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MEMORANDUM FOR MR. DULLES

SUBJECT: EIC-R1-54, "Communist China's Imports and Exports, 1954; Trade and Transport Involved." (Agenda Item - IAC Meeting, 19 July 1955)

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1. This is the 5th EIC report on the series of [redacted] studies on China trade and shipping presented to the IAC for approval. The preceding report in this series, EIC-R1-53, covered the subject for calendar year 1953 and was approved by the IAC on 28 June 1954. Annual revisions were authorized by the IAC in September 1953 (IAC-D-42/4).

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2. This year's revision, EIC-R1-54, required unusually exhaustive analyses conducted on an "all-source" basis in order to obtain agreement within the US intelligence community.

At the IAC Meeting of 11 January 1955, Admiral Espe and Admiral Layton questioned the validity as agreed US intelligence of certain parts of EIC-R1-53 on the basis that there had been compromises [redacted] Admiral Espe expressed the position he held at that time in a letter to you, dated 1 April 1955. In recognition of the interagency problem, I personally suggested to Admiral Espe and Admiral Layton that they send appropriate representatives to closely monitor the evidence used and the methods applied in the analyses. They assigned officers for the purpose; G-2 later did likewise. The [redacted] was composed of representatives from Navy, Army, State, and CIA, with heavy support from the EIC Subcommittee on Transportation.

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3. The study as now presented has the concurrence of all agency representatives who participated in the exercise, as

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well as of the [redacted] It has been reviewed and approved by all members of the EIC. It is not anticipated that the IAC principals will raise any serious objections.

4. I suggest that you may wish, after you have obtained IAC approval of the study, to make sure that the IAC members accept the results as agreed [redacted]

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5. Attachments A and B brief the major conclusions of the study and the background of the dispute regarding suitability of the EIC-R1 series as agreed US intelligence.

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[redacted]

OTTO E. GUTHE
Assistant Director
Research and Reports

OAD/RR/OEGuthe:amm
(18 July 1955)
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ATTACHMENT A
SUMMARY OF MAJOR CONCLUSIONS
(EIC-R1-54)

1. The total trade of Communist China increased 14 percent from $2.2 billion in 1953 to $2.5 billion in 1954. However, a major share of this increase represented grant aid exports to North Korea and the Viet Minh.

2. Total trade with the Free World declined from $695 million in 1953 to $620 million in 1954, a reduction from 31 percent (1953) to approximately 25 percent (1954) of the total Chinese trade.

3. Unrecorded imports from the Free World are estimated to have declined from $95 million (1953) to $50 million (1954).

4. Total shipping arriving in Communist China in 1954 increased by 18 percent over 1953, of which 82 percent was of non-Bloc registry, as compared to 85 percent in 1953. This increase was primarily a reflection of expanded liner service from Europe to the Far East.

5. More than half of China's total trade was moved by overland routes. An estimated 6.25 million tons moved overland, as opposed to 5.1 million tons by sea.

6. Although it is believed that Navy [redacted] previously had seriously questioned the extent of unused capacity for overland transport between the USSR and Communist China, the study clearly indicates the following: 25X1C

a. The total capacity of the Trans-Siberian Railroad and its three connecting lines to move freight into and out of Manchuria is estimated as being more than three times the volume of overland imports from the USSR and the European Satellites and double the volume of overland exports in 1954;

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b. the unused importing capacity of these routes for moving goods into Communist China from the USSR is estimated to be nearly three times the total tonnage imported into China by ocean shipping in that year; and

c. the unused exporting capacity of these routes is estimated to be almost equal to the total tonnage of China's seaborne exports in 1954.

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Table 2

Summary of Communist China's Estimated Exports, 1954

	Volume of Shipments (in thousands of metric tons) Seaborne	Overland	Total	Value of Trade (Millions of US Dollars)
Non-Communist				
1. Western Europe and W. Hemisphere	378 a/	—	378	$ 88
2. Hong Kong	436 b/	100	536	67
3. Macao	85 c/	—	85	6
4. Japan	753	—	753	41
5. All Other	387	—	387	95
Total, Non-Communist	2,039	100	2,139	$ 297
Communist				
6. USSR	450	3,100	3,550	$ 615
7. European Satellites	1,048 d/	110	1,158	160
8. North Korea & Mongolia	—	1,000	1,000	148
9. Viet Minh	13	27	40	30
Total, Communist	1,511	4,237	5,748	$ 953
Grand Total	3,550	4,337	7,887	$ 1,250

a. Includes commodities purchased directly by Western Europe and commodities shipped to Western Europe on Bloc account and later re-sold to Western European countries.
b. Includes 308,000 tons in vessels under 1,000 GRT.
c. Exports to Macao moved largely in junks and launches.
d. Includes an estimated 295,000 tons which reached the European Satellites through Western European ports.

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C. Overland Transport

Communist China's foreign trade over interior transport routes in 1954 moved primarily (1) by railroad, road, river, and air with USSR: (2) by railroad and air with North Korea; (3) by railroad and road with Hong Kong; (4) by road with North Vietnam; and (5) by road with Burma. None of these facilities was used to its full capability* over the year.

By far the most important route, and one which carried the bulk of China's overland foreign trade in 1954 is the Trans-Siberian Railroad and two of its connecting links with Communist China. Trade carried on these routes and the inland waterway and roads between Communist China and the USSR totaled an estimated 1.8** million in imports, and 3.2** million in exports - leaving an unused capability of these connecting routes estimated at 3.5 million tons for imports and 2.1 million tons for exports.

There are several additional interior connections between Communist China and adjacent countries which carried no significant volume of international trade in 1954, but which could be used for international trade. The potential capability of these additional routes between Communist China and the USSR added to the unused capability of routes actually used for international trade during 1954 provides a total unused capability of 5.75 million tons for imports and some 4 million tons for exports, if adequate equipment, personnel and servicing facilities were made available.

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* For definition, see page 99.

** Including overland trade with the European Satellites (which necessarily had to transit the USSR).

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