmation of the interpretations placed in 1955 on the re-allocation of priority to heavy industry in the USSR following the visit of Mr. KHRUSHCHEV and Mr. BULGANIN to Peking.

6. Should it be inferred therefrom that deliveries to China impose a strain on the Soviet economy?

Although their impact seems to be quite appreciable in certain branches of heavy industry, it cannot be maintained a priori that in relation to the total investments of the USSR exports of capital goods to China represent a really heavy burden. In 1956, such items represented from 2 to 3.5% of the total Soviet investment in capital goods and less than 1% of the national income of the USSR, disregarding deliveries of military items. (For purposes of comparison, it should be noted that the French Overseas Territories, as a market, represent 3% of the French national product). (1)

However, a wrong idea is obtained of the nature of Sino-Soviet relations and of their effects if the problem is reduced to those bare percentages. If the Soviets use the term "aid to China" although the latter pays for its imports from the USSR with corresponding exports, it is because for the USSR these transactions do not follow the rules which, if only its commercial interests were involved, should be strictly applied.

(1) In 1956, the year in which Soviet exports of capital goods to China reached their highest point (305 million dollars), the figure of investment in the Soviet economy of capital goods was 63 milliard roubles (35% of a total of 180 milliard roubles according to the Statistical Yearbook of the USSR Economy in 1956, pp. 173-174), which works out at 15.7 milliard dollars at the official rate of exchange, and 9 milliard dollars at a rate midway between the official and the tourist rate. Moreover, Soviet investment absorbed 25% of the USSR national income (according to the Soviet definition).

The equipment which the USSR delivers or re-exports to China might well be retained for installation in its own territory or exported to other under-developed countries able to furnish it, in exchange, with products of greater value to it than those supplied by its neighbour. Although the Soviet Union ranks second among the industrial powers, in 1956 its total exports of capital goods did not exceed 716 dollars, which is only 56% of the amount exported by the German Democratic Republic and Czechoslovakia the same year. The volume of East German exports to the socialist countries alone is greater than the exports of the Soviet Union to the same countries (see table hereunder).

Table 6

TRANSACTIONS IN CAPITAL GOODS OF THE USSR, THE GDR AND
CZECHOSLOVAKIA IN 1956

(million dollars)

	Exports	Imports
1. <u>USSR</u> (total)	716	961
share of bloc countries	679	708
share of capitalist countries	37	253
2. <u>GDR</u> (total)	802	
share of bloc countries	711	
share of capitalist countries	91	
3. <u>Czechoslovakia</u> (total)	559	203
share of bloc countries	387	181
share of capitalist countries	172	22

This table shows the exceptional position of Eastern Germany in the Communist capital equipment common market. The GDR therefore constitutes the key-stone of the bloc's industrial potential. For this reason - apart from political considerations such as the need to maintain a certain parity with West German living standards - the USSR has been obliged to grant the Pankow government increasingly significant economic advantages: cancellation of debts, lines of credit, increased deliveries of raw materials. So true is this that in 1957, the GDR ranked, ahead of China, as the foremost of the Soviet Union's trade partners with a turnover of 1,624.4 million dollars (Sino-Soviet trade reaching a figure of 1,282.2 million dollars that year). This trend reflects the greater inter-dependence of the German and Soviet economies than exists between those of the USSR and China.

7. What do supplies from China represent for the Soviet Union?

Imports from China only occupy an important place in the Soviet Union's overall trade in the case of a small number of commodities consisting mainly of non-ferrous metals (tin and tungsten) and agricultural products (oil-seeds, citrus fruits, tea, rice, meat and wool) (see table hereunder).

Table 7

PLACE OF IMPORTS FROM CHINA IN THE ECONOMY OF
THE USSR

Commodity	Unit	Soviet imports from China			As a percentage of total imports	As a percentage of Soviet production
		1955	1956	1957	1956-1957	1957
Pig iron	million tons	583	467	103.4	94-68	0.3
Tin	"	16.9	15.7	22.0	100	.88
Tungsten	"	4.35(a)			88(b)	-
Rice	"	292.7	637	181	100-49	62
Oil-seeds	"	752.7	795	712	89	-
Mandarin oranges	"	37.6	38.8	42.9	100	-
Tea	"	10.2	12.6	11.5	72	10
Meat and cattle	"	151.4	143.4	72.3	39-21	1.1(c)
Wool	"	14.5	13	13.7	28	5.6(c)

(a) Total exports from China in 1934-38. (b) 1934-38 average.

(c) Of the commercialised production.

It is apparent from the trend of Sino-Soviet trade that pig-iron imports (94% of the total Soviet imports in 1956) are diminishing in step with the expansion of the Chinese steel-works; similarly, imports of rice and meat fell steeply in 1957 as compared with previous years. On the other hand, Chinese deliveries of ores, oil-seeds, citrus fruits and tea remain at high levels and constitute a significant proportion of the Soviet consumption of these commodities. However, in this category, only imports of non-ferrous ores and oil-seeds have any strategic value for the USSR, the other products exported by China being of secondary importance in the Soviet scale of commercial values.

This can be expressed differently by saying that the USSR, in order to assist China, is willing to give it priority as regards supplies of capital goods (1), to receive in exchange

(1) In 1957, China absorbed 40% of the total exports of machinery and 80% of the complete factories exported by the USSR.

2. On the other hand, Soviet deliveries of equipment and complete factories constitute, according to the Chinese, the framework of the country's industrialisation. In a previous paragraph, the Soviet contribution of equipment under the First Five-Year Plan is put at 50%. The available data on Soviet exports and the capital expenditures from the Chinese budget confirm this estimate. It is apparent from these data that deliveries of complete factory installations represent about 40% of the total of capital investment in industry since 1953 (see Table 9) and it can therefore be presumed that all deliveries taken together accounted for a considerably higher proportion.

Table 9

TREND OF SOVIET EXPORTS OF EQUIPMENT TO CHINA AND
OF CAPITAL INVESTMENT IN THAT COUNTRY

(Million dollars)

Year	Soviet exports of capital goods		Capital investment in Chinese industry	
	Total	Complete factories included in total	Total	Equipment included in total
1950-1952	303.7	69.7	-	
1953	162	45	1,150	
1954	198	93	1,530	
1955	229	141	1,790	
1956	305	217	2,400	
1957	272	209	2,550	
Total	1,469.7	774.7	9,420	1,900(a)

(a) Assuming the proportion of capital equipment in the total investment costs to be the same as during the First and Second Five-Year Plan of the USSR, i.e. 20%.

The volume of the Soviet deliveries of capital equipment in 1956 represented for China more than three times the total of its pre-war imports from the capitalist countries (1). In 1957

(1) The Pravda of 19th April 1953 indicated that imports by China in 1952, of capital goods from the USSR (155 million dollars) represented 165% of China's imports from the capitalist countries.

there was a small falling-off in Soviet exports, but it is difficult to establish whether this was a passing phase due to the fact that the poor Chinese harvest in 1956 reduced the means of payment or whether it is to be ascribed to the expansion of Chinese industry.

China is already covering all its requirements for railway rails (1) and virtually all its requirements for lathes, cranes, Diesel engines, compressors, textile equipment, bicycles, sewing machines and telephones (2). In 1956, the Chinese engineering industry was able to instal annually 25 million tons of additional capacity in the collieries and 1.6 million tons in the steel-works (3). Table 10 hereunder confirms that in 1956 imports of machine tools from the Soviet Union were very small compared with the contribution of the national production. However, dependence on the USSR is still very great as regards petroleum products.

Table 10

IMPORTS FROM THE USSR COMPARED WITH CERTAIN CHINESE PRODUCTION ITEMS IN 1956

	Chinese production (thousand tons)	Imports from the USSR	
		Thousand tons	As percentage of production
Oil	1,400(a)	1,700(a)	121.5
Rolled steel	3,000	322	10.7
Machine tools	26,000(b)	344(b)	1.3
Transformers	2,610(c)	191.8(c)	7.35
Paper	750	12.7	1.4

(a) 1957. (b) Units. (c) 1,000 KVA.

3. Let us now examine the burden imposed on the Chinese economy by payments for imports.

In 1954, China's export trade withheld from national consumption 6% of the production of pig meat, 10% of the eggs and 27% of the tea. All in all, for 21 agricultural products,

- (1) Sladkovski, op. cit. p. 333.
- (2) Vnechnaya Torgovlya, No. 12, 1956
- (3) Pravda, 24th October 1956.

exports accounted for 25% of China's total output. The position probably began to improve in 1955, partly through the increase in China's agricultural production, and partly through the introduction of more stringent controls on imports. Nevertheless, the statistical returns for 1956 (see Table 3 at annex) show that exports to the USSR alone absorbed a comparatively large proportion of the resources in raw materials and agricultural products (about 8% of the yield from oil-seeds and tobacco, 14% from tea, jute and hemp, 50% of the total pre-war exports of eggs, hog's bristle and oil-cake, three times as much wool as was exported in 1938).

4. Such a drain on resources is bound to raise problems for an economy in full development as regards the growth of the population and of industry. In order to ensure supplies for an industrial production which doubles its output every five years, China is obliged to increase its imports by 10% per annum. It must therefore withdraw from an agricultural production which only expands at the rate of 4 to 4.5% per annum, exportable resources at the rate of 10% per annum (1) while simultaneously providing for the requirements of an urban population which increases more rapidly than do the food crops (see Table 11 hereunder).

Table 11

RATE OF EXPANSION OF THE CHINESE ECONOMY FOR THE PERIOD
1952-1957

Pointers	1957 1952 = 100	1953-1957 Annual average
Total population	111	102
Urban population	128(a)	105.7
Industrial and handicrafts production	219	117
Foreign trade	160	110
Total agricultural production	124.7(b)	104.5(c)
Figure for staple food- stuffs included in above total	120(b)	104(c)

(a) Based on growth of urban population between 1953 and 1956.
 (b) Peking Review, 4.3.58. (c) Peking Review, 1.7.58.

(1) It is estimated that in 1957, total exports of agricultural products represented 6 to 7% of the net agricultural production.

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As in the case of every under-developed country with a rapidly growing population, the problem, in the absence of substantial external aid, is that of releasing investment resources from an agricultural or mines production with a very slow rate of expansion. For China, the problem is further complicated by the increasing pressure of population due to the decline of the death rate - from 2% in 1953, the natural increase rose to 2.3% in 1954, an annual population increment of 15 millions instead of 12 millions - aggravated by a series of poor harvests of which the worst occurred in 1954 and 1956. The 1956 harvest was the worst for ten years (1).

Since 1954, a set of measures has had to be taken:

1. to slow down the rate of growth of the population (birth-control propaganda) with particular reference to the urban population (transfer to the country of certain categories of town-dwellers, decentralisation of industry);
2. to increase State-control of agricultural production by virtually total collectivisation and to increase yields by the extension of irrigation;
3. to introduce food-rationing in the towns;
4. to modify the investment programmes by laying the stress on local resources, the result of which has been to give a fresh impetus to handicrafts and traditional techniques;
5. to place stringent controls on imports and gradually to reduce the proportion of agricultural products in the pattern of exports.

These difficulties have naturally had an effect on Sino-Soviet trade since, in 1955, 60% of China's exports to the Soviet Union consisted of agricultural products. Starting in 1953, the importance of agricultural products in the total of Chinese exports began to decline (see Table 4 at annex) although this total itself continued to expand notwithstanding the falling-off in imports from the USSR which is noted from 1955 on.

Could it be that this trend is an indication of economic difficulties between the USSR and China?

V. SINO-SOVIET ECONOMIC RELATIONS - PROBLEMS AND PROSPECTS

1. The reductions which a Chinese national is obliged to

(1) Statement by Chou En-Lai on 28.6.57.

accept, at great sacrifice, on his consumption (1) of rice, oil-seeds and meat affect, apart from certain ores, only commodities of minor interest to the Soviet national who, rather than import hog's bristle, would prefer the very latest types of equipment and to keep for himself the turbines and blast furnaces which he installs in China. That is why he poses as a benefactor and talks about aid to China although ever since 1956 for every dollar exported to China he receives 1.33 dollars worth of imports (the balance serving to pay off previous loans).

On either side, therefore, there can be grievances due to an initial lack of balance and to the fact that the two economies are far from complementary. A Chinese national can complain that the Soviets are late with their deliveries. Of the 145 enterprises which were to have started production in 1957 (2) only 67 had been completed by the end of the year (3). The supplier, for his part, can allege his customer's shortage of financial means as the reason for these delays. The fact is that although China's First Five-Year Plan was entirely successful as regards its industrial targets, agricultural production did not keep pace. Stated differently, setting aside all political considerations, in the absence of substantial credits, the Sino-Soviet economic difficulties are found to be very similar to those standing in the way of trade transactions between China and the West, i.e. unlimited requirements to be met with small agricultural availabilities and raw materials it is desired to process on the spot.

2. Will the good harvest of 1958 (4) change the outlines of the problem and is not the impetus given to the industrialisation of China the outcome of the hopes to which it has given rise?

The expansion of agricultural reserves will undoubtedly improve the export prospects, though in a lesser degree as regards the Soviet Union, where the harvest was also an excellent one, than as regards the other Asian countries, for there the yield has declined (5). Furthermore, the accelerated industrialisation

(1) Out of an average annual income of around \$60 (F.fr. 25,000) a Chinese national must reserve \$18 for capital investment (the corresponding average income of a USSR national being \$850 and of a French national \$1,000).

(2) Li Fu-Chun, People's China, 16.8.1955.

(3) Vnochnaya Torgovlija, 3rd March 1958.

(4) 350 million tons, or an increase of more than 90% over 1957 (The Times, 25.9.58). The magnitude of this increase is due to three factors:

1. the bad harvest of the year before,
2. better yields through irrigation and double sowing,
3. more accurate agricultural returns through tighter political controls on production.

It is difficult as yet to appraise the influence of each of these three factors on the results obtained.

(5) Of 15% according to FAO (Tokyo meeting of 6th October 1958).

of China is mainly due to changed concepts with respect to development derived from the experience of other, non-Socialist, underdeveloped countries. Instead of concentrating entirely on the creation of undertakings which require equipment from abroad, the present trend is increasingly to turn to account an abundant labour force by employing it on major works (dams, roads, canals) or industrial activities which can be effected with traditional, and sometimes even with quite primitive methods (1). By this means, "industrialisation" is to be speeded up and imports cut back (2).

In this connection, it is significant that the recent Sino-Soviet agreement (8th August, 1958) under which Soviet aid is to be provided for the construction of 47 new factories, should place the accent on technical assistance (supplying drawings and specialists) and specifies that, apart from certain instruments, the equipment will be provided by the Chinese engineering industry. In 1962, at the end of the Second Five-Year Plan, China hopes to produce 70% of the equipment it requires (3).

3. Does this mean that limitations will thereby be placed on the prospects of the expansion of trade between China and the Soviets?

Viewed bilaterally, possibilities for specialisation are apparent, since China is in a position to supply citrus fruits, certain oil-seeds and tropical plants, and ores (tin and wolfram) which the USSR has difficulty in procuring elsewhere within the bloc. But in a triangular system of trade between the USSR, the popular democracies and China, the prospects are far less bright since the industrialised countries of Eastern Europe are essentially importers of agricultural products and raw materials (from the USSR)

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- (1) For instance, the development plan for the iron and steel industry is only to be applied to three important centres: Anshan (Manchuria), Wuhan (Central China) and Paotow (Mongolia), the intention being for the greater part of the increase in metal production to be provided by small furnaces (13,000 with a capacity of 4,000 tons) made of sand and using an agglomerate of clay and powdered coke as a substitute for refractory materials (Wu Li-Yung, Director of the Metallurgical Section of the Plan, Peking Review, 29th July, 1958).
 - (2) "It is a mistake to neglect the ancient techniques ... it is by combining the two types of technique - modern and traditional - that we shall be able to cut our investment costs by half and speed up the rate of industrialisation" (Po I-Po, President of the Plan, Peking Review, 8th July, 1958).
 - (3) "Apart from a few major enterprises which will be constructed with the help of the USSR and brother countries, the new undertakings will be equipped to the extent of 70-80% by our own industry". Li fu-Chun, NCNA, 17th May, 1957.

and exporters of capital goods (1). Japan could offer China the same opportunities if there were a change in their political leanings.

For the countries of the Communist bloc, political considerations always overrule strictly commercial considerations, and it is the latter which give Sino-Soviet trade relations their characteristic pattern. Economic difficulties could therefore only be advanced as a reason for tension if serious diplomatic or ideological causes for disagreement were to arise. In the immediate future, there are no grounds for suspecting that anything threatens the alliance.

In the long run, however, the political factors are bound to be influenced by the disquieting dynamism displayed by the new China. Adlai Stevenson, remarking recently in Moscow before a group of high-ranking Soviet officials on the rapid rise of the Chinese population (2), heard the following strange comment: "It is certainly a nuisance and is a further reason for improving Soviet-United States relations" (3).

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- (1) It should be noted that in 1957, the share of the USSR in China's trade diminished, while that of the other Socialist countries increased (see Table 4 at annex).
 - (2) The ratio between Chinese and Russians, at present 1:3, will be 1:6 fifty years hence.
 - (3) New York Times, 3rd October 1958.

Price quotations (FOB)

Prices paid by the USSR for Chinese products		
	1955	1956
<u>COAL</u> (per ton)		
Sales by China to the USSR	9.6	9.8
Sales by the USSR to Finland	14.4	18.4
Sales by Poland to the USSR	13.9	16.7
United Kingdom selling price (average)	-	13.5
<u>PIG-IRON</u> (per ton)		
Sales by China to the USSR	45.0	45.0
Sales by the USSR to GDR	51.7	50.5
Sales by the USSR to Hungary	54.5	52.5
Belgian selling price (average)		65.0
<u>ALUMINIUM</u> (per ton)		
Sales by China to the USSR	457	460
Sales by the USSR to Finland	527	560
Sales by the USSR to Czechoslovakia	445	460
Sales by Hungary to Switzerland	502	
<u>TIN</u> (per ton)		
Sales by China to the USSR	2,840	2,060
Sales by the USSR to Burma		2,060
Sales by the USSR to the United Kingdom		2,120
<u>NATURAL RUBBER</u> (per ton)		
Sales by China to the USSR	71.5	76.6
Sales by Malaya to the USSR	76.6	80
Sales by Indonesia to the USSR	70.5	68.3
<u>TEA</u> (per ton)		
Sales by China to the USSR	1,037	1,000
Sales by Burma to the USSR	463	460
Sales by India to the USSR		1,450
<u>RICE</u> (per ton)		
Sales by China to the USSR	141	140
Sales by Burma to the USSR	112	97.5
Sales by the USSR to Mongolia	203	173
<u>EGGS</u> (per dozen)		
Sales by China to the USSR	0.27	0.27
Sales by Bulgaria to the USSR	0.36	0.37

TABLE 2

Exports of the USSR to China as a proportion of
its total exports and of its production

Commodity	Unit	Soviet exports		As percentage of total exports		As percentage of production	
		1955	1956	1955	1956	1955	1956
1. Machinery and equipment	million roubles	918.3	1,218.9	26	33		
Complete factories	" "	566.10	867.8	51	73		
Machine tools	Units	174	344	20	32	0.15	0.28
Power hammers	"	7	11	44	33	0.27	
Presses	"	8	31	31	62	0.06	
Electric power equipment	million roubles	32.6	28.9	54	52		
Diesel engines	Units	27,000 HP	30,700 HP	44	27	0.7	0.7
Mining equipment	million roubles	1.3	0.9	9	7		
Coal cutters	Units	2	8	33	13	0.5	
Mechanical hoists	"	1	3	1.8	9	0.06	
Rolling mills	Tons	3,196	1,571	46	29	2.95	
Oil equipment	million roubles	52.7	76.7	68	70		
Turbine drills	Units		60		41		2
Excavators	"	42	34	20	14	0.8	0.5
Bulldozers	"	52	174	11	29	0.7	1.8
Lorries	"	5,227	2,850	24	20	1.6	0.77
Vans	"	664	515	5.1	3	0.6	0.5
Agricultural equipment	million roubles	41.8	36.3	16	17		
Tractors	Units "	1,191	803	15	15	0.7	0.4
Steam locomotives	"		1				0.2
Electrical equipment	million roubles	21.7	12.4	43	25		
100 Kw motors	Units	429	64	33	4.4	3.4	0.5
Transformers	"	500 KVA	191800	3.2	88		0.8
Electric furnaces	"	52	13	72	42	1.9	0.4
Cable	million roubles	1.6	3.4	0.8	1.1		

NATO CONFIDENTIAL

ATTN to

AC/89-D/23

Commodity	Unit	Soviet exports		As percentage of total exports		As percentage of production	
		1955	1956	1955	1956	1955	1956
<u>2. Metals and Ores</u>							
Chromium ore	1,000 tons	5.1	5.8	3.2	2.6		
Rolled steel	"	431	322	29	18	1.2	0.9
Oil pipe	"	24.8	41.4	29	40	2.7	4.2
Copper	"	5.1	6.9	14	13		
Non-ferrous metals, rolled	"	4.8	8.2	36	53		
<u>3. Petroleum products</u>							
Crude oil	"	377.8	397.3	13	10		2.0
Kerosene	"	263.8	240.1	41	33		
Fuel oil	"	233	376.8	15	21		
Motor spirit	"		573 (1957)		40		
<u>4. Chemicals</u>							
Caustic soda	tons	290	17	3.1	0.1	0.1	0.05
DDT	"	51	180	21	20		
Motor tyres	units	10,400	1,100	3.6	0.04	0.1	
<u>5. Building materials</u>							
Cement	1,000 tons	14.3	18.5	5.2	6.5	0.06	0.07
Construction steel	tons	98	920	100	100		
<u>6. Consumer goods</u>							
Ginned cotton	1,000 tons	10.9		3.2		0.8	
Watches	units	24,500	32,000	8.7	33.2	0.12	0.14

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TABLE 3

Exports from China to the USSR in 1956
(tons)

Commodities	Total Chinese exports in 1938	Chinese production 1956	Exports to the USSR	
			1956	As percentage of production
Salt	592,000		118,300	
Coal		105,900,000	209,000	0.2
Pig-iron		4,630,000	467,000	10.1
Rolled steel		3,605,000	46,700	13
Tin	11,800		15,700	
Cement		6,400,000	786,200	12.3
Hemp, jute, ramie	15,200	290,000	40,200	13.9
Wool	4,900		13,000	
Natural silk	3,200		2,342	
Tobacco		400,000	32,900	
Tung oil	69,600		15,000	
Oil cake	30,800		15,000	
Duck feathers	3,700		1,000	
Hog bristle	3,600		1,700	
Wheat		24,600,000	38,800	0.16
Rice		57,700,000	457,000	0.8
Tea	41,600		12,600	
Eggs (million)	234.7		101.2	
Ground nuts	34,400		182,000	

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ANNEX to
AG/89-D/23

TABLE 4

Trend of Sino-Soviet Trade
(million roubles (at current rate of exchange))

	Exports from the USSR to China	Imports by the USSR from China	Total volume of trade	Balance of Trade	Percentage in Chinese foreign trade, of transactions		Pattern of trade		
					with the USSR	with the Bloc	Soviet deliveries of capital goods as percentage of total	China's deliveries. of agricultural products as percentage of total	of metals and ores as percentage of total
1906	200,492	339,543	540,035	+139,051	8%				
1913	100,375	263,651	364,026	+163,276	"				
1927/28	85,319	157,753	243,072	+ 70,434	5.4%				
1934	23,647	32,708	56,355	+ 5,061	1%				
1938	32,762	63,552	96,314	- 30,790	"				
1946	50,800	247,600	298,400	+196,800	"				
1947	306,300	320,700	627,000	+ 14,400	0.9%				
1948	498,400	361,200	859,600	-137,200	"				
1949	795,607	572,900	1,368,507	-222,705	"				
1950	1,552,800	765,100	2,317,900	-787,700	23.4%	33%	12.3	60.5-71	10.7
1951	1,905,100	1,327,700	3,232,000	-577,400	38.5%	6.4%	23.8	47.1	13.8
1952	2,200,100	1,655,900	3,855,100	-544,200	51.5%	78%	28.2	60.8	17.7
1953	2,822,000	1,898,960	4,720,960	-923,040	56.4%	75%	23.6	60.3	21.3
1954	3,037,200	2,313,400	5,350,600	-723,800	"	81%	26.7	59.5	18.5
1955	2,993,400	2,574,000	5,567,400	-419,000	"	82%	30.7	57.5	18.4
1956	2,932,100	3,056,900	5,989,000	+124,800	53.7%	75%	41.6		21.0
1957	2,176,400	2,952,500	5,128,900	+776,100	50%	78%	49.9	46.8	

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TABLE 5

Tabulated summary of credits and equipment
promised by the USSR

	Credits expressed in millions		Value of equipment in millions	
	dollars	roubles	dollars	roubles
February 1950	300	1,200		
October 1954	130	520	100	400
April 1956			625	2,500
Total	430	1,720	725	2,900

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Chronological Record of Sino-Soviet
Trade Relations between 1950 and 1958

<u>1950</u>	14th February	Agreement on long-term credit (\$300 million) in respect of USSR occupation of Port Arthur.
	27th March	Agreement on the creation of the "joint companies" Sovkimetal (ores of Sinkian), Sovkeneft (oil of Sinkian) Skoga (civil aviation).
	27th March	Agreement on status of Soviet advisers to Chinese administrations
	19th April	Trade agreement (specifying that prices are to be calculated on the basis of world prices) and protocol establishing the trade list for 1950.
	25th October	Agreement on status of Soviet specialists employed under technical assistance arrangements.
<u>1951</u>	18th May	Embargo on trade with China voted by UN Assembly.
	15th June	Trade agreement and protocol establishing the trade list for 1951.
	18th July	Agreement on the creation of the "joint company" Sovkitsoudstroï (Ship-yards of Port Arthur).
<u>1952</u>	12th April	Protocol on 1952 trade.
	17th August - 22nd September	Stay in Moscow of a Chinese delegation headed by CHOU EN-LAI. On its departure, LI FOU-TCHEOUN remains in Moscow as head of a working group on economic relations
	15th September	Agreement on the establishment of a new railway link via Ulan-Bator.
	2nd November	Arrival of a Chinese delegation to discuss use to be made of Soviet credit for 1953.
<u>1953</u>	21st March	Protocol establishing the trade list for 1953 - the USSR agrees to increase from 50 to 141 the number of major enterprises to be constructed or reconstructed in China with Soviet aid.

- 1953 May End of negotiations conducted in Moscow since August 1952 by LI FOU-TCHEOUN.
- 15th September National Chinese Council approves the results of the negotiations on Soviet economic aid.
- 1954 23rd January Protocol on 1954 trade list.
- 29th September - October Visit to China of KHRUSECHEV, BULGANIN and MIKOYAN.
- 12th October Statement on the winding-up of the "joint companies", on the opening of a credit of 520 million roubles, on increased aid for the construction of factories whose number is raised from 141 to 156 (the value of the 15 new undertakings being assessed at 400 million roubles) and on the construction of two railway lines (the Ulan-Bator and the Sin Kian lines) between the USSR and China.
- December First meeting in Moscow of the Sino-Soviet technical co-operation commission.
- 1955 11th February Protocol on the 1955 trade list
- 27th April Agreement on Soviet aid for the construction of an atomic power plant in China.
- July Second meeting in Moscow of the Sino-Soviet technical co-operation commission.
- 27th December Protocol on the 1956 trade list
- December Third meeting in Moscow of the Sino-Soviet technical co-operation commission.
- 1956 4th January Agreement on technical co-operation in the field of civil aviation.
- January Opening of the Peking-Ulan-Bator-Moscow railway.
- 7th April Agreement negotiated by Mikoyan on additional aid by the USSR:
- (a) the number of factories to be constructed is increased from 156 to 211 (the value of the 55 new factories being assessed at 2.5 milliard roubles),

- | | | |
|-------------|-------------|--|
| <u>1956</u> | 7th April | (b) the USSR to supply the equipment and specialists required for the construction of part of the Sin Kian railway line (Lantcheou - Aktogai), |
| | | (c) assistance in the field of geological prospecting. |
| | 22nd June | Fourth meeting in Moscow of the technical co-operation commission. |
| | 18th August | Agreement on the exploitation of the water resources of the Amour and its tributaries. |
| <u>1957</u> | 11th April | Protocol on trade list for 1957. |
| | 17th July | Sixth meeting of the technical co-operation commission |
| | December | Agreement on navigation along frontier rivers. |
| <u>1958</u> | 4th April | Commercial treaty and protocol for 1958. |
| | 12th August | Agreement on technical and economic co-operation in the construction of 47 enterprises. |