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IAC-D-42/12.3
6 September 1956

INTELLIGENCE ADVISORY COMMITTEE

Communist China's Imports and Exports, 1955:

Trade and Transport Involved

(EIC-R1-S5)

1. The attached report, subject as above, has been received from the Chairman of the EIC in accordance with paragraph C, 2 of his letter to the IAC of 19 March 1956 (IAC-D-42/12, 20 March 1956). This paper is now submitted for IAC approval, following approval by the EIC, [redacted] 25X1C 25X1C 25X1A

[redacted]
Secretary

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COMMUNIST CHINA'S IMPORTS AND EXPORTS, 1955:

TRADE AND TRANSPORT INVOLVED

(EIC-R1-S5)

Approved by EIC Working Group
29 August 1956

Approved by Economic Intelligence Committee
6 September 1956

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[To Be Inserted in Final Printed Copy Only]

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Map 1 - Communist China: Railroads and Selected Roads

NOTE ON CLASSIFICATION

The over-all classification of this report is SECRET. Some pages, however, are classified CONFIDENTIAL and are so designated.

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COMMUNIST CHINA'S IMPORTS AND EXPORTS, 1955: TRADE AND TRANSPORT INVOLVED

I. Summary of Major Developments During 1955

A. The Level of Trade (see Tables 2 and 3, pp. 2 and 3 ff.)

Communist China's foreign trade in 1955 is estimated at approximately $4,485 million as compared with $3,450 million in 1954 -- an overall increase of thirty per cent. Of this total, however, $620 million is believed to have represented the acquisition under a special loan from the USSR of facilities and military equipment already physically located in China prior to 1955 -- therefore not reflecting any current movement of goods. Another $120 million consisted of exports under Chinese aid programs to North Korea and the Viet Minh. Only the remaining $1,865 million of imports and $1,880 million of exports represented current commercial trade. Trade with all areas (except for Chinese aid to North Korea) increased over 1954 levels.

The tonnage volume of Communist China's trade in 1955 is estimated to have totalled over 13 million metric tons, made up of some 4.2 million tons of imports (primarily machinery, petroleum, and other industrial materials) and 8.9 million tons of exports (primarily agricultural products and minerals). Of this total tonnage, about 6.6 million tons were seaborne and some 6.5 million tons were shipped overland.

A comparison of total ocean cargo movements from 1952 through 1955 shows a steady year-by-year increase:

Table 1

Ocean Cargoes Arriving at or Departing from Communist Chinese Ports[a]
1952-1955

(Thousand Metric Tons)

	1952 (EIC-R1-S2)	1953 (EIC-R1-S3)	1954 (EIC-R1-S4)	1955 (EIC-R1-S5)
Seaborne Imports	1,098	1,526	1,583	2,004
Seaborne Exports	1,926	3,288	3,550	4,585
Total Seaborne Cargoes	3,024	4,814	5,133	6,589

a/ Includes Chinese imports moving by small craft and overland to Communist China from Hong Kong and/or Macao -- since most of these had arrived in the Far East by sea.

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Figure 1 and Figure 2 are the usual graphics which will be inserted in the final printed edition only of the EIC-R1 Series.

Figure 1 - "ESTIMATED IMPORTS BY COMMUNIST CHINA FROM NON-BLOC COUNTRIES, 1951-1955"

Figure 2 - "SOVIET BLOC AND NON-BLOC REGISTERED SHIPPING ARRIVING IN COMMUNIST CHINESE PORTS, JANUARY 1951 - DECEMBER 1955"

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Table 2

Summary of Communist China's Estimated Imports
1955

	Volume of Shipments (Thousand Metric Tons)			Value of Trade (Million US $)
	Seaborne	Overland	Total	
Non-Communist				
Recorded:				
1. Western Europe & Western Hemisphere	617		617	119
2. Hong Kong	170		170	33
3. Japan	200		200	30
4. All other recorded	290		290	133
Subtotal, recorded	1,283		1,283	315
Unrecorded:				
5. Western Europe	200		200	60
6. Macao	11		11	2.5
7. Hong Kong a/	7		7	2.5
8. Southeast Asia	57		57	11
Subtotal, unrecorded	275		275	76
Adjustment:				
9. Additional value attributed by Chinese Communists to their Free World trade				29
Total, non-Communist	1,552		1,552	420
Communist				
10. USSR	32	1,840	1,872	940
11. USSR Special Loan				620 b/
12. European Satellites	420	180	600	450
13. North Korea & Mongolia		200	200	40
14. North Vietnam		20	20	15
Total, Communist	452	2,240	2,692	2,065
Grand Total	2,004	2,240	4,244	2,485 b/

a/ Some of these imports moved overland but most of the commodities involved had arrived in the Far East by sea.

b/ An estimated $620 million of facilities and military equipment acquired by China under a special loan were physically located in China prior to 1955, and therefore did not contribute any tonnage movements to the volume of Chinese import traffic.

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Table 3

Summary of Communist China's Estimated Exports
1955

	Volume of Shipments (Thousand Metric Tons)			Value of Trade
	Seaborne	Overland	Total	(Millions US $)
Non-Communist				
1. Western Europe and Western Hemisphere	370		370	121
2. Hong Kong	858 a/	133	991	107
3 Macao	65 b/		65	5
4. Japan	1,221		1,221	85
5. All other recorded	161		161	102
6. Unrecorded exports				5
7. Adjustment for additional value attributed by Chinese Communists to their Free World trade				30
Subtotal, Non-Communist	2,675	133	2,788	455
Communist				
8. USSR	615	2,645	3,260	920
9. European Satellites	1,260 c/	295	1,555	450
10. North Korea and Mongolia		1,200	1,200	125
11. North Vietnam	35	25	60	50
Subtotal, Communist	1,910	4,165	6,075	1,545
Grand Total	4,585	4,298	8,883	2,000

a/ Includes 633,000 tons in vessels under 1,000 gross registered tons (GRT).
b/ Exports to Macao moved largely in junks and launches.
c/ Includes an estimated 547,000 tons which reached the European Satellites through Western European ports.

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The trend toward increased Bloc participation in Communist China's foreign trade continued in 1955, when the Bloc accounted for more than four-fifths of total Chinese trade. Total trade with the Free World increased more than 25% over 1954, however, (see Figure 1) and was reflected by a rise in unrecorded as well as in recorded imports. Unrecorded imports in 1955 were about $76 million, as compared with an estimate of $50 million for 1954 ($93 million for 1953). Chinese Communist efforts to obtain strategic goods through smuggling channels via Hong Kong and Macao noticeably slackened in both 1954 and 1955 as compared with earlier years. On the other hand transshipments of strategic goods of Western European origin through Bloc ports in Eastern Europe apparently increased nearly one-half in 1955 as compared with 1954. These unrecorded imports represented about 17 percent of Communist China's total imports from non-Bloc countries.

B. Transport and Transport Services

1. Shipping

There was an increase of almost 20% in the gross registered tonnage of the ships arriving in China in 1955, compared to 1954. Communist China continued to be heavily dependent on non-Bloc shipping, which accounted for 81% of the tonnage of all 1955 arrivals. (See Figure 2) Slightly over half of the non-Bloc tonnage was under British flag; another quarter was Japanese, Dutch and Norwegian; and the remainder was divided among thirteen other Free World countries. Bloc shipping arrivals were composed of Soviet, Polish, and Czech ships (60%, 35% and 5% of the tonnage respectively). Chinese ships carried no ocean-borne trade except a small export to North Vietnam. China, however, shares control with Poland over the services provided by Polish vessels on the China run, although the details of the particular arrangements involved are difficult to determine.

The general pattern of non-Bloc shipping movements was relatively little changed in 1955 over 1954. There were, however, noticeable changes in the 1955 pattern of Bloc shipping arrivals, particularly a sharp increase in the number of tankers from Europe which unloaded P.O.L. in the Soviet Far East before proceeding in ballast to China to pick up return cargoes. Thus 59% of Bloc ships arriving in China came from the Soviet Far East, but only 39% of Bloc ships leaving China went to that area.

The shipping tonnage in Communist China's foreign trade during 1955, by geographic area of origin and destination of voyages, was

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distributed substantially as indicated in the following table:-

ORIGIN AND DESTINATIONS OF SHIPPING TONNAGE IN CHINA'S FOREIGN TRADE, 1955

Geographic Area	Origins (Per cent of Total G.R.T.)	Destinations (Per cent of Total G.R.T.)
Western Europe	27	29
Japan	24	20
Hong Kong	17	20
Bloc Europe	9	13
U.S.S.R. (Far East)	6	7
Other	17	11
	100	100

2. Inland Transport Connections

Railroads continued to carry over 95% of China's overland foreign trade. The Sungari River, a few roads and air transport carried the small remaining balance. There have been two significant developments during 1955 and early 1956. The completion of the trans-Mongolian railroad represents a valuable addition to the facilities for the movement of trade between China and the U.S.S.R. The rehabilitation of railroads in North Vietnam has improved transport connections between that area and China.

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II. Over-all Values of Trade

A. Communist China's Total Trade

1. The Level and Direction of Trade (1954 and 1955)

The magnitude of Communist China's foreign trade had been estimated prior to last year largely from Communist trade announcements, which had usually been stated in percentages and had never been clearly defined. In July, 1955, however, the Chinese Minister of Foreign Trade announced that the value of China's total imports and exports in 1954 was 8.487 billion yuan. This was the first time the Chinese Communists had announced an absolute value for their total foreign trade. Converting this yuan value into U. S. dollars through use of a cross-rate with the pound sterling, results in an evaluation for total Chinese trade in 1954 of $3,450 million. Since the Chinese have stated at various times that 80 percent of their foreign trade in 1954 was with Bloc countries and 20 percent with Free World nations, the corresponding values of 1954 trade would have been $2,760 million with the Bloc and $690 million with the Free World.[1]

During 1956 the Chinese Communists have made several announcements relating 1955 trade to levels in 1954 or earlier years. These included statements that total trade increased 30% over 1954 and that trade with the Free World increased by more than one-fourth over 1954. In addition they announced a percentage relationship between trade with the USSR in 1955 and corresponding trade in 1950 (in terms, apparently, of the yuan value of trade on current account -- i.e., excluding any special aid credits). These announcements indicate a total value of 1955 trade of $4,485 million, a value for trade with the Free World of about $875 million, and a value for trade with the USSR of $2,480 million.

The Chinese have not given any indication of the distribution of their remaining trade (i.e., $1,130 million) as between the European Satellites and the Far Eastern Satellites. The trade turnover with the Far Eastern Satellites may, however, be independently estimated at $230 million on the basis of intelligence, including a number of official announcements. (Much of this trade consisted of deliveries by Communist China under aid programs which have been rather fully reported by North Korea and North Vietnam.) The remaining $900 million, therefore, presumably represents trade with the European Satellites. In summary, the value and distribution of Communist China's foreign trade in 1955 as compared with 1954 are estimated for principal trading areas as follows:

1/ Revised from R1-S4, see Appendix, p. 63 ff.

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Table 4

Recapitulation of Estimated
Value and Distribution of
Communist China's Foreign Trade
1954 and 1955

	1954		1955	
	Millions US Dollars	Percent of Total	Millions US Dollars	Percent of Total
Total Trade	$3,450	100	$4,485	100
Less Non-Bloc Trade	-690	-20	-875	-19.5
Trade with Bloc	2,760	80	3,610	80.5
Of which:				
USSR	1,830	53	2,480	55.3
Far Eastern Satellites	240	7	230	5.2
European Satellites	690	20	900	20

2. The Balance of Trade

The Chinese have made no statement regarding their trade balances in 1955. Although ordinary trade with the Bloc under barter agreements is estimated to have been roughly in balance, trade under long-term credit and aid agreements between China and the Bloc would have resulted in a Chinese export deficit of approximately $520 million. In trade with the Free World, however, China is estimated to have had an export surplus of some $35 million, leaving a total net export deficit of about $485 million. The resulting estimates of total imports and exports are $2,485 million and $2,000 million, respectively. Although this estimate of the overall trade balance is necessarily rough and tentative, the level of exports indicated is not inconsistent with Chinese Communist press reports of their trade activities and of the volume of exports of their major agricultural commodities.

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Table 5

Estimated Balances of
Communist Chinese Imports and Exports, 1955

Million US $

	Imports	Exports	Total Trade
USSR	$1,560 a/	$ 920	$2,480
European Satellites	450	450	900
Far Eastern Satellites	55	175 b/	230
Total Bloc	2,065	1,545	3,610
Free World	420	455	875
Grand Total	$2,485	$2,000	$4,485

a/ Includes Chinese acquisition of facilities and military equipment as specified in their 1955 budget.
b/ Includes Chinese grants in aid to North Korea and North Vietnam.

B. Trade with Bloc Countries

1. Trade with the USSR

It is estimated that Communist Chinese trade with the USSR in 1955 amounted to $2,480 million, of which acquisitions of military equipment and facilities under a loan from the USSR probably accounted for about one-quarter of the total. In presenting the 1955 budget, the Chinese Minister of Finance stated that the increase in budgeted income under Credits, Loans, Insurance & Other was mainly because the USSR, in addition to turning over to China without compensation the naval base at Port Arthur, also transferred to China "much military equipment in the form of a loan." In June, 1956, the Chinese Minister of Finance presented a report on the 1955-56 budgets which indicated that these total Soviet loans were $620 million.

The remaining 1955 Sino-Soviet trade of $1,860 million is believed to have represented commercial trade. During 1955 Communist China may have utilized about $50 million under the industrial loan of $130 million which was extended in October, 1954, and probably made a payment of $30 million to the USSR as required by the terms of the industrial loan of 1950. It is estimated, therefore, that Sino-Soviet commercial trade may have shown a Chinese import balance of $20 million, with imports from the USSR of $940 million and exports to the USSR of $920 million.

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2. Trade with the European Satellites

Although no specific announcement has been made as to the proportion of Chinese 1955 trade which was with the European Satellites, specific indications have been given as to the value of over-all trade, and as to the portions thereof accounted for by the Free World, the USSR and the Far Eastern Satellites (see page 6 above) - leaving a residual of $900 million attributable to trade with the European Satellites. This figure would represent about the same proportion of total trade as in 1954 (i.e., about 20%). In the absence of any particular indications otherwise, it is presumed that this trade was approximately in over-all balance between imports and exports -- i.e., $450 million each way. As to the distribution of this trade, various trade announcements of the individual satellite nations suggest that Chinese 1955 trade with East Germany totalled about $250 million and that with Czechoslovakia about $300 million. Trade with Poland, Hungary, Rumania, and Bulgaria would have made up the remaining $350 million.

3. Trade with Far Eastern Satellites

It is estimated that Communist Chinese trade with Far Eastern Satellites during 1955 was about $230 million, representing a slight decline from 1954. Chinese aid deliveries to North Korea in 1955 were announced by the latter as $90 million ($30 million lower than that announced for 1954). Barter trade with North Korea is reported to have increased over 1954 and is estimated for 1955 as $25 million in each direction. During 1955 estimated Chinese trade with North Vietnam plus deliveries of Chinese aid totalled about $60 million, of which $15 million were imports and $45 million exports. Communist Chinese trade with the Mongolian Republic, while increasing, is still small and is estimated for 1955 as $15 million in each direction.

Table 6

Estimated Chinese Communist
Trade with Far Eastern Satellites
1955

Million US $

	Imports	Exports
North Korea	25	115
North Vietnam	15	45
Mongolian Republic	15	15
	55	175

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C. Trade with Non-Bloc Countries

1. General

From the trade returns of non-Communist countries, adjusted for shipping lags and c.i.f. costs, it is estimated that Communist China's recorded trade with the Free World in 1955 included imports valued at $315 million c.i.f. and exports valued at $420 million f.o.b.[1] In addition, intelligence data indicates that Communist China ~~may have~~ had imported from the Free World some $76 million of unrecorded imports and exported some $5 million of unrecorded exports not reflected in the published trade statistics of non-Bloc countries, raising total imports from the Free World to $391 million and total exports to $425 million.

This estimated total value of $816 million accounts for about 93 percent of the value apparently indicated for Chinese Communist trade with the Free World ($875 million) by official Chinese Communist announcements. The difference is small, and falls well within the range of error to be expected from methods of valuation of Free World trade and/or the computation of dollar values from official Chinese Communist trade data. It is not believed, therefore, that there was any substantial additional volume of Free World trade with Communist China which has not been identified in Free World trade returns or in intelligence on unrecorded trade.

2. Imports

a. Recorded Imports

The recorded value of Chinese Communist imports from non-Bloc countries in 1955 rose to $315 million (see Table 7) as compared with $273 million in 1954, $280 million in 1953 and $250 million in 1952. Imports rose sharply in the second half of 1955, following a rise in the value of exports, suggesting a trend toward a higher level of total imports in 1956 -- particularly from the Near East and South and Southeast Asia.

1/ Since all transport services beyond China's borders are under non-Chinese-Communist ownership, the Chinese must pay shipping charges to their own borders on all imports, and receive only the net value of exports f.o.b. their own borders. Pre-Communist trade statistics of China were calculated on this basis and it is believed the Communists have continued the same practice.

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Table 7

Value of Recorded Communist Chinese Imports
from Non-Communist Countries a/ *

1955

Thousand US $

	1955			1954
	Jan -Jun	Jul-Dec	Total	Total
EUROPE, WESTERN HEMISPHERE AND SOUTH AFRICA b/				
Argentina	1,112	38	1,150	1,495
Austria	954	1,740	2,694	445
Belgium-Luxembourg	1,089	4,346	5,435	426
Brazil	128	4,544	4,672	2,938
Denmark	25	31	56	185
Finland	7,455	7,151	14,606	3,390
France	3,035	3,403	6,438	8,379
West Germany	14,461	14,027	28,488	20,554
Italy	2,382	3,459	5,841	5,285
Netherlands	1,256	1,535	2,791	1,565
Norway	24	11	35	28
Sweden	812	734	1,546	632
Switzerland (c.i.f.)	7,863	2,705	10,568	4,085
Union of South Africa	711	332	1,043	n.a.
United Kingdom	11,795	10,961	22,756	18,170
United States	0	3 d/	3 d/	6 d/
Canada	1,043	14	1,057	47
10 percent adjustment for c.i.f. (except Switzerland)	4,628	5,233	9,861	6,354
Subtotal	58,773	60,267	119,040	73,984

* Footnotes for Table 7 follow on page 12.

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Table 7

Value of Recorded Communist Chinese Imports from Non-Communist Countries a/

1955
(Continued)

Thousand US $

Country	1955 Jan-Jun	1955 Jul-Dec	1955 Total	1954 Total
NEAR EAST, ASIA, AND OCEANIA b/				
Australia	3,528	3,002	6,530	3,421
Burma	6,052	7,908	13,960	22
Ceylon	8,761	14,053	22,814	48,429
Egypt	7,588	15,493	23,081	11,389
Hong Kong	20,958	10,185	31,143	67,154
India c/	7,187	8,642	15,829	5,798
Indonesia	2,907	3,314	6,221	1,014
Japan	14,592	13,960	28,552	19,109
Malaya	2,329	1,702	4,031	6,561
New Zealand	26	240	266	50
Pakistan	7,414	27,111	34,525	26,189
5 percent adjustment for c.i.f.	4,067	5,281	9,348	9,457
Subtotal	85,409	110,891	196,300	198,593
Total	144,182	171,158	315,340	272,577

a/ As derived from published statistics of the non-Communist countries concerned. The above table differs from R1-S4 in 1954 data by the addition of estimated trade with New Zealand.

b/ Figures for countries of Western Europe, the Western Hemisphere, and the Union of South Africa are based on the assumption of a 2-months voyage. They represent recorded exports for November 1954 through October 1955. Figures for Australia, Burma, Ceylon, Egypt, Indonesia, Malaya, India, New Zealand and Pakistan are based on the assumption of a 1-month voyage -- i.e., they represent recorded exports for December 1954 through November 1955. Figures for the remaining countries are exports for the months shown in the table. All statistics were converted at the official exchange rates, except Hong Kong figures which were converted at an average rate of HK$ = US$.1712 for the second half.

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c. Includes imports into Tibet during 1954 and the first half of 1955. Data on imports into Tibet for the second half of 1955 are incomplete.

d. Represents U.S. shipments to Communist China under Exceptions procedures. For 1955 these shipments represented printed matter, for 1954 these shipments (including an auto) were for use of a diplomatic mission of a friendly foreign country.

The value of recorded direct imports from Western Europe increased by three-fifths over 1954, but this increase was offset by a nearly equal decline in imports from Hong Kong. Since imports from Hong Kong had consisted largely of transshipments of Western European products, these statistics reflect primarily changes in the methods of shipment, rather than in the levels of trade. Imports from Japan, after registering a sharp increase in the second half of 1954, remained at this level throughout 1955. Imports from other countries of the Near East and Asia, particularly from Burma, Egypt, India, Pakistan, and Indonesia, increased sharply over 1954 levels, most of the trade occurring in the second half of the year. These trends are shown in the following tabulation:

Table 8

Value of Semi-Annual Recorded Communist Chinese Imports from Various Non-Communist Areas 1954-55

Million US $

	Western Europe & Western Hemisphere	Hong Kong	Japan	Asia and Near East
1954				
January-June	37	33	5	65
July-December	37	37	15	44
1955				
January-June	59	22	15	48
July-December	60	11	15	82

The commodity composition of Communist China's recorded imports from the Free World changed somewhat in 1955 as compared with previous years. Imports of drugs, crude rubber[1], and metals and machinery declined to or below the lowest levels recorded in the previous five years.

1/ But see comment on pp. 14 and 15 ff.

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Imports of cotton and chemicals increased, the latter category, consisting largely of fertilizer and industrial chemicals, reaching the highest level recorded since 1950. Imports of other items also increased sharply, the major imports in the group consisting of wool, textile yarns and fabrics, foodstuffs, coconut oil, paper, and jute. The trends in the commodity composition of Communist China's imports from the Free World are shown in the following tabulation:

Table 9

Estimated Commodity Composition of Recorded Communist Chinese Imports from Non-Communist Countries
1950-55

Million US $

Year	Cotton	Rubber	Drugs	Chemicals	Metals, Machinery	Other
1950	95	61	20	35	125	78
1951	41	110	25	65	110	93
1952	108	23	25	40	20	34
1953	16	54	40	55	70	45
1954	42	47	20	80	25	59
1955	75	23a/	10	90	20	97

a/ But see comment below pp. 14 and 15 f.n.

Imports from Western Europe, Hong Kong, and Japan consisted largely of industrial goods and raw materials. Chemicals (including fertilizers, dyes, drugs, and industrial chemicals) accounted for 50 percent by value of the imports from Western Europe, 70 percent of the imports from Hong Kong, and 63 percent of the imports from Japan. Textile fibers and fabrics accounted for 17 percent, 11 percent, and 21 percent, respectively, of the value of imports from these three areas; metals and manufactures accounted for 9 percent, 7 percent, and 11 percent.

Imports from Asia, Oceania, and the Near East, on the other hand, consisted largely of agricultural products. Cotton constituted the bulk of imports from Pakistan and Egypt, while imports from Ceylon consisted chiefly of crude rubber. (The apparent decline in rubber imports from

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Ceylon results from the fact that, of the 50,000 tons scheduled for 1955 under the five-year rice-rubber agreement, about 5,000 tons arrived in the last month of 1954 and about 15,000 tons in the first quarter of 1956, so that the 1955 returns included only 30,000 tons of this contract rubber plus 1,000 tons of non-contract rubber.) Rice constituted the bulk of imports from Burma, amounting to nearly 100,000 tons valued at $12 million (excluding the additional 50,000 tons purchased by Communist China but shipped direct to Ceylon in partial fulfillment of the Sino-Ceylon rice-rubber agreement). Imports from Indonesia consisted chiefly of $3 million of coconut oil and $2 million of sugar; while imports from Malaya consisted almost entirely of coconut oil. Imports from Australia were largely wool tops, and the main imports from India were gunny bags and raw cotton.

b. Unrecorded Imports

(1) Types of Unrecorded Imports

Evasions of CHINCOM and other official controls typically take the form of false declarations of ultimate destination, thus facilitating the shipment of controlled goods to Communist China by circuitous routes. When controls are circumvented or evaded in this manner, the exports involved are not identified in the trade statistics of the country of origin as exports to Communist China.

In Western Europe this form of evasion typically takes place through the export of ~~controlled~~ goods controlled by CHINCOM (but not by COCOM) agreements to a free port --where transshipment of such goods is not controlled -- followed by reconsignment to Gdynia where, in turn, the goods are transferred to a Soviet Bloc flag or chartered ship loading for China. In such cases, the original export from the country of origin to the country of transshipment is ordinarily authorized on the explicit understanding that the latter country, or some other friendly country, is to be the final destination. At the port of transshipment, however, these goods are taken over by firms specializing in the redirection of controlled goods to Poland.

In some cases these indirect shipments are facilitated by the intervention of a trader in a third country, who may finance the transaction -- buying from the country of origin and selling to China -- without himself handling the goods. The goods are exported from the country of origin ostensibly for the intermediary, but are actually consigned to a transshipment firm in a free port which will forward them at the intermediary's request to Poland in transit for China.

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In other instances, goods have been consigned from non-Communist exporting countries directly to Poland, whence they were re-directed to China. This technique is, of course, applicable only to goods which are not embargoed by the exporting country for shipment to European countries of the Bloc. In these cases the Polish port may serve merely as the point of transshipment, or the Poles may actually import the goods for later re-export to China. There is clear evidence that the circumvention of controls by such transshipment in Polish ports is practiced on a substantial scale. The extent to which Soviet Bloc countries may import goods from the West for later re-export to China cannot be assessed.

The techniques described above are used principally in North Sea ports. There is some evidence that they are also being used in Mediterranean ports and that similar devices are in use for overland shipments to China from Switzerland via Czechoslovakia, and from West Germany via East Germany.

Other devices in use for the circumvention of controls include: false, inadequate, or misleading description of goods destined for Communist China; false declarations of destination by vessels sailing for Communist China; and local smuggling. There have also been reports of illegal use of import certificates and of fabricated (dual) manifests.

(2) Transshipments of Western Commodities through Soviet Bloc Countries

Analysis of ship cargoes and other intelligence indicate that substantial amounts of iron and steel and of other goods in CHINCOM controlled categories were sold and shipped to Communist China but were not so recorded in the trade returns of Western European countries. Cargo estimates, based on the general composition of all cargoes and the known origins of over three-fourths of the shipments, indicate that about 165,000 tons of iron and steel and about 35,000 tons of other commodities in CHINCOM controlled categories represented goods of Western origin which were transshipped to China via Eastern European ports (principally Gdynia) during 1955.

These tonnages, accordingly, represent a part of the unrecorded 1955 imports of Communist China from Western Europe. On the basis of estimated average prices, these transshipped 200,000 tons are valued at $57 million, made up of $28 million for iron and steel and $29 million for nonferrous metals, chemicals, petroleum, instruments and other commodities in controlled categories.

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Table 10

Transshipments of Western Goods
through Gdynia

	Volume (Tons)	Value (000 US $)
POL	2,000	$ 120
Iron and steel	165,000	28,000
Nonferrous Metals	20,000	16,000
General industrial machinery	3,000	7,280
Chemicals and Drugs	10,000	8,600
	200,000	$ 60,000

(3) Unrecorded Trade From Hong Kong

There is still no firm intelligence on the volume of smuggling from Hong Kong to China by small craft and overland, either directly or via Macao. Intelligence suggests that such smuggling activities declined in 1953 and 1954. This downward trend continued during most of 1955, but increased again toward the end of the year as the Chinese Communists apparently sought to secure commodities quickly -- principally POL -- in order to supply the Viet Minh. It is estimated, therefore, that the volume of smuggling during 1955 remained at 7,000 tons, or the same level as in 1954, but that the value declined to about $2.5 million because of changed composition.

(4) Unrecorded Trade from Macao

There are no published official trade statistics on Macao's exports to Communist China in 1955. Such exports appear to have declined sharply from those of previous years, when strategic commodities were carried via Macao by Portuguese vessels. Such traffic appears to have ended in 1955. In 1955, Hong Kong's recorded exports to Macao totalled 70,000 tons valued at approximately $10 million. Of these exports, strategic goods amounted in value to slightly more than $1 million, up to one-half of which may have been re-exported to Communist China. In addition, official unpublished information from Macao indicated that exports of non-strategic goods to Communist China in 1954 approximated 7,000 tons valued at $2 million, and it is believed that 1955 exports may have been of similar magnitude.

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(5) Unrecorded Trade from Southeast Asia

Unrecorded shipments of 7,000 tons of rubber from Indonesia to Communist China, valued at $6 million, are known to have occurred in 1955. These shipments were ostensibly exported to another destination, but were actually delivered to Communist China.

During 1955, Communist China imported about 50,000 tons of rice from Burma which were resold to Ceylon and actually moved directly from Burma to Ceylon on Chinese account. This rice, valued at $5 million, appeared on Burmese trade returns as an export to Ceylon rather than as an export to Communist China, but it is believed that the Chinese Communists probably recorded it as both an import from Burma and a re-export to Ceylon.

(6) Recapitulation

Communist China's total unrecorded imports in 1955 are therefore estimated as follows:

	Metric Tons	Million US $
Transshipments, Western Europe	200,000	60.0
From Hong Kong	7,000	2.5
From Macao	11,000	2.5
From Southeast Asia	57,000	11.0
	275,000	76.0

3. Exports

a. Recorded Exports

Communist China's exports to the Free World recorded by non-Bloc countries rose sharply in 1955 to $420 million (see Table 11), as compared with $297 million in 1954, $323 million in 1953, and $270 million in 1952. The exports showed a stable trend during the year, reaching nearly $206 million in the first half and over $214 million in the second half of 1955.

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Exports to Hong Kong and the industrial nations of Western Europe and Japan rose sharply in 1955, accounting for almost all of the increase. Of exports to other countries, there was a decline in the direct exports of rice to Ceylon, but this was offset by generally increased exports to other countries of the Near East and Asia. These trends are shown in the following tabulation:

Table 11

Value of Semi-Annual Recorded Communist Chinese Exports to Various Non-Communist Areas 1954-55

Million US $

	Western Europe & Western Hemisphere	Hong Kong	Japan	Asia and Near East	Total
1954					
January-June	40	23	17	51	131
July-December	47	44	22	52	165
1955					
January-June	61	48	38	59	206
July-December	60	59	39	56	214

Exports to non-Communist countries consisted about 45 percent, by value, of foodstuffs (including rice, other cereals, vegetable oils for food use, eggs, fruits, vegetables, pulses, and tea), 33 percent of oilseeds and other agricultural raw materials (such as textile fibers, essential oils, skins and pelts, tung oil, and miscellaneous crude materials), and 22 percent of a variety of miscellaneous goods (mainly ores, minerals and products of light industry).

Western Europe and the Western Hemisphere received nearly 30 percent, by value, of all exports to non-Communist countries, of which about one-fifth represented foodstuffs and another three-fifths oilseeds and other agricultural raw materials. Somewhat over 25 percent of all recorded exports went to Hong Kong, of which food items were about two-thirds by value and miscellaneous light-industrial goods nearly one-fifth. Exports to Japan were somewhat less than 20 percent of the total, and included oilseeds (38 percent), food (30 percent), ores and minerals (14 percent), and other raw materials from agriculture (most of the remainder). Exports to other areas were constituted largely of food,

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and of light-industrial exports (the bulk of which went to South and Southeast Asia).

b. Unrecorded Exports

In addition to recorded exports there were 50,000 tons of Burmese rice valued at $5 million which were purchased by the Chinese Communists but shipped directly from Burma to Ceylon. It is believed that the Chinese recorded these rice shipments both as imports from Burma and as exports to Ceylon. No allowance has been made in this paper for opium or other narcotics exports, since intelligence indicates that any earnings from this source would be relatively insignificant.

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Table 12

Value of Recorded Communist Chinese Exports
to Non-Communist Countries
1955 a/*

Thousand US $

Country	1955 Jan-June	1955 July-Dec.	1955 Total	1954 Total
EUROPE, WESTERN HEMISPHERE AND SOUTH AFRICA b/				
Austria	453	556	1,009	878
Belgium-Luxembourg	961	1,162	2,123	2,058
Canada	1,909	2,381	4,290	1,541
Colombia	13	18	31	311
Denmark	69	126	195	30
Finland	2,819	764	3,583	2,953
France	4,949	7,053	12,002	8,972
West Germany	23,781	22,136	45,917	37,688
Italy	1,781	3,092	4,873	2,182
Mexico	206	130	336	354
Netherlands	5,231	3,293	8,524	6,306
Norway	713	1,841	2,554	2,439
Sweden	1,333	1,140	2,473	1,159
Switzerland	10,227	8,839	19,066	10,599
Union of South Africa	464	559	1,023	n.a.
United Kingdom	16,870	16,799	33,669	25,664
United States	102	125	227	170
15 percent adjustment for c.i.f. (except for the US and Canada)	-10,481	-10,126	-20,607	-15,239
Subtotal	61,400	59,888	121,288	88,065

*Footnotes for Table 12 follow on pp. 22, 23.

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Table 12
Value of Recorded Communist Chinese Exports
to Non-Communist Countries
1955 a/
(Continued)

Thousand US $

Country	1955 Jan-June	1955 July-Dec.	1955 Total	1954 Total
NEAR EAST, ASIA AND OCEANIA b/				
Australia	2,019	2,691	4,710	3,878
Burma	1	4,521	4,522	306
Ceylon	10,855	6,016	16,871	32,260 c/
Egypt	459	1,359	1,818	818
French Morocco	11,708	5,265	16,973	12,493
French West Africa	1,171	349	1,520	1,156
India d/	3,880	3,875	7,755	4,922
Indonesia	5,377	5,572	10,949	4,228
Japan	39,880	40,901	80,781	40,770
Macao	2,580	2,500	5,080	5,542
Malaya	17,563	21,007	38,570	29,108
New Zealand	326	500	826	628
Pakistan	248	146	394	1,375
Philippines	188	200	388	945
Taiwan	862	1,062	1,924	3,411
Vietnam e/	4,303	4,500	8,803	8,381
5 percent adjustment for c.i.f. except for the Philippines	-5,062	-5,013	-10,075	-7,464
Subtotal	96,358	95,451	191,809	142,757
Hong Kong f/	48,000	59,300	107,300	66,700
TOTAL	205,758	214,639	420,397	297,522

a. Data derived from published statistics of non-Communist countries concerned. Most countries report their imports by country of original origin -- so that a portion of their imports recorded "from China" were actually

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Table 12
Value of Recorded Communist Chinese Exports
to Non-Communist Countries
1955
(Continued)

purchased from other intervening owners. For example, the exports recorded above to Taiwan were all resold transshipments, and the "exports" to the US included such items as art objects which may have left China years ago. Second-half 1954 figures are revised to reflect complete data for the year and therefore differ slightly in some cases from those found in EIC-R1-S4. Data for the first half of 1955 are complete for all countries; data for the second half are complete except for Mexico, the Philippines, and Vietnam which were estimated from data for less than six months.

b. Figures for countries of Western Europe, Western Hemisphere, and the Union of South Africa are based on the assumption of a two-month voyage. They represent recorded imports for March of the reported year through February of the following year. Figures for Hong Kong, Japan, Macao, the Philippines, Taiwan, and Vietnam are recorded imports for the months shown in the table. Figures for the remaining countries are based on a one-month voyage, or imports of February of the reported year through January of the following year.

c. Sugar imports from Taiwan amounting to US $1,223,000 were deducted from first half 1954 imports from Communist China as reported in Ceylon's trade statistics.

d. Includes India's exports to Tibet for 1954 and first half of 1955. Data for the second half are incomplete.

e. The data for 1954 refer to Indochina and presumably include trade with South Vietnam, Laos, and Cambodia. January-May 1955 data are reported in the source as imports into North and South Vietnam. Starting in June 1955 only imports into South Vietnam are reported presumably excluding imports into Laos, Cambodia and North Vietnam.

f. A deduction has been made from Hong Kong's recorded imports from Communist China to eliminate duplication resulting from the fact that many countries (all listed countries except the UK, Belgium, Canada, Denmark, the Netherlands, Egypt, Australia, India, New Zealand, and the Philippines) record imports from Hong Kong of Chinese origin as imports from Communist China. In these cases, goods exported by Communist China are recorded as imports both by Hong Kong and the country of destination. For 1954 and 1955 the amount of this deduction in million of US dollars was estimated as follows:

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Table 12

Value of Recorded Communist Chinese Exports
to Non-Communist Countries
1955
(Continued)

	1955						1954	
	January - June		July - December		Total		Total	
Hong Kong total imports from Communist China		69.4		84.8		154.2		118.8
Less: Estimated re-exports recorded in import data of other countries as imports from Communist China								
Taiwan	0.9		1.1		2.0		3.4	
Japan	5.9		6.9		12.8		17.7	
Malaya	6.3		6.6		12.9		13.6	
Indonesia	0.9		1.5		2.4		2.2	
Vietnam	1.1		2.1		3.2		3.0	
Other	6.3	-21.4	7.3	-25.5	13.6	-46.9	12.2	-52.1
Hong Kong's retained imports from Communist China and re-exports not recorded in import data of other countries as imports from Communist China		48.0		59.3		107.3		66.7

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III. Value and Volume of Principal Trade Movements

A. Total Chinese Communist Trade

1. Introduction

The total volume of Communist China's 1955 trade is estimated to have been 13.1 million tons, of which 51 percent has been established from trade data and cargo estimates, 22 percent directly from other evidence, and 27 percent based primarily on estimated pricing of residual values.

2. Total Imports

As indicated in Section II, above, total imports into Communist China during 1955 are estimated at $2,485 million, 1/ of which, however, only $1,865 million represented actual 1955 movements of goods -- estimated at some 4.2 million tons. Analysis of cargoes indicates that approximately $605 million, representing just over 2 million tons, moved by ocean shipping, leaving a balance of $1,260 million, representing some 2.2 million tons, which is estimated to have moved overland -- largely by rail. (See Table 13, page 26, and the detailed discussions following.)

3. Total Exports

Communist China's exports during 1955 are estimated at $2,000 million, representing some 8.8 million tons. These were made up of an estimated $645 million exported by ocean shipping, representing 4.5 million tons, and a balance of $1,355 million, representing 4.3 million tons, which moved overland -- nearly 98% by rail. (See Table 13, page 26, and the detailed discussions following.)

1/ This figure of $2,485 million includes an estimated 620 million of facilities and military equipment acquired by China under a special loan from the USSR, which did not contribute any 1955 tonnage movements to the volume of Chinese import traffic. (See Section II, B. 1, and Section II, C. 1. above.)

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Table 13

Summary of Communist China's Estimated Trade and Trade Movements
(By Estimated Actual Origin and Destination of Shipments)

1955

	By Sea		Overland		Total	
	Thousand Metric Tons b/	Million US Dollars	Thousand Metric Tons	Million US Dollars	Thousand Metric Tons	Million US Dollars
Imports From:						
Non-Bloc	1,552 c/	420	-	-	1,552	420
USSR - Trade	32	10	1,840	930	1,872	940
USSR - Special Loan a/	-	- a/	-	- a/	-	(620) a/
European Satellites	420	175	180	275	600	450
North Korea and Mongolia	-	-	200	40	200	40
North Vietnam	-	-	20	15	20	15
Total	2,004	605	2,240	1,260	4,244	(2,485) a/
Exports To:						
Non-Bloc	2,675	430	133 d/	25 d/	2,808	455
USSR	615	55	2,645	865	3,260	920
European Satellites	1,260	155	295	295	1,555	450
North Korea and Mongolia	-	-	1,200	125	1,200	125
North Vietnam	35	5	25	45	60	50
Total	4,585	645	4,298	1,355	8,883	2,000
Grand Total	6,589	1,250	6,538	2,615	13,127	(4,485) a/

Footnotes follow on p. 27.

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Table 13

Summary of Communist China's Estimated Trade and Trade Movements
(By Estimated Actual Origin and Destination of Shipments)
1955
(Continued)

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a/ An estimated $620 million of facilities and military equipment acquired by China under a special loan were physically located in China prior to 1955, and therefore did not contribute any tonnage movements to the volume of Chinese import traffic.

b/ Based on cargo data except for Japan and Hong Kong, for which trade return figures have been used to supplement incomplete cargo data.

c/ Includes negligible tonnages which moved to China from Kowloon (Hong Kong) by truck or over the Canton-Kowloon Railroad, or from Macao via smuggling through the Kowloon area. These goods, however, all arrived in Hong Kong or Macao by sea from the West.

d/ Represents exports via truck and railroad to Kowloon (Hong Kong) of commodities for consumption within the colony.

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B. Trade with Non-Bloc Countries

1. Imports

Import cargoes from non-Communist countries in 1955 totalled some 1.5 million tons, of which all but an insignificant amount moved by ocean shipping. 1/ This volume estimate is based on intelligence on individual cargoes -- except for Japan and Hong Kong where trade statistics were used to supplement incomplete cargo data.

Western Europe shipped about 817,000 tons of cargo to Communist China in 1955 (including an estimated 200,000 tons transshipped via Bloc ports in Europe in order to circumvent CHINCOM differential controls). Of this total the principal items were fertilizer (380,000 tons), and iron and steel (170,000 tons, of which 165,000 were indirect transshipments). Chemicals, machinery, and nonferrous metals were important items in the remaining tonnage (267,000 tons).

About 140,000 tons of seaborne cargo (excluding junk and river steamer cargo) reached Communist China from Hong Kong, consisting largely of 126,000 tons of chemical fertilizers. The balance was made up of other chemicals, machinery, and small tonnages of miscellaneous items.

Japan exported about 200,000 tons of cargo consisting mainly of 175,000 tons of fertilizers, 10,000 tons of other chemicals, as well as some iron and steel, nonferrous metals, machinery, and other products.

Cargo data indicate an estimated 290,000 tons of seaborne shipments from other areas -- including 42,000 tons of rubber (33,000 from Ceylon, 2,000 from Burma, and 7,000 of unrecorded exports from Indonesia); 60,000 tons of cotton, principally from Pakistan, Egypt, and India; 8,000 tons of coconut oil from Ceylon, Malaya, and Indonesia; and 25,000 tons of fertilizer from Canada. These figures differ somewhat from trade data, in that the volume of cotton based on trade data totalled some 70,000 tons (including 6,500 tons from Brazil), and coconut oil and copra imports amounted to 31,000 tons, so that some of these tonnages apparently moved indirectly.

1/ Of this total about 88,000 tons reached China by small craft or overland (via Hong Kong and Macao), but most of these commodities had arrived in the Far East by ocean shipping from the West.

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Table 14

Communist Chinese and Macao Recorded Imports from Hong Kong, by Volume a/
January - December 1955

Thousand Metric Tons

Method of Transport	January - June			July - December			January - December		
	China	Macao	Total	China	Macao	Total	China	Macao	Total
Oceangoing Vessels	71	1	72	69	1	70	140	2	142
River Steamers	-	8	8	-	10	10	-	18	18
Junks	21	25	46	12	25	37	33	50	83
Launches	-	-	-	3	-	3	3	-	3
Total - Waterborne	92	34	126	84	36	120	176	70	246

(Rail and Road movements were insignificant)

a/ This table (compiled from Hong Kong official statistics) shows all recorded traffic from Hong Kong to China and Macao including: (1) goods exported from Hong Kong, and (2) goods exported to China from third countries via Hong Kong and transshipped there. It does not include transit cargo -- i.e., cargo arriving in a ship calling at Hong Kong enroute for China but not transshipped in the Colony. Data were reported in long tons but have been converted to metric tons in the table above to facilitate comparison with metric ton figures throughout the report.

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2. Exports

The volume of Chinese Communist exports to Free World countries, transported chiefly by ocean shipping, totalled over 3.3 million tons -- including about 550,000 tons of cargo arriving in Western ports for transshipment to the Soviet Bloc. The remaining ~~2.75~~ 2.8 million tons are believed to represent exports of Chinese goods for Western consumption.

Cargo data reveal that Western Europe received about 920,000 tons from Communist China in 1955, of which it is estimated nearly 550,000 tons were transshipped to the European Satellites 1/ and about 370,000 tons retained by Western European countries. It is estimated that this 370,000 tons included about 215,000 tons of soya beans, peanuts and other oil seeds, 70,000 tons of other foodstuffs, 29,000 tons of industrial oils, 20,000 tons of other agricultural products, 15,000 tons of non-ferrous ores, and 10,000 tons of textiles. The remaining 15,000 tons of miscellaneous and unidentified products was largely made up of miscellaneous chemicals and handicraft products.

Of a total volume of 1,221,000 tons moving directly from Communist China to Japan, salt amounted to about 630,000 tons, soya beans 200,000 tons, rice 124,000 tons, nonferrous metals and ores 83,000 tons, and miscellaneous agricultural raw materials 118,000 tons. 2/

Hong Kong shipping returns showed exports from Communist China of some 990,000 tons (See Table 15, page 31 f.) consisting mainly of foodstuffs, agricultural raw materials, and construction materials. It is believed that about two-thirds of the volume of these Chinese products were retained in Hong Kong during 1955, the balance representing Hong Kong reexports.

Cargo data indicate that the Near East, Africa, South and Southeast Asia received about 161,000 tons from Communist China during 1955. This included 93,000 tons of rice and other cereals, 9,000 tons of soya beans, and other agricultural and light industrial products.

1/ Included in the transshipments were about 210,000 tons of iron ore, 200,000 tons of soya beans, and 50,000 tons of peanuts.

2/ In view of the gaps in intelligence on cargoes from Communist China to Japan and Hong Kong, official trade data have been used to supplement cargo intelligence on tonnages shipped during 1955.

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Table 15

Communist Chinese Recorded Exports to Hong Kong, by Volume a/
January - December 1955

Thousand Metric Tons

Method of Transport	January - June	July - December	January - December
Oceangoing Vessels	112	113	225
River Steamers b/	-	-	-
Junks	236	363	599
Launches	14	20	34
Subtotal - Waterborne	362	496	858
Rail	53	67	120
Road	6	7	13
Total - Waterborne and Overland	421	570	991

a/ This table (compiled from Hong Kong official statistics) shows all recorded traffic from China to Hong Kong including: (1) goods imported into Hong Kong and (2) goods imported from China, destined for a third country and transshipped at Hong Kong. It does not include transit cargo. Data were reported in long tons, but have been converted to metric tons in the table above to facilitate comparison with metric ton figures throughout the report.

b/ Nil or negligible.

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C. Trade with the Soviet Bloc

1. Trade with the USSR

The value of total 1955 trade between China and the USSR has been estimated as $2,480 million. It is believed that $620 million of this total represented facilities and military equipment acquired by China under a special loan from the USSR and physically located in Communist China and the Port Arthur area prior to 1955 -- so that they would not have contributed any tonnage movements to the volume of Chinese import traffic.

The remaining $1,860 million of trade with the USSR was made up (see Section II, B.1, p.8 above) of $940 million of Chinese imports and $920 million of Chinese exports, which are estimated to have represented close to 1.9 million tons of Chinese imports and 3.3 million tons of Chinese exports.

a. Imports from the USSR

(1) Seaborne

Communist China's imports by sea from the USSR in 1955 were lower than in 1954, principally because direct seaborne shipments of petroleum products declined to approximately 13,000 tons of which the bulk arrived in a single shipment of nearly 10,000 tons from the Black Sea area. Other cargoes are estimated (largely on the basis of air photographs) to have totalled 19,000 tons, of which paper was probably the principal single item. Pricing the POL at $50 per ton and other items at prices ranging from $200 to $1,000 per ton gives a total estimated value for these shipments of $10 million.

(2) Overland

The $930 million difference between estimated total imports of $940 million and seaborne cargoes of $10 million represents overland imports from the USSR, with an estimated volume of 1,840,000 tons. Over 90 percent of these overland imports moved by rail.

From available intelligence it is estimated that the total of Chinese imports of petroleum products increased about 20 percent in 1955 from the 1954 level of over 1 million tons to over 1.2 million tons. About 75,000 tons of this quantity moved by sea from the European Satellites and about 13,000 tons by sea from the USSR. The balance of roughly 1,150,000 tons moved overland from the USSR, and

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accounted for more than half the total volume of overland imports from the USSR. Some of these petroleum imports moved from the Black Sea area by sea to Vladivostok and were transshipped to Communist China, largely by rail via Grodekovo. The total of such transshipments plus receipts from Soviet Far East refineries is estimated to have amounted to half a million tons, of which, however, a substantial portion (perhaps 150,000 tons) probably moved to China by barge on the Amur and Sungari Rivers. The remaining imports of some 650,000 tons of POL presumably moved via the Trans-Siberian Railroad through Otpor. Applying an average price of something over $50 per ton, the total overland shipments of petroleum products have been valued at $60 million.

Despite announced increases in Chinese steel capacity and occasional exports of certain simple types of Chinese steel, it is believed that over-all Chinese import requirements for steel have continued to rise. On the other hand, evidence now available suggests that the estimate made for overland steel imports in EIC-R1-S4 was higher than the actual movement, and that this 1954 movement was probably well under 200,000 tons. For 1955, therefore, imports of steel from the USSR are estimated at approximately 200,000 tons with a value of $30 million.

It is probably that, in addition to the military equipment turned over to the Chinese when Soviet forces withdrew from Port Arthur, the Chinese received certain direct military imports from the USSR. Although the value and volume of such direct military imports for 1955 are unknown, the EIC-R1-S4 estimates for 1954 provide some indication of their likely magnitude. Accordingly, it is estimated that about $150 million of military equipment may have been imported from the USSR during 1955, corresponding to a traffic volume of about 30,000 tons.

Although the balance of Chinese imports cannot be specifically identified, it is believed that they consisted primarily of industrial equipment, mining and agricultural machinery, vehicles and instruments -- all of which are required in increasing volume by the Chinese to meet the expanding demands of their industrialization program. On the basis of press announcements and other information, these imports appear to have been of a relatively high value per ton -- estimated at an average of $1,500. The remaining $690 million of imports would, therefore, have represented approximately 460,000 tons of traffic.

Total overland imports from the USSR are accordingly estimated as 1,840,000 tons, the bulk of which is believed to have been shipped via the Trans-Siberian Railroad through Otpor. Shipments through Grodekovo, primarily petroleum products, probably increased during 1955 and are estimated as 350,000 tons. It is probable that 150,000 tons of

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petroleum products plus small tonnages of other goods were shipped via the Sungari River, and that 20,000 tons of equipment and consumer goods were shipped by road to Sinkiang. Total rail shipments through Otpor, therefore, may be estimated as 1,310,000 tons.

Table 16

Approximate Distribution of Estimated Overland Imports from USSR, by Type of Commodity and by Means of Transport
1955

	Million US $	Thousand Metric Tons
By Type of Commodity		
POL	60	1,150
Steel	30	200
Military Equipment and Supplies	150	30
Other	690	460
Total	930	1,840
By Means of Transport		
By Rail through Grodekovo		350
By Rail through Otpor		1,310
By Sungari River		160
By Road to Sinkiang		20
Total		1,840

b. Exports to USSR

(1) Seaborne

Approximately 615,000 tons of Chinese exports moved by sea to the USSR during 1955, with a total value of about $55 million. This total was distributed as follows:

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	Million US $	Thousand Metric Tons
To USSR Ports in Europe:		
Commodity Shipments	24	173
To the Soviet Far East:		
Commodity Shipments	16	418
Barges, Motor Launches, etc.	15	24
Total	55	615

Exports to USSR ports in Europe consisted primarily of soya beans, plus some rice and peanuts, and a single shipment of soda ash. Commodity shipments to the Soviet Far East consisted about half (by volume) of coal, with the balance made up largely of cement, salt and foodstuffs. With the exception of foodstuffs these commodities are all of extremely low value per ton. In addition a number of Chinese-built small craft were observed being delivered to the Soviet Far East either as deck cargo, in tow, or moving under their own power.

(2) Overland

The remaining $865 million of estimated Chinese exports to the USSR during 1955 moved overland, over 95 percent by rail. The volume of these overland exports is estimated at about 2.65 million tons, of which over one-third moved to the Soviet Far East by rail via Grodekovo, or on the Sungari River.

Intelligence indicates that rail shipments through Grodekovo may have declined in 1955 to a level of about 850,000 tons. These shipments consisted of coal, salt, grain, and foodstuffs shipped to Vladivostok, Nakhodka, and Khabarovsk for local consumption or for shipment to offshore areas. The average value per ton of these shipments is relatively low, and their total value is tentatively placed at $150 million.

Chinese exports to the USSR by road and river are believed to have been small in 1955, totalling about 70,000 tons with a value of approximately $25 million. Road shipments from Sinkiang, based on occasional observor reports and estimated availability of export products, are placed at 10,000 tons. These products are of a relatively high value per ton, such as wool, skins, and nonferrous ores, and their total value is estimated as $15 million. Shipments of timber and agricultural products on the Sungari River constitute the remainder of this

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traffic (perhaps 60,000 tons) and, with a much lower value per ton, may have been worth about $10 million.

The remaining $690 million of Chinese overland exports to the USSR represent rail shipments through Otpor. These exports included commodities of low to medium value per ton, such as grains and foodstuffs, pig iron, minerals and ore concentrates, and also products of a very high value per ton, such as bristles, silk, wool, skins and hides. It is estimated that the average value of these exports may have been about $400 per ton, so that the total volume of such shipments through Otpor would have amounted to approximately 1,725,000 tons.

Table 17

Approximate Distribution of Estimated Overland Exports to USSR, by Means of Transport, 1955

	Million US $	Thousand Metric Tons
By Rail through Grodekovo	150	850
By Rail through Otpor	690	1,725
By Sungari River	10	60
By Road from Sinkiang	15	10
Total	865	2,645

2. Trade with the European Satellites (in Terms of Estimated Actual Origin and Ultimate Destination of Cargoes)

a. Total Trade

Total trade between Communist China and the European Satellites has been estimated for 1955 as $900 million -- divided about evenly into $450 million of imports and $450 million of exports. (See p. 8, above.) This represented about 600,000 tons of imports and over 1,500,000 tons of exports -- over three-quarters of which moved by sea (i.e., 420,000 tons of imports and 1,260,000 tons of exports). Seaborne tonnages, however, included high proportions of bulky low-value commodities, so that this seaborne traffic represented only a little over one-third of the total value of this trade; and the 22 percent of this trade volume which moved overland (180,000 tons of imports and 295,000 tons of exports) accounted for over 60 percent of its total value.

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b. Imports

(1) Seaborne

Analysis of cargo movements indicates that a total of 620,000 metric tons of cargo moved into Communist China by sea from European Satellite ports -- but intelligence evidence indicates that about 200,000 tons of this cargo were actually of Western European origin, having been transshipped through Gdynia to avoid established controls on direct shipments to Communist China (see Section II. C. 2, b. (2) under Unrecorded Imports, p. 16, above). Only 420,000 tons of seaborne Chinese imports from European ports actually originated from the European Satellites -- representing an estimated value of about $175 million.

Table 18

Communist Chinese Seaborne Imports Originating from European Satellites, 1955
(Estimated from Cargo Information)

Commodity	Volume (000 Tons)	Average Value Per Ton (US $)	Value (Million US $)
POL	76	60	4
Iron and Steel	83	170	14
Nonferrous Metals	11	700	8
Fertilizer	89	65	6
Chemicals and Drugs	20	800	16
Instruments	1	5,000	5
Transport Equipment	12	1,250	15
Machinery	20	1,750	35
Machine Tools	1	2,000	2
Foodstuffs	41	200	8
Miscellaneous	4	750	3
Unidentified a/	62	950	59
Total	420		175

a. The 62,000 tons of unidentified cargo consists, for the most part, of residual tonnages remaining after identification of the bulk of the cargo on individual ships; there are only two ships for which the entire cargo is unidentified. Although the unidentified cargo is made up of commodities in the groups identified above, it is believed that a greater proportion of this unidentified cargo represents machinery and instruments, reflecting a known increase in the export of whole industrial plants from the European Satellites to China.

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(2) Overland

The remaining $275 million of Chinese imports from the European Satellites are presumed to represent overland rail movements. According to Chinese and Satellite press announcements and other intelligence, these imports consisted primarily of vehicles and of machinery and equipment for the industrial plants being constructed in Communist China by Satellite nations. It is estimated that the value of such overland shipments may have averaged around $1,500 per ton and represented approximately 180,000 tons of Chinese overland imports.

c. Exports

(1) Seaborne

Communist China's seaborne exports to the European Satellites during 1955 amounted to about 1,260,000 tons with an estimated value of $155 million. Of this total, something over 700,000 tons were delivered directly to Bloc ports. In addition, nearly 550,000 tons of cargo unloaded in non-Bloc ports (primarily Hamburg and Rijeka) are estimated to have been transshipped overland or by inland waterways to destinations in the European Satellites.

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Table 19

Total Direct plus Transshipped Communist Chinese Seaborne Exports to European Satellites, 1955
(Estimated from Cargo Information a/)

Commodity	Volume (000 Tons)	Average Value per Ton (US $)	Value (Million US $)
Iron Ore	668	15	10
Pig Iron	6	50	0.3
Nonferrous Metals and Ores	13	700	9.1
Petroleum Coke	2	25	0.1
Textiles	0.7	7,000	5
Rice and Other Cereals	89	140	12.4
Soybeans	278	110	30.6
Peanuts	96	300	28.8
Other Oilseeds	34	200	6.8
Other Foodstuffs	36	600	21.6
Industrial Oils	5	350	1.7
Jute	3	225	0.7
Other Agricultural Raw Materials	16	1,250	20
Sulphur	4	35	0.1
Unidentified b/	9	850	7.6
Total	1,260		154.8

a. Of which:
713,000 tons delivered directly to Bloc ports;
547,000 tons unloaded in non-Bloc ports and transshipped.

b. It is believed that these exports consisted primarily of high and medium value commodities. Chinese exports of lower value are custormarily shipped in bulk and are relatively easily identified.

(2) Overland

The remaining $295 million of Chinese exports to the European Satellites are believed to represent overland movements. Only fragmentary intelligence is available on Chinese overland exports to the European Satellites, but these would consist of products having a very high value per ton, such as bristles, casings, canned foods, and handicrafts, as well as some lower-valued oilseeds and foodstuffs. It is estimated that the average value per ton of such overland exports may have been around $1,000, so that they would have represented a total volume of about 295,000 tons.

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3. Trade with the Far Eastern Satellites

The volume of Communist China's trade with North Korea, North Vietnam, and Mongolia during 1955 has been estimated from several announcements of the tonnages involved and from general information on the commodities involved in this trade. Trade with North Korea was by rail, with Vietnam both by sea and overland (road and rail), and with Mongolia primarily by road.

a. Trade with North Korea

(1) Imports

Communist Chinese imports from North Korea during 1955 consisted of electric power, the value of which may have amounted to about $10 million, plus commodities such as minerals, fish, fruits, and medicines with a value of approximately $15 million. It is estimated that these total imports represented about 200,000 tons.

(2) Exports

The North Koreans have reported partial lists of 1955 imports from China totalling about 1 million tons. It is believed that these announcements included the major tonnages involved in an estimated $25 million of Chinese commercial exports to North Korea and a publicized $90 million of Chinese aid materials. The total volume of Chinese exports to North Korea during 1955 is estimated to have been about 1,200,000 tons.

b. Trade with North Vietnam

(1) Imports

Chinese imports from North Vietnam are of a relatively high value per ton, consisting of antimony, tin and such agricultural specialties as cinnamon, tea, coffee, pepper, hides and bamboo. It is estimated that the value of these imports during 1955 was about $15 million, representing approximately 20,000 tons.

(2) Exports

During 1955, Communist Chinese aid deliveries and commercial exports to North Vietnam amounted to about $50 million, consisting of military equipment, consumer goods, and foodstuffs. It is estimated that these exports represented about 60,000 tons. Over half

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of these shipments (almost all rice) moved by sea and the balance by rail or road.

c. Trade with Mongolia

Communist Chinese trade with Outer Mongolia in 1955 consisted of Chinese imports of horses, agricultural products and mineral ores, and Chinese exports of consumer goods plus the equipment for several light industrial plants which Communist China completed for Outer Mongolia in 1955. This traffic moved largely by truck and animal caravan. Its value is estimated at $15 million in each direction and its volume was negligible.

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IV. Transport and Transport Services

A. Ocean Shipping

1. Summary

The year 1955 again witnessed a substantial increase in the amount of merchant shipping engaged in trade with Communist China. As in previous years, non-Bloc tonnage was predominant, with eighty-one percent of all merchant shipping arriving in Communist China under free world registry, and nineteen percent under Soviet, Polish, or Czechoslovakian flag. There was no activity by the Chinese Communist merchant fleet outside home waters in 1955 with the exception of a minor amount of commerce with North Vietnam.

There were 1,185 merchant ship arrivals in Chinese Communist ports in 1955, totalling nearly 5.5 million gross register tons (GRT), an increase of 893,000 GRT, or nearly 20 percent over 1954. These arrivals represented an estimated cargo-carrying capacity of about 8.2 million long tons. Merchant ships of 17 Western countries made 987 individual voyages to Communist China, accounting for more than 4.4 million GRT, an increase of 17 percent over the tonnage of non-Bloc arrivals in 1954.

The following table, which shows the number and estimated cargo-carrying capacity of arrivals, together with the percent of tonnage represented by non-Bloc registry shipping for each year 1951-1955, is indicative of the continuing importance of Western shipping in China trade:

Table 20

Total Arrivals in Communist China
1951 through 1955

	1951 (EIC-R-1)	1952 (EIC-R1-S2)	1953 (EIC-R1-S3)	1954 (EIC-R1-S4)	1955 (EIC-R1-S5)
Number of Arrivals	504	532	826	1,004	1,185
Cargo-carrying capacity a/ (thousand of long tons)	3,241	3,527	5,900	6,900	8,241
Percent of non-Bloc tonnage	86	81	85	82	81

a/ The cargo-carrying capacity of oceangoing cargo ships may be generally taken as 1.5 times the gross register tonnage, and this factor has been used throughout this report. In practice, however, the tonnage which a given ship can actually carry on a particular voyage is affected by the nature of the cargo, the length of the voyage, the number of ports visited, and the proportion of space in the ship allotted to passenger accommodation.

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The number of individual arrivals in Chinese ports does not, however, give a complete picture of the shipping engaged in trade with Communist China. Ships arriving in Chinese ports fall into several categories, for example: European tramps and liners, Hong Kong traders, Japanese tramps, other liners operating out of Southeast Asia and Africa, and Bloc ships from the Soviet Far East. These provide rather different types of service and differ substantially in their pattern of employment. Vessels operating out of Hong Kong and Japan on the relatively short run to and from the China coast sometimes account for several arrivals monthly. On the other hand, European tramps and liners must make relatively long voyages between Communist China and their home ports, so that a single trip may last a number of months.

The average monthly arrival tonnage of all vessels engaged in China trade amounted to 458,000 GRT in 1955. Since 35 percent of all arrivals originated in European ports, however, and since ships in the Sino-European trade are generally employed a minimum of three months, the total tonnage involved at any one time in trade with the Communist Chinese is much higher. Analysis of the shipping engaged reveals that in 1955 on any given day, counting all ships in Chinese ports or enroute to or from China, an average of 916,000 GRT of shipping was involved in trade with Communist China.

About one-half of total GRT of non-Bloc arrivals is represented by ships trading between Hong Kong or Japan and the China mainland. Ships beginning their voyages from non-Bloc ports in Europe accounted for another one-third of non-Bloc arrivals, with liner service accounting for most of the GRT, although the bulk of cargo was carried by tramps. Most of the remainder of non-Bloc arrivals originated in Eastern European or South Asian ports. Voyages of Soviet Bloc shipping engaged in trade with China originated largely in Bloc ports, especially from Poland and the Soviet Far East.

A number of ships under non-Bloc flags were engaged exclusively in domestic coastal trade for the Communist Chinese during various periods in 1955 -- and represent a valuable service not reflected in arrival figures. (See Section IV. B. 1, p.52, ff.) It is also important to note the shipbuilding and repair services rendered by non-Bloc shipyards to the Sino-Soviet Bloc merchant marines. Nine new ships were constructed for the Soviet Bloc by Western yards and put into use on the Far Eastern run, four more than were contributed by the Bloc shipbuilders themselves. In addition three second-hand vessels procured from the West were placed on the China run. Repairs on ten Bloc ships engaged in trade with China were effected or begun in non-Bloc yards in 1955. These building and repair projects have not only economic but also military significance in that they free Bloc shipbuilders of such tasks and make them available for naval construction.

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2. Non-Bloc Shipping Review

a. Arrivals

There were 987 arrivals by non-Bloc merchant ships in 1955, representing a GRT of 4,428,000 -- in comparison with 846 non-Bloc arrivals in 1954 with a GRT of 3,791,000. This constitutes an increase of 17 percent in the number and GRT of non-Bloc arrivals in 1954. With some minor fluctuations, the over-all monthly arrival tonnage showed a steady increase throughout the entire year, reaching an all-time high during November and December. (See Shipping Graph 1.)

Ships of seventeen countries were engaged in the trade. The flags of the Turkish, Egyptian, South African, Burmese, and Lebanese merchant fleets appeared for the first time in 1955. No merchant ships of Panamanian or Moroccan registry entered Communist Chinese ports in 1955; whereas in 1954 one Moroccan and 4 Panamanian vessels were engaged in China trade. British ships accounted for 42 percent of the total arrival tonnages (52 percent of the total non-Bloc arrivals). Other important tonnages were contributed by Japanese, Dutch and Norwegian vessels -- 14, 6, and 5 percent, respectively, of the total arrival tonnages. (See Shipping Graph 2.)

The general pattern of origin of non-Bloc shipping arrivals in the Chinese trade was relatively little changed in 1955 over 1954, and is summarized in the attached graph. (See Shipping Graph 3.) Ships beginning their voyages from non-Bloc ports in Europe accounted for the largest single group of arrivals, and liner service was the dominant factor in GRT involved. Regular liner shipping services are provided the Chinese Communists by ships of eleven non-Bloc commercial steamship lines which make scheduled voyages from Europe to the Far East, including calls at Chinese ports. One hundred-fifty individual arrivals in Communist China (all but nine on voyages originating from Europe) were made by such liners, representing a potential carrying capacity of close to 1,800,000 long tons. These liners, of course, carry only partial cargoes for China and the principal cargo tonnage from Western Europe ports to China is handled by non-Bloc tramps chartered by the Bloc. The major value of the liner service is that it facilitates trade by assuring to the Chinese a dependable scheduled transport service for prompt dispatch of small-lot shipments, and sometimes providing deep tanks, refrigerated holds and other space for special cargoes.

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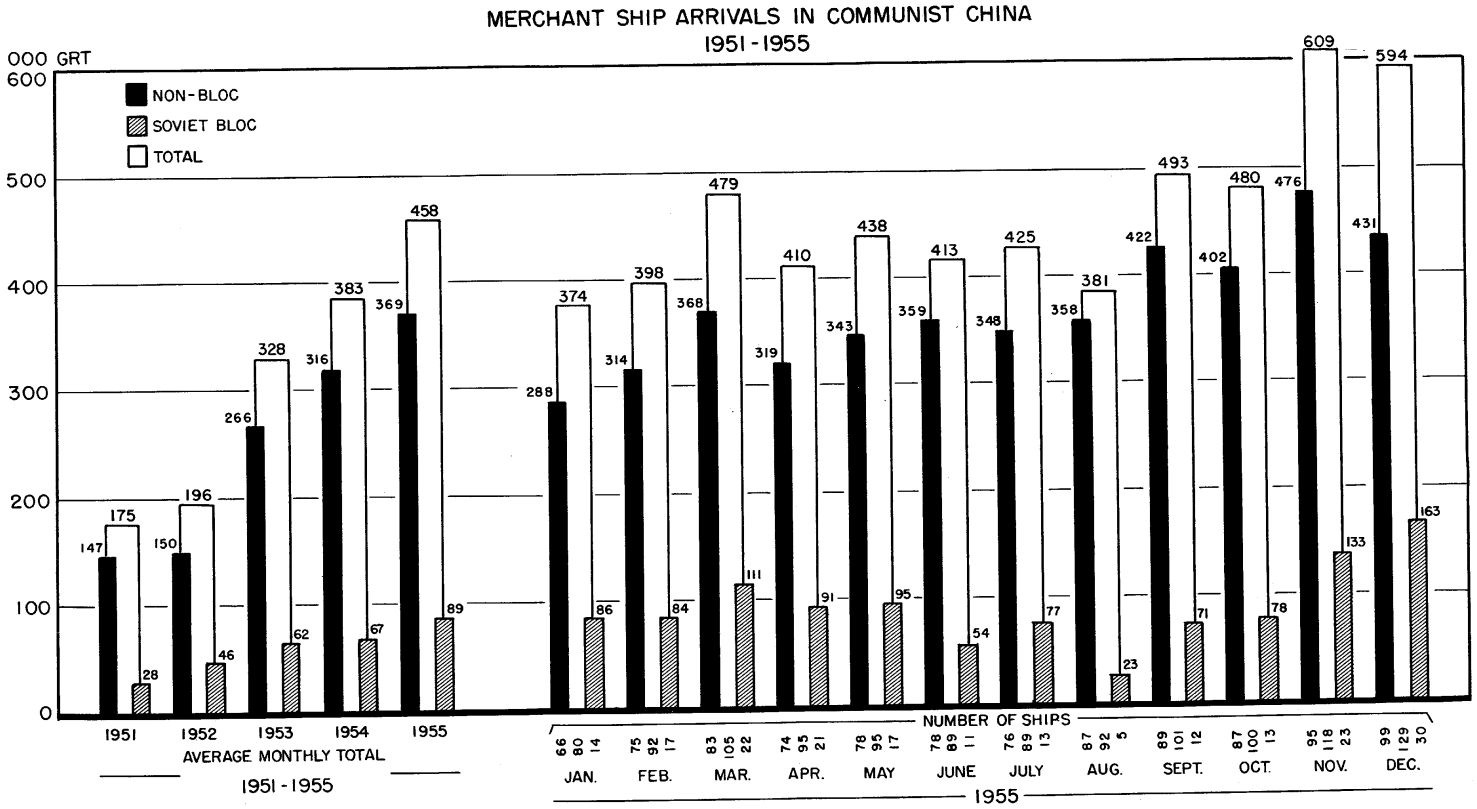
Shipping Graph 1



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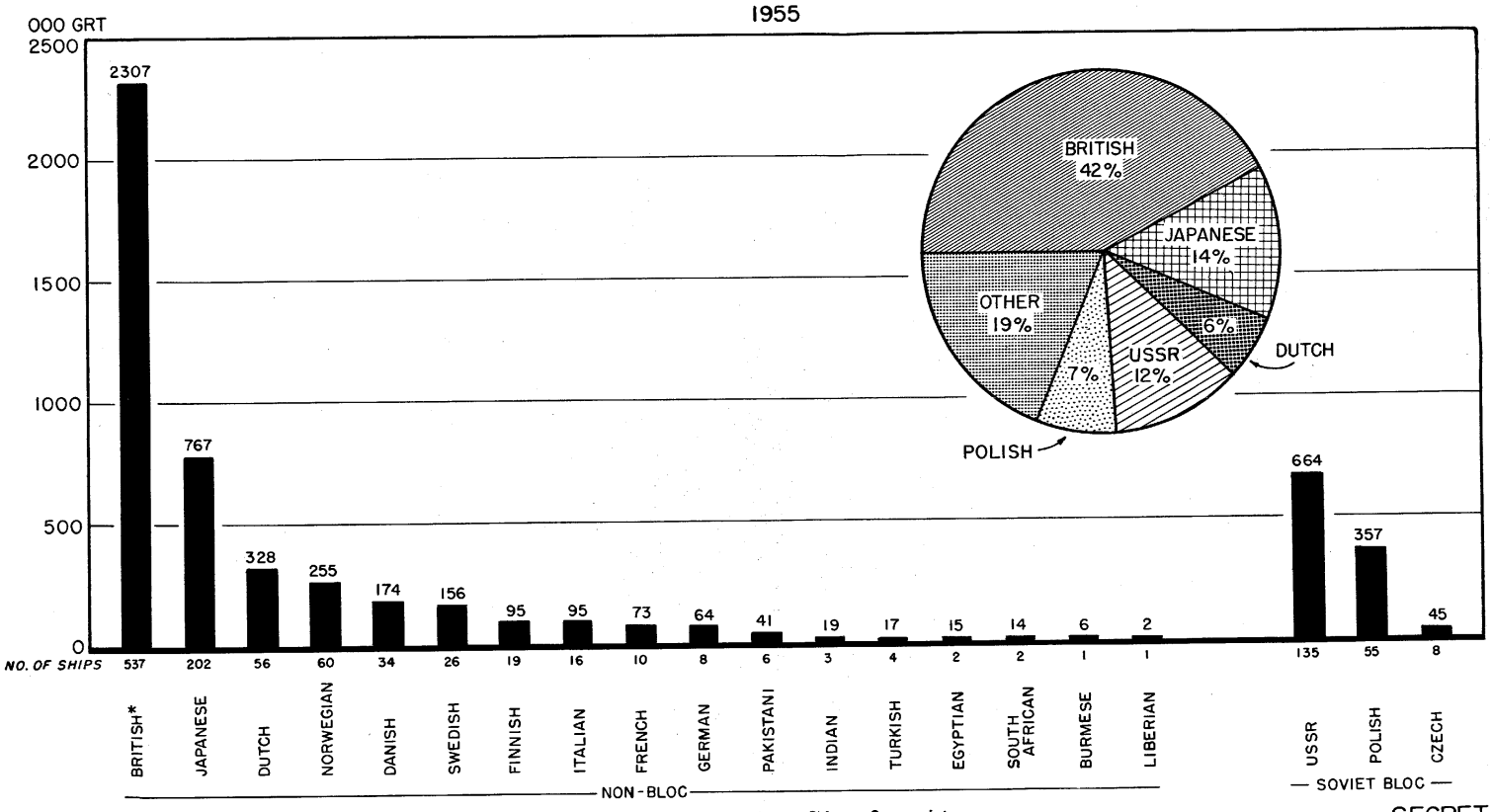
MERCHANT SHIP ARRIVALS IN COMMUNIST CHINA
BY COUNTRY OF REGISTRY
1955



* 106 Arrivals totaling 262,032 GRT were made by ships believed to be beneficially owned by the Chinese Communists.

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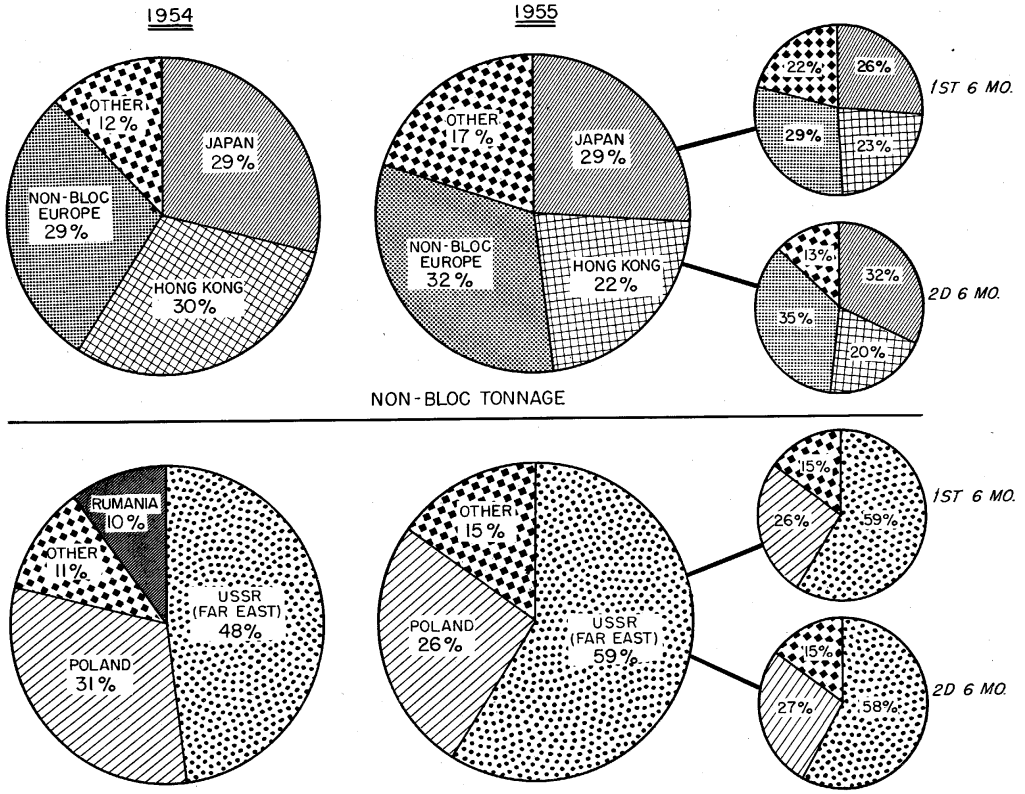
ORIGIN OF MERCHANT SHIP ARRIVALS IN COMMUNIST CHINA
1954-1955



TOTAL BLOC AND NON-BLOC TONNAGE
1955

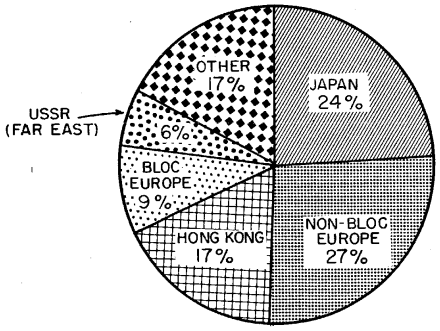


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Table 21

Arrivals in 1955 of European Liners Owned by Eleven Western Companies

	Flag	Arrivals	
		Number	GRT
A. Holt & Co., Liverpool	British	22	171,660
Peninsular & Oriental Steam Navigation Co., London	British	12	108,978
Hamburg-Amerika Linie, Hamburg	German	3	26,941
Norddeutscher Lloyd, Bremen	German	3	22,589
Compagnie des Messageries Maritimes, Paris	French	10	74,219
Brostrom, Axel & Son, Gothenburg	Swedish	14	100,927
Glen Line, Ltd., London	British	26	231,238
Ellerman Lines, Ltd., London	British	11	96,149
Ostasiatiske Kompagni, A/S Det, Copenhagen	Danish	9	81,601
Vereenigde Nederlandsche Scheepvaartmaatschappij, N. V., The Hague	Dutch	26	198,891
Wilhelmsen, Wilk., Oslo	Norwegian	14	93,564
Total		150	1,206,757

There were, by comparison, only 53 trips to China from Western Europe made by Bloc-chartered tramps under Western flags, with an average vessel size per trip of 6,100 GRT. This tramp tonnage, however, carried approximately 65 percent of the volume of total cargoes arriving from Western Europe. Charter information remains sketchy, but, based upon the pattern established in recent years, the majority of these tramps were under some type of charter either to the Chinese Communists or to one of the Satellite countries, through such ship chartering agencies as Sovfracht, Polfracht, Sinofracht (the official Soviet, Polish, and Chinese ship chartering agencies) and such intermediaries as the Far East Enterprising Co., Ltd. of Hong Kong.

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The two other major origins of voyages to China were Japan and Hong Kong. A slight change in the shipping pattern in the Far East occurred in 1955. The tonnage of 1955 arrivals from Japan remained at 29 percent of the total non-Bloc arrivals, whereas arrivals from Hong Kong decreased from 30 percent in 1954 to only 22 percent. This reflects the fact that Hong Kong trade with China did not share in the general expansion of Chinese seaborne trade, because of decreased use of Hong Kong's entrepot services, although it remains a major trading center.

Altogether, non-Bloc Europe, Hong Kong, and Japan account for 83 percent of the origin of arrivals. The remainder originated for the most part in Eastern European or Southeast Asian ports. A number of smaller liners were active in trade between Communist China and various African, Malayan, and Indonesian ports.

Conspicuous by its absence is any record of seaborne shipments of POL to Communist China on non-Bloc ships in 1955. The unsuccessful attempt by the Finnish ARUBA to carry jet fuel from Constanta to Whampoa in early 1955 may have served as a deterrent to similar ventures. This voyage, chartered by the Far East Enterprising Co., Ltd., the principal Hong Kong agency used by Communist China for chartering non-Bloc ships, was terminated in the eastern Indian Ocean when the crew refused to take the ship into waters where it might be seized by the Chinese Nationalists.

Shanghai, the Tientsin/Taku Bar complex, Canton/Whampoa, Tsingtao, and Dairen (in that order) continued to serve as the main ports of entry for shipping. Shanghai received the bulk of the traffic. Besides Chinwangtao, Chefoo, Swatow, Foochow, and Hoihow, considerable activity was also evident in the port of Yulin on Hainan Island where large amounts of iron ore were loaded. Many ships carrying cargoes to Whampoa from Europe made their return voyages via Yulin to load cargoes of iron ore for Western Europe and the Satellites.

b. Departures

In 1955 there were 991 departures of non-Bloc vessels from Communist Chinese ports totalling 4,469,000 GRT, an increase of about 20 percent from the 1954 figures of 830 departures totalling 3,702,000 GRT. (See Shipping Graph 4.)

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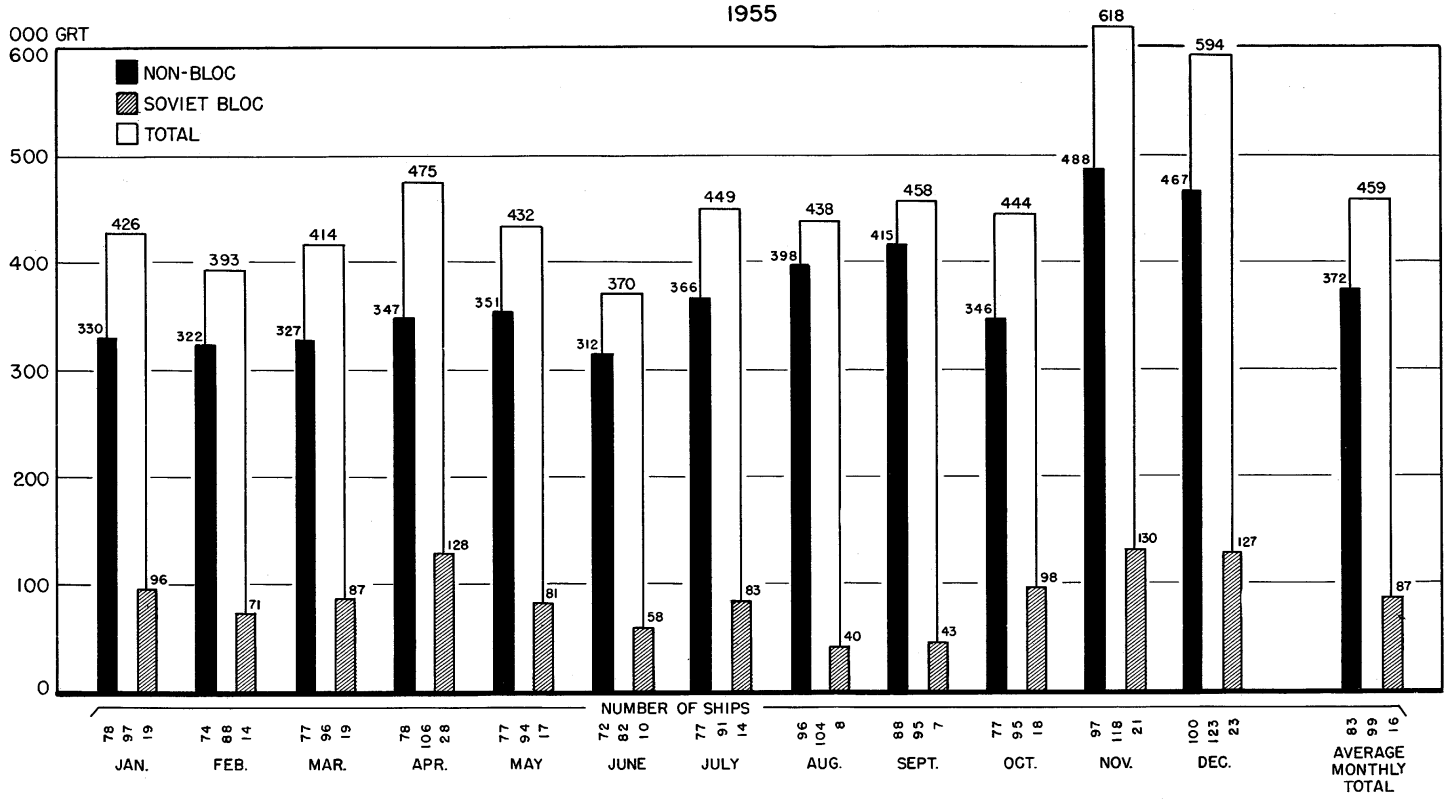
Shipping Graph 4

MERCHANT SHIP DEPARTURES FROM COMMUNIST CHINA
1955



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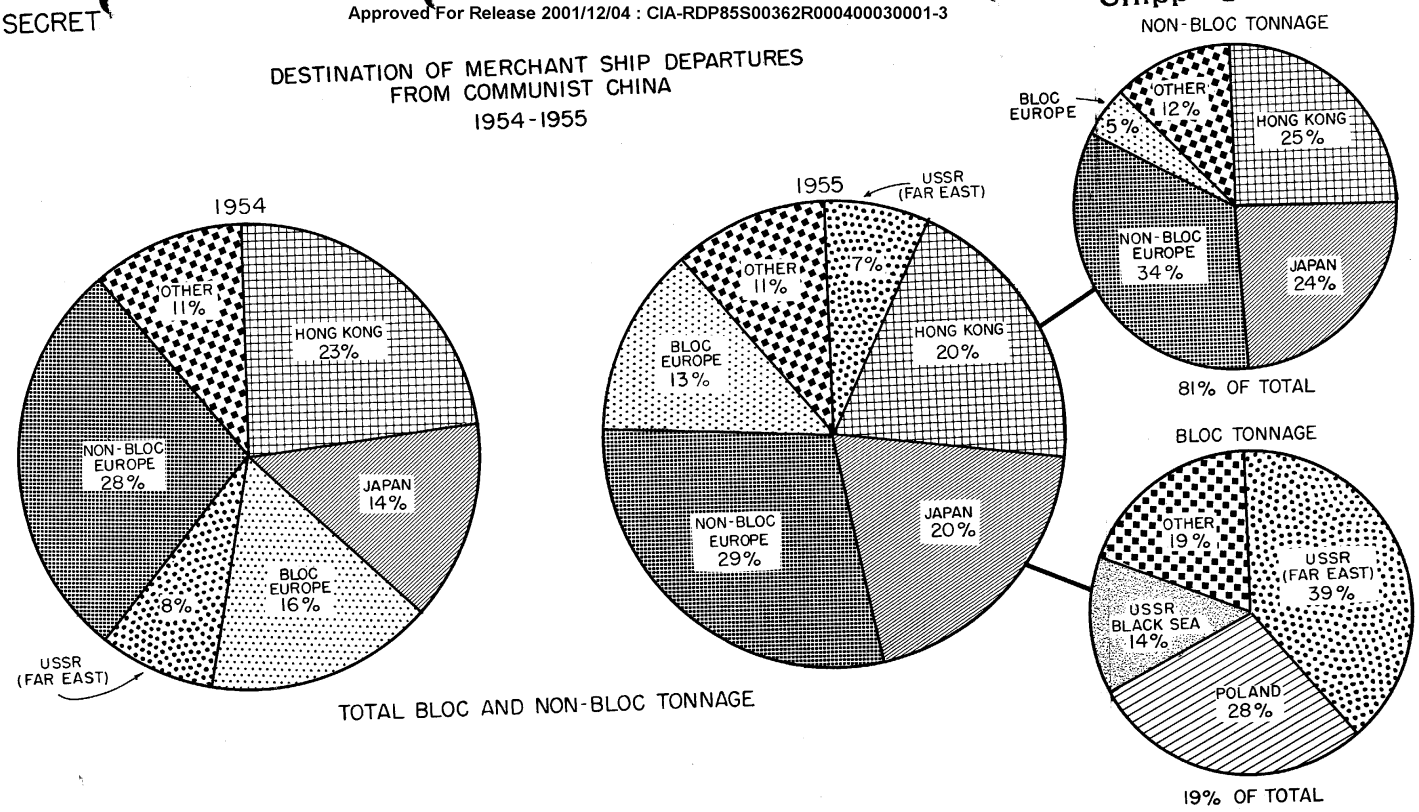
Shipping Graph 5

DESTINATION OF MERCHANT SHIP DEPARTURES
FROM COMMUNIST CHINA
1954-1955



TOTAL BLOC AND NON-BLOC TONNAGE

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The pattern of destinations of voyages from China corresponded closely to that of the origin of arrivals. Hong Kong continued to receive more GRT from China than did Japan (1,122,000 GRT as compared with 1,100,000 GRT) even though there was a sharp increase in the proportionate share of departures for Japan. (See Shipping Graph 5.) Departures for Japan increased from 14 percent to 20 percent of the total and ordinarily carried relatively full cargoes in contrast to arrivals from Japan which were to a very great extent in ballast.

3. Bloc Shipping Review

a. Arrivals

In 1955, there were 198 Soviet Bloc arrivals in Communist China, representing a total of 1,066,000 GRT. This was an increase of 40 percent in the number, and 32 percent in the total GRT of Bloc arrivals over the previous year, though they still contributed only 19 percent of the GRT of all arrivals -- about the same proportion as in 1953 and 1954. Of these Bloc arrivals 135 (664,000 GRT) were by Soviet ships; 55 (357,000 GRT) by Polish ships; and the remaining 8 (45,000 GRT) by Czechoslovakian ships.

There was a noticeable change in the 1955 pattern of arrivals as compared with that of 1954, reflecting a sharp increase of tankers from Europe which unloaded POL in the Soviet Far East before proceeding in ballast to China to pick up return cargoes. Thus 59 percent of the total tonnage of 1955 Bloc arrivals from China was from the Soviet Far East as compared with 48 percent in 1954. (See Shipping Graph 3, fol.p. 44 above.) Although the GRT's of Bloc arrivals from all other areas were little changed from 1954, they represented a smaller proportion of the increased total. Thus arrivals from Poland represented only 26 percent of the total in 1955 as compared with 31 percent in 1954 and the proportion of arrivals from other European ports 7 percent as compared with 13 percent. The proportion of arrivals from other Asian ports remained at about 8 percent.

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Table 22

The Changing Pattern of Soviet Bloc Arrivals
1954-55

	1954			1955		
Arriving from	Number	000 GRT	Percent of Total Arrival GRT	Number	000 GRT	Percent of Total Arrival GRT
Soviet Far East	85	389	48	122	624	59
Poland	44	254	31	43	280	26
Other Europe	16	103	13	15	71	7
Other Asia	13	64	8	18	91	8
Total	158	810	100	198	1,066	100

b. Departures

There were 198 departures of Bloc ships from Communist China in 1955 (1,042,000 GRT) compared with 156 (805,000 GRT) in 1954. Only 39 percent of Bloc merchant ship departures were destined for the Soviet Far East, in contrast with the 59 percent of Bloc arrivals which came from that area. Of the total tonnage, 28 percent were bound for Poland and 14 percent for the Black Sea. Soviet tankers, which usually called in North China to pick up soya beans after delivering POL to the Soviet Far East, constituted the major portion of this 14 percent. The remaining 19 percent of Bloc departures were for various Asian and Western European ports.

c. Routes Employed

(1) General

In general, Bloc vessels continued in 1955 to avoid waters within range of Chinese Nationalist naval patrols based on Taiwan, and did not traverse the Formosa Straits, the traditional commercial shipping channel from the South China Sea to North China ports. Polish ships have not called in North China ports since the seizure of the Soviet tanker TUAPSE in June 1954, and ships of Soviet registry normally proceed south of Sumatra and East of the Philippines direct to the Soviet Far East, prior to calling in North China ports. Only 6 Bloc vessels, all of Soviet registry, arrived in North China directly from Europe via the East China Sea in 1955 (all in April) --

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1 tanker, the VOLGA DON (7,961 GRT) which made a wide detour via Soviet Far Eastern waters, and 5 freighters (totalling 10,912 GRT). The remainder of Bloc arrivals from Europe were ships of Polish and Czech registry which called only at Whampoa in South China before proceeding to Yulin, on Hainan Island, to load iron ore for their return voyages to Poland.

(2) Tanker Voyages from the Black Sea

Despite the continued avoidance of North China ports by Bloc tankers since the TUAPSE incident, there was a major expansion in 1955 of total Bloc tanker arrivals in the Soviet Far East and China taken together. It is clear that much of the POL tonnage unloaded in the Soviet Far East was then transshipped overland to China. Soviet tankers operating between the Black Sea and Soviet Far Eastern ports have, since the seizure of the TUAPSE in June 1954, followed the route south of the Philippines -- proceeding normally via the Sunda Strait, Java Sea, Makassar Strait, and Celebes Sea -- and are then believed to have transited the Ryukyu chain north of Amami Oshima, and thence passed through the Tsushima Strait. On their return voyages the tankers usually called in North China ports to load soya beans before proceeding to Europe.

The following is a breakdown of POL tanker shipments from the Black Sea to China and the Soviet Far East for the years 1952-55.

Table 23

POL Tanker Shipments to Soviet Far East and Communist China
1952-55

Thousand Tons

Estimate for Year	To Soviet Far East	To Communist China	Total
1952	20	15	35
1953	22	9	31
1954	81	99	180
1955	428	57	485

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This marked increase in total Soviet tanker traffic to the Far East has been made possible by the rapidly growing number of USSR tankers available. The USSR tanker-building program first began to show real results late in 1953. Twenty-five KAZBEK (LENINGRAD) class tankers had been added to the Soviet tanker fleet by early 1956. Of the 43 voyages by Soviet tankers from the Black Sea to the Soviet Far East in 1955, 38 were made by KAZBEK (LENINGRAD) class tankers. In addition, Polish tankers made a total of six voyages to the South China port of Whampoa in 1955, carrying over 45,000 tons of POL; and (as noted above) one Soviet tanker proceeded directly to North China from the Black Sea.

All POL shipments from the Black Sea area to the Communist Far East must move in Bloc tankers since non-Bloc tankers are not made available for trade with that part of the world. In 1955 there were 53 arrivals of Soviet and Satellite tankers in the Far East with a total of slightly over 500,000 tons of POL, representing most of the overseas employment of the Bloc tanker fleet in that year. Other overseas trips of the Bloc tanker fleet in 1955 included only 3 deliveries totalling 30,000 tons to East Germany, 2 totalling 20,000 tons to the Soviet expedition in the Antarctic and 12 totalling 125,000 tons to Free World ports (of which more than half was for Egypt). Nearly all of the 5,000,000 tons total of Bloc exports from the Black Sea to the Free World, as well as 375,000 tons in intra-European-Bloc trade, moved in non-Bloc tankers chartered for that purpose. This availability of Free World charter tonnage to handle Bloc petroleum trade with other areas enables the Bloc to allocate a significant portion of its own tanker tonnage for movements to the Far East.

4. Utilization of Capacity of Shipping Engaged in Communist China's Seaborne Trade

In the following tabulation the estimated cargo tonnages of Communist China's seaborne imports and exports are compared with the calculated cargo-carrying capacities of vessels arriving and departing -- by type of shipping and in accordance with major areas of origin and destination. All cargo figures are based on known cargoes plus an allowance (determined from trade patterns or by pro-rating from cargo information) for other arrivals on which specific cargo information was not available.

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Table 24

Utilization of Shipping Capacity Involved in Communist Chinese Seaborne Trade
1955

	Cargo Carried a/		Cargo Capacity a/		Percent of Capacity Employed	
ARRIVALS:						
From Non-Bloc Ports:						
From Hong Kong		140,000		1,430,000		10
From Japan		199,000		1,941,000		10
From Western Europe:						
Non-Bloc Liner Service	200,000		1,608,000		12	
Non-Bloc Tramp Tonnage	400,000		532,000		75	
Bloc Tonnage	17,000	617,000	20,000	2,160,000	89	29
All Other Ports		290,000		942,000		31
From Bloc Ports:						
From Soviet Far East		22,500		944,000		2
From Europe		630,000		749,000		84
From North Vietnam		nil		66,000		-
DEPARTURES:						
To Non-Bloc Ports:						
To Hong Kong		139,000		1,683,000		8
To Japan		1,221,000		1,656,000		74
To Western Europe:						
Non-Bloc Liner Service	305,000		1,514,000		20	
Non-Bloc Tramp Tonnage	555,000		793,000		70	
Bloc Tonnage	64,000	924,000	81,000	2,388,000	79	39
All Other Ports		161,000		790,000		20
To Bloc Ports:						
To Soviet Far East		422,000		611,000		69
To Europe		887,000		1,189,000		75
To North Vietnam		35,000		55,000		64

Footnote follows on next page.

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Table 24

Utilization of Shipping Capacity Involved in Communist Chinese Seaborne Trade
1955
(Continued)

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a/ Cargo figures generally are reported as metric tons whereas cargo-carrying capacity is based on long tons. The figures above have not, however, been converted to a common basis, as the difference between the metric ton and a long ton is only 1.6 percent, and the comparison is, in any event, only a rough indication of the percent of potential capacity actually utilized.

B. Assistance to the Sino-Soviet Bloc by Non-Bloc Shipping and Shipping Services

1. Significance of Non-Bloc Shipping in the China Trade

The overseas trade of Communist China is transported entirely in merchant ships of non-Chinese registry, with the exception of ~~an insignificant~~ amount of trade in Chinese Communist vessels between south China and North Vietnam. Although increasing gradually in terms of both quantity and quality, the Chinese Communist merchant fleet remains old, slow, and inadequate even for Chinese coastal requirements. For all practical purposes it is inactive in overseas trade. Of the twenty-four Polish ships on the Baltic-China run, however, indications are that approximately one-half may be effectively controlled, if not owned, by the Chinese Communists.

Shipping services provided by non-Bloc vessels (81 percent of the total tonnage of arrivals) include both chartered tramps and scheduled liners. While chartered shipping carries the bulk of the cargo in this trade, liner services are of more importance than the volume of cargo carried might suggest; i.e., since they provide regularity of shipment, which enables the Chinese Communists to engage space and to move smaller lots of import and export cargoes promptly, without having to await chartering arrangements.

A number of ships, mainly of British registry, engaged in trade between Hong Kong and the mainland also provide domestic coastwise services along the entire China coast. In addition nine British-flag ships operated intermittently along the China coast for extended periods without touching

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a non-Communist port, as an important augmentation of Chinese Communist coastal shipping services. One ship, the NORTHERN GLOW, was committed to this activity during the entire year, and another, the SNOWDON HILL, was coastal during the last nine months of the year. The other seven were active in the same service for Red China during various months. (See Shipping Graph 6.) In the Chekiang-Fukien coastal area opposite Taiwan non-Bloc coastal services are far more important than movements in Chinese vessels. This area has been notably lacking in rail facilities, and local Chinese ports and installations would be difficult to supply adequately except for the availability of non-Bloc shipping along this coast.

A number of non-Chinese flag ships are owned by Hong Kong registered Chinese firms whose members are known to be Communists or Communist sympathizers. It is believed that this may be a subterfuge and only a nominal cloak for actual Chinese Communist ownership. Such vessels include the NORTHERN GLOW, SNOWDON HILL, ADMIRAL HARDY, HONG KONG TRADER, HONG KONG BREEZE, SHUN LEE, TAICHUNGSHAN, and DORINTHIA. The EDENDALE, sunk by the Chinese Nationalists in January, 1955 was also under similar ownership arrangements.

For the most part non-Bloc merchant ships transport only the so-called non-strategic commodities in the Chinese trade. While this service in itself is of great importance to the Chinese, significance is added by the fact that under such conditions Bloc vessels are released to transport embargoed items to China. Bloc vessels continually carry strategic goods from Gdynia, Poland, as well as rubber from Ceylon, to Communist China.

Thus non-Bloc shipping either directly or indirectly continues to make a significant contribution to the logistics support of Communist Chinese transport requirements. Despite an increase in the number and tonnage of Soviet and Polish merchant vessels in the China trade during 1955, these combined fleets alone are unable, of themselves, to meet adequately the over-all transportation requirements of the Communist Bloc. It is necessary for the Bloc to charter several hundred Western-flag ships each year, a substantial portion of which are employed in the China trade. While Free World controls have apparently prevented shipment of embargoed strategic materials to Communist China in COCOM-country vessels, no restrictions prevent the export to the Chinese Communists of increasing amounts of shipping services which indirectly assist Bloc movements of strategic goods. Without the benefit of Free World shipping Sino-Soviet transportation and distribution facilities -- already heavily committed -- would face increasing difficulties.

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Shipp(ıg Graph 6

NON-BLOC MERCHANT SHIPS IN CHINESE COMMUNIST COASTAL[1] TRADE - 1955

SHIP	FLAG	GRT.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
NORTHERN GLOW*	BR	5135	■	■	■	■	■	■	■	■	■	■	■	■
SNOWDON HILL*	BR	7939				■	■	■	■	■	■	■	■	■
DORINTHIA*	BR	3599											■	■
HELIKON	BR	2151			■					■				
GROSVENOR MARINER	BR	3197	■											
INCHARRAN	BR	3539		■		■								
TAI SEUN HONG	BR	2605				■	■	■						
INCHWELLS	BR	1896					■							
INCHJURA	BR	4651						■						
TOTAL GRT/MONTH (in thousands)			8	9	7	19	18	20	13	15	13	13	17	17
NO. SHIPS/MONTH			2	2	2	4	4	4	2	3	2	2	3	3

YEARLY TOTAL: GRT. - - - - - - 169 (in thousands)

NO. SHIPS - - - - 33

1) Only those vessels which are engaged exclusively in trade among Communist Chinese ports throughout a given month are considered to have been coastal during that month.

* Believed to be Chinese Communist beneficially owned.

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2. Bunkering

Free World controls on bunkering of merchant vessels involved in trade with Communist China are maintained by the United States, the United Kingdom, France, and Japan. Under these control procedures, bunker supplies for merchant ships enroute to Communist China are denied by the above countries when a vessel is known to be transporting unauthorized strategic commodities. The United Kingdom, France, and Japan authorize bunkers for non-Bloc vessels transporting controlled goods to China when such shipment has been licensed for export to China by a country participating in the COCOM/CHINCOM organizations. The United States, however, considers each bunker application on its own merits, according to the circumstances prevailing at the time of application. Thus, even though a particular strategic cargo carried had been duly licensed by a COCOM country and obtained a CHINCOM exception, the United States may deny and has denied bunkering applications of the vessel concerned.

The major difference between United States bunker controls and those of the other three countries is that only those of the United States provide for a review of bunker applications for ships returning from Communist China. Consequently, most Bloc vessels avoid bunkering from British, United States, or French supplies enroute to China, but bunker without restriction at Singapore on the return trip.

An important difference in the application of controls as between the US and UK is that which permitted the WERGUS, on a China-bound journey in 1955 for delivery to new Communist Chinese owners, to receive bunkers by UK stations although the US considered the WERGUS a "strategic commodity" in itself and would have denied bunkers. It later developed that the cargo of this vessel, originally described as sugar, actually also included a consignment of ball bearings to the Chinese Communists. This information was not available, however, at the time the ship was bunkered at Aden and Singapore -- illustrating another difficulty in applying bunkering controls.

In 1955 the port of Djakarta in Indonesia has increasingly assumed importance as a bunkering point for Bloc vessels enroute to China. Bloc vessels, to which bunkers were either denied or limited at Singapore, regularly proceeded to Djakarta where they received unlimited supplies for continuing their voyages to China. In February 1956, moreover, the Soviet freighter IVAN POLZUNOV (7176 GRT) called at Aden, and although she had sufficient fuel on board to make her next port-of-call (Rangoon), she requested and received an additional 1,000 tons from British Shell as she had not declared for a Communist Chinese port. After unloading at Rangoon, however, she proceeded to the Malacca Straits where she refueled the SERGEI

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KIROV (7176 GRT) which had been denied bunkers at Singapore because of the strategic nature of her cargo for China. Although not itself a direct violation of bunkering controls, this development opens another avenue for organized Bloc circumvention of controls.

Another type of evasion of bunkering controls was illustrated in February 1956 when the Soviet freighter NOVOROSSISK (7176 GRT) arrived at Colombo to load 7800 tons of rubber for Communist China. Upon arrival this vessel requested and received 500 tons of bunkers from a Ceylonese subsidiary of British Shell. Although requested by the US to intervene, the British Government declined to interfere with what it considered a Ceylonese affair.

The present system of limited bunker controls cannot be expected to effectively prevent the movement of strategic materials to Communist China. It is believed, however, that present controls -- despite violations, circumventions and countermeasures -- have produced a considerable uncertainty and inconvenience for the Bloc.

3. Non-Bloc Deliveries of Merchant Ships to the Sino-Soviet Bloc

The Sino-Soviet Bloc has been able to considerably alleviate the limitations of its own international transportation facilities by the acquisition of new and second-hand merchant ships from non-Bloc countries, by availing themselves of ship repair facilities in Western shipyards for the major overhaul and reconstruction of Bloc ships, and by extensive chartering of Western merchant ships. Moreover, the availability to the Bloc of Western shipping and services has made possible the allocation of Soviet and Polish merchant ships to the Baltic/Black Sea-China route, for the movement of highly strategic materials and equipment.

During 1955, 26 newly constructed merchant ships totalling 62,000 GRT (including seven tankers totalling 13,000 GRT) were delivered to the Sino-Soviet Bloc from Western shipyards. (See Table 25, I, page 56, following.) This figure compares with 1954 deliveries (revised from page 106, EIC-R1-S4) of 19 ships with a total GRT of 55,000 tons, an increase of about 15 percent. 1/ Three of these ships totalling 7,000 GRT were constructed in Finland for Chinese Communist account. The remainder, most of which were also built in Finland, were for Soviet account. Six of these Western-built ships, totalling 17,000 GRT, have appeared in the China trade.

1/ These figures exclude a considerable construction of smaller vessels, under 1,000 GRT each, and 8 fish factories from Western Germany, of about 2,550 GRT each, which also represented an important supplement to Soviet shipbuilding facilities.

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During 1955 four second-hand ships totalling 24,000 GRT were sold to Poland by Western shipowners. (See Table 25, II, page 57.) Three of these ships totalling 20,000 GRT have been used on the China run.

4. Non-Bloc Repairs to Soviet Bloc Vessels

During 1955, 27 Soviet, Polish, Rumanian, and Czechoslovakian merchant ships were repaired in West European and Japanese shipyards. (See Table 25, III, page 58.) In the majority of cases, these transactions represented extended repairs of one month's duration or longer. During the year, repairs were completed on two Soviet ships which had been in an Italian shipyard for 14 and 19 months respectively. Although in these two cases the long lay-up provided the Soviet with an excellent base from which to observe Italian shipbuilding and NATO operations, such repairs on Bloc ships in Western shipyards also represent an important supplement to Bloc construction and repair facilities which are utilized primarily for the construction and repair of combatant naval vessels. Repairs to Bloc merchant ships in non-Bloc shipyards, as recorded above, represented a 55 percent decrease in the number of ships repaired, compared with 1954.

Table 25

Ships and Services Acquired by the Soviet Bloc from the West during 1955

I. Deliveries to Soviet Bloc of New Ships, from West European Shipyards, 1955 a/

From	To	Name		GRT	Total Ships	Total GRT
Belgium	U.S.S.R.	NIKOLAI OSTROVSKY		1,849		
		NIKOLAI CHERNYSHEVSKI		1,849	2	3,698
Finland	U.S.S.R.	ISKRA	Tkr.	1,178		
		DROGOBITZ	Tkr.	3,259 b/		
		SEVERNAJA DVINA		2,491		
		ELBAN	Tkr.	1,178 b/		
		BASHKIRNEFT	Tkr.	1,178		
		NEFTEGORSK	Tkr.	3,420		
		BALTIJSK		5,454		
		KREKING	Tkr.	1,178		
		ZAPADNAJA DVINA		2,491		
		KANDA	Tkr.	1,178		
		JUSHNIJ BUG		2,300	11	25,305

Footnotes follow on page 59.

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Table 25 (Cont'd)

Ships and Services Acquired by the Soviet Bloc
from the West during 1955

I. Deliveries to Soviet Bloc of New Ships, from West European Shipyards, 1955 a/ (Cont'd)

From	To	Name		GRT	Total Ships	Total GRT
Finland	Communist China	ROSA		2,345		
		RENATA		2,345		
		RITA		2,345	3	7,035
Denmark	U.S.S.R.	REFRIGERATOR NO. 9		1,680		
		REFRIGERATOR NO. 10		1,571		
		REFRIGERATOR NO. 11		1,571		
		REFRIGERATOR NO. 12		1,680	4	6,502
W. Germany	U.S.S.R.	JANA	Reefer	3,782	1	3,782
Netherlands	U.S.S.R.	SVETLOGORSK	Reefer	3,550		
		CHERNIAKHOVSK	Reefer	3,550 c/		
		BALTIJSK	Reefer	3,553 c/		
		ZELENOGORSK	Reefer	3,550 c/	4	14,203
Sweden	U.S.S.R.	KUSTONAJ	Reefer	1,755 c/	1	1,755
		TOTAL			26	62,280

II. Soviet Bloc Purchases, Second-Hand Ships, from Western Europe

New Name	Bloc Registry	Former Name	Former Registry		GRT
ROMALD TRAUGUTT	Polish	ANNAM	Danish	Frt.	6,726 c/
MALGORZATA FORNALSKA	Polish	GIUSEPPE CANEPA	Italian	Frt.	8,396 c/
PAWEL FINDER	Polish	LUCENDRO	Swiss	Frt.	4,924 c/
ZERAN	Polish	LADY BOURDILLON	British	Dredge	3,994
		TOTAL	4 ships		24,040

Footnotes follow on page 59 .

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Table 25 (Cont'd)

Ships and Services Acquired by the Soviet Bloc
from the West during 1955

III. Soviet Bloc Merchant Ships Repaired in Non-Bloc Yards, 1955

Country	Name	Flag	GRT	Period under Repair	
Belgium	TOBRUK	Pol.	7,049	21 Mar. 55 - 19 July 55 c/	
	HEL	Pol.	1,076	30 May 55 - 15 July 55	
	BATORY	Pol.	14,287	9 Sep. 55 - 18 Sep. 55 c/	
	KOSCIUSZKO	Pol.	7,707	26 Sep. 55 - 13 Oct. 55 c/	
			Subtotal	4 ships	30,119
Britain	ALEXANDER SOVOROV	USSR	7,176	16 Apr. 55 - 13 May 55	
	WROCLAW	Pol.	1,740	18 May 55 - 6 July 55	
	ENISEI	USSR	2,205	25 May 55 - 11 July 55	
	JONIS RAINIS	USSR	4,177	2 June 55 - 29 July 55	
	ARCHANGELSK	USSR	5,660	8 June 55 - 27 July 55 c/	
	GDYNIA	Pol.	3,818	8 July 55 - 22 July 55	
	KALININGRAD	USSR	6,067	10 July 55 - 16 Aug. 55	
	REGA Twlr	Pol.	613	6 Oct. 55 - 20 Oct. 55	
			Subtotal	8 ships	31,456
W. Germany	TAMBOV	USSR	2,902	6 Nov. 54 - 24 May 55	
	TUNGUS	USSR	7,194	13 Dec. 54 - 18 Apr. 55	
	EDWARD DEMBOWSKI	Pol.	4,750	25 Feb. 55 - 30 Mar. 55 c/	
	NARWIK	Pol.	7,065	28 Feb. 55 - 29 Apr. 55 c/	
	WARSZAWA	Pol.	6,021	9 Mar. 55 - 8 Apr. 55 c/	
	JULIUS FUCIK	Czech.	5,143	16 June 55 - 14 July 55 c/	
	MIKOLAJ REJ	Pol.	6,514	28 Dec. 55 - c/	
			Subtotal	7 ships	39,589

Footnotes follow on page 59.

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Table 25 (Cont'd)

Ships and Services Acquired by the Soviet Bloc
from the West during 1955

III. Soviet Bloc Merchant Ships Repaired in Non-Bloc Yards, 1955 (Continued)

Country	Name	Flag	GRT	Period under Repair	
Italy	DIMITRI POZHARSKI	USSR	6,267	1 Dec. 53 - 5 July 55	
	DEJNEV	USSR	3,578	24 Feb. 54 - 14 May 55	
			Subtotal	2 ships	9,845
Netherlands	ASKOLD	USSR	7,176	24 June 55 - 12 July 55 c/	
			Subtotal	1 ship	7,176
Norway	IRTISH	USSR	2,300	8 June 55 - 30 Oct. 55	
			Subtotal	1 ship	2,300
Portugal	VTORAYA PYATILETKA	USSR	5,757	24 Mar. 55 - 16 June 55	
			Subtotal	1 ship	5,757
Yugoslavia	TRANSILVANIA	Roum.	6,672	9 Dec. 55 - (Arr. 12.9.55)	
			Subtotal	1 ship	6,672
Japan	ZIRIANIN	USSR	6,476	14 June 55 -	
	DNESTR	USSR	3,580	18 June 55 -	
			Subtotal	2 ships	10,056
			TOTAL	27 ships	142,970

a/ Excluding 8 fish factories from Western Germany of about 2,550 GRT each and vessels under 1,000 GRT each.
b/ Involved in Far East POL movements.
c/ Involved in China trade.

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C. Interior Transport Connections for Communist China's Foreign Trade

1. Interior Transport Connections Utilized During 1955

The railroads continued to be the most significant interior transport connections utilized in Communist China's international trade. Well over 95 percent of the total tonnage of international trade over interior routes crossed the border by rail in 1955. Rail service was available between Communist China and the USSR, North Korea, Kowloon (Hong Kong), and North Vietnam. Very little of China's foreign trade moved by road. In areas where no railroads were available, however, trade moved over roads, and in certain other areas roads were used as a minor complement to railroads which moved the bulk of the trade. Accordingly, small amounts of trade moved by road between China and North Korea, the USSR, Kowloon (Hong Kong), North Vietnam, Burma and India. An important though still relatively small amount of trade moved between China and the USSR by way of the Sungari River. Air transportation was significant in China's foreign trade only for priority shipments of relatively high-value, low-volume strategic and essential materials, and for movement of key personnel. Although traffic by air did not represent a commercially significant tonnage during 1955, such service was available between China and the USSR, North Korea and North Vietnam.

2. Significant Developments During 1955 and Early 1956

During 1955 few major changes have occurred in the pattern of use or availability of interior transport routes connecting Communist China with her neighbors. The most notable changes occurred in Sino-Soviet and Sino-Viet Minh transport relations, as a result of the completion of the Trans-Mongolian railroad across Inner Mongolia and the Hanoi-Nam Quan railroad in North Vietnam. Although the former was not opened to through international traffic during 1955, its availability signifies an appreciable increase in the capability of transport to support Communist China's foreign commerce through Siberia. The Nam Quan railroad, on the other hand, became the principal transport route for conveying the increasing volume of Chinese aid to North Vietnam. The completion of the railroad from Hanoi to Kunming in southwest China (planned for 1956) will provide another route for Sino-Viet Minh traffic, although its primary use probably will be to facilitate the export of Yunnan's mineral resources through the ocean terminal of Haiphong.

a. Railroads

(1) USSR

The appreciable increase in capability to carry foreign trade between the USSR and Communist China which accompanied completion of the

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TO BE INSERTED

Map 1

"Communist China: Railroads and Selected Roads"

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Trans-Mongolian railroad constituted the major development affecting Sino-Soviet transport connections since 1954. While basically completed before the end of 1955, the line was nevertheless not opened for "through" international traffic until January 1956. Meanwhile further improvements were made, including extension of the line as Soviet broad gauge to Chining, Inner Mongolia, where it meets the Chinese standard-gauge system. Moreover, during 1955 an efficient signal system was installed and yard facilities at Chining were expanded and equipped for around-the-clock transloading operation. As a result of these improvements the potential of the Trans-Mongolian railroad for use in international trade may be greater than has previously been estimated.

Concurrently, Communist China has been improving lower-capacity rail lines approaching Chining, and additions of sidings and second tracks on other lines in North China are also provided for in current investment plans -- efforts indicative of the role envisioned for the Trans-Mongolian railroad in Sino-Soviet trade.

(2) North Vietnam

By early 1956 the transport system of North Vietnam, disorganized and severely damaged during the civil war, had been substantially restored and in some respects improved. Construction of the strategic railroad from Hanoi to the border town of Nam Quan (where it meets the Chinese line from Ping-hsiang) received primary emphasis, to facilitate the movement and distribution of increasing material aid from China. With Chinese Communist equipment and technical assistance, the Ping-hsiang line was being used to carry Sino-Viet Minh traffic soon after its completion in February 1955, although it was only officially opened to through international traffic in August 1955.

Capability of the Ping-hsiang line, limited in the previous estimate by insufficient locomotives and rolling stock, has increased substantially since the Viet Minh acquired the railroad equipment left by the French. A further increase in capability could be expected, moreover, if the line were converted from the present meter gauge to Chinese standard gauge as reported to be planned for early completion. The use of Chinese equipment then possible as far south as Hanoi could negate any present limitation imposed by an inadequate Viet Minh locomotive and rolling stock park and by transloading problems.

Reconstruction of the railroad from Hanoi to Kunming in Yunnan, on which track laying was completed to Lao Kay in the border area in April 1956, will further enhance transport capability between North Vietnam and Communist China. It may, in fact, be of greatest importance to the

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Chinese. Fulfillment of plans to restore the partially dismantled section between Lao Kay and Kunming in 1956 would facilitate the exploitation of Southwest China's mineral resources, which could then be transshipped through Haiphong instead of being hauled long distances overland to consuming and export centers in China.

b. Roads

Improvements in the capabilities of some of the roads connecting Communist China with neighboring countries occurred during 1955. In North Vietnam main road links with China and with the connecting network in the Tonkin delta (the only significant transport connections with China in 1954) received considerable attention. Their importance to foreign commerce, however, has not been so critical since restoration of the Hanoi-Nam Quan railroad in February 1955.

The capability to transport foreign trade between Communist China and Burma also was appreciably increased by improvement of the Chinese side of the Kunming-Talo road in 1955. The Burma Road, however, continued to be the main interior connection between the countries, carrying commodities reported to include Chinese exports of 150 tons of brick tea and imports of 2,500 bales of Burmese cotton for Yunnan's spinning mills.

Between India (via Tibet) and China, improvement of the route from Lhasa south to Gangtok progressed to Phari-Dzong. The volume of foreign trade via this route, however, remained negligible during 1955.

c. Inland Waterway

The use and capability of the Sungari River, the only significant waterway connection available for Communist China's foreign trade, has remained substantially unchanged since 1954. For the first time, however, river cargoes of machinery from the USSR and of timber, soya beans, and coal from China have been observed moving on the Sungari. Soviet tankers, previously noticed in Sino-Soviet trade, continued to transport POL from Khabarovsk to Chiamussu on the Sungari, via the Amur River.

d. Air

The only significant developments in air transport since 1954 have been the recent establishment of civil air services between Communist China and Burma and between Communist China and North Vietnam. International air flights provided at present between these areas are very few.

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APPENDIX

A. The Value and Direction of Trade

In the past, [redacted] (EIC-R1 and its supplements 1 through 4) were able to arrive at relatively firm conclusions as to the value and volume of Communist China's trade with the Free World and as to the volume of its seaborne trade with the Bloc. Direct intelligence on the value of China's trade with the Bloc and on the volume of its overland trade with the Bloc has been limited, however, and estimates of these have necessarily contained a larger margin of error. Chinese Communist official trade and budget announcements have been utilized in attempting to arrive at estimates, but the data announced have proven obscure -- expressed usually in terms of percentages and percentage changes, never adequately defined, and often difficult to reconcile. In consequence, intelligence interpretations of these official data have varied considerably from year to year, and it is believed useful at this time to again review such earlier estimates of the value and distribution of annual Chinese trade.

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In 1954 the Chinese Communists reported the value of their foreign trade at 8.487 billion yuan (about $3.45 billion), thus providing the first specific indication since 1950 of the absolute value of their over-all foreign trade. This value was considerably higher than had previously been estimated, and suggested, contrary to former conclusions, that Communist China's foreign trade in recent years has not been in balance, but has involved substantial annual import surpluses -- primarily as a result of deliveries of goods (of which some part was military) financed under unpublicized special Soviet loans or grants, in addition to normal commercial trade.

In 1950 the Chinese Communists had given considerably more specific information on the value of their foreign trade than has since been available. Official data for that year, allegedly from customs returns, showed a detailed percentage breakdown of imports and exports by country and by commodity, which was quite consistent with the (adjusted) trade returns of non-Communist countries. Other Chinese Communist announcements as to the dollar value of their exports in 1950 placed total 1950 trade at $1,082 million (see EIC-R1-S1, pp. 12-13). Later indexes, however, suggest a higher actual level of trade in 1950. One such index (published in a balance of payments analysis and apparently in terms of rubles or dollars) placed 1954 trade at 261 percent of the 1950 level, which figuring backwards would suggest a value of 1950

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trade of $1,320 million. Another index, apparently in terms of yuan, placed 1953 trade at 181 percent of the 1950 level, suggesting a value for 1950 trade of $1,310 million. Data issued in conjunction with this latter index also placed the proportion of Bloc trade in 1950 at 33 percent of the total, whereas the earlier customs data had shown this as 26 percent. Since the customs data clearly did not include all imports -- in particular not including all military imports -- it seems possible that the earlier trade data on 1950 may have subsequently been revised upwards to allow for some of the Bloc's 1950 deliveries of military or other special assistance to Communist China, on a loan or grant basis.

The value of Chinese foreign trade in other years may be computed from certain summary statements in recent Chinese Communist announcements, giving annual percentage changes in over-all trade:

1. 1955 trade increased 30 percent over 1954 trade.
2. 1954 trade increased 4.5 percent over 1953 trade.
3. 1953 trade increased 36 percent over 1952 trade.
4. 1953 trade increased 81 percent over 1950 trade.

All of these percentage figures have been announced since August, 1954, and appear for the most part to have reflected final rather than preliminary trade statistics. These more recent Chinese percentage announcements appear to have been based on the yuan value of trade (as in the case of the 1955 announcement on the absolute value of 1954 trade), rather than on more stable US dollar or ruble measures. No recent percentage announcement has been made as to the increase in Chinese trade from 1950 to 1951. /An earlier announcement had claimed that total trade in 1951 was double that of 1950; but from the timing of the announcement this increase appears to have been related to the original customs valuation for total trade in 1950 of $1,082 million, rather than to the revised 1950 trade figure of 4,486 million yuan ($1,310 million)./

In 1956 the Chinese Communists published a table showing the proportions of their trade with Bloc countries and with the Free World from 1950 through 1953. For 1954 and 1955 comparable figures have been included below on the basis of other independent Chinese announcements (see page 6, EIC-R1-S5, above).

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Table 26

Percentage Distribution of Chinese Trade, 1950-55
In Percent of Total Trade

	1950	1951	1952	1953	1954	1955
USSR	30.89	48.72	57.34	56.34	53.0	55.3
European Satellites	1.99	13.24	19.02	16.58	20.0	20.0
Far Eastern Satellites	0.6	1.32	1.72	2.52	7.0	5.2
Free World	66.52	36.72	21.92	24.51	20.0	19.5

These various data provide the basis for the following over-all estimate of Chinese trade and the distribution of this trade between the Bloc and the Free World, from 1950 through 1955:

Table 27

Estimated Foreign Trade of Communist China
1950-55

Million US $

	1950	1951	1952	1953	1954	1955
Sino-Soviet Bloc Trade:						
USSR	405	1,055	1,630	1,860	1,830	2,480
European Satellites	25	285	540	545	690	900
Far Eastern Satellites	10	30	50	85	240	230
Subtotal	440	1,370	2,220	2,490	2,760	3,610
Free World Trade:	870	795	620	810	690	875
Total Trade	1,310	2,165	2,840	3,300	3,450	4,485

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The division of total trade as between imports and exports remains uncertain. The Chinese Communists claimed an export surplus for 1950 on the basis of customs figures, admitted a substantial import surplus in 1951, and in subsequent years have described their trade as "substantially" in balance. It is believed, however, that there has been a substantial excess of imports in every year, including 1950, partly because intelligence suggests that exports have not been sufficient to have achieved a near balance of trade at the high levels claimed, and partly because recent Chinese Communist budgets have suggested that unpublicized Soviet loans or grants have been made to the Chinese annually, for special purposes. Separate figures for total imports and exports can therefore be estimated only very approximately, as follows:

Table 28

Estimated Value of Communist Chinese Imports and Exports
1950-55

Million US $

Year	Imports	Exports	Total
1950	745	565	1,310
1951	1,265	900	2,165
1952	1,540	1,300	2,840
1953	1,800	1,500	3,300
1954	1,950	1,500	3,450
1955	2,485	2,000	4,485

B. The Composition of Communist China's Imports, 1953-55

Available intelligence does not permit an accurate estimate of over-all Chinese imports by well-defined categories; overland imports from the Soviet Bloc, which have accounted for the bulk of the value of total imports, are particularly difficult to quantify. The composition of imports appears to have altered significantly under the Communists, who have restricted imports of consumer goods in favor of capital goods and industrial raw materials. Only a general summary of over-all Chinese import composition over a three-year period can be presented, based largely on Communist announcements. The following estimate of the general pattern of imports is based on Chinese statements of their import requirements under the First Five Year Plan, on Chinese statements regarding consumer goods imports, on Chinese announcements of materials imported under special loans or grants from the USSR, and on estimated quantities of certain essential raw-material bulk imports (large parts of which have been imported from the Free World).

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Communist China's total imports during 1953-55, the first three years of the Five Year Plan, have averaged about $2.1 billion annually. Their composition has been roughly estimated as follows, in terms of very broad commodity categories:

(1) The Chinese Communists have made a number of general statements regarding their import requirements for basic construction projects under the current Five Year Plan. According to these announcements, funds for the purchase of machinery and equipment comprise 38 percent of the total investment program (42,740,000,000 yuan) for basic construction projects over the period of the Five Year Plan. The Chinese plan to supply 60 percent of the necessary equipment from internal production, and to import 40 percent. This would amount to an import, over the five-year period, averaging $525 million annually for machinery and equipment for basic construction projects -- although the value of actual deliveries in any one year cannot be determined from available intelligence.

(2) The Chinese have announced that imports of capital goods and other means of production accounted for 88.5 percent of total imports in 1954 and for "over 90 percent" of imports in 1955 (probably including military equipment). Reports from observers in China indicate a general scarcity of imported consumer goods under the Communists, tending to confirm the Communist statements regarding restriction of consumer goods imports. It is estimated, therefore, that consumer goods imports have probably averaged about 10 percent of total imports during the past three years, or about $225 million annually.

(3) From various intelligence reports, it is estimated that the Chinese have been importing certain essential raw materials and supplies at rates totalling about $400 million annually; viz: rubber, $60 million; petroleum products, $60 million; drugs and chemicals, $120 million; cotton, $75 million; and other essential raw materials, $85 million.

(4) The remaining $950 million represents other imports reported only in general terms by the Chinese. Included in this category would be vehicles, metals, agricultural and other machinery (not included under the basic construction program referred to above) and miscellaneous raw materials. Also included would be deliveries of military end-items -- a large part of which were under special loan from the USSR, as indicated specifically in the Chinese budget report for 1955 -- and the Chinese acquisition of other materials and facilities under special loan, such as assets of the former Sino-Soviet Joint Stock Companies.

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The breakdown of average annual Chinese imports over the first three years of the Five Year Plan (1953-55) may thus be summarized in very general fashion as follows:

	Million US $
Equipment for basic construction projects (as programmed by the Chinese)	525
Consumer goods	225
Essential raw materials and supplies	400
All other imports (including imports under special loans)	950
Total	2,100

C. Communist China's Exports

Mainland China's exports have traditionally consisted of foodstuffs and raw materials. After the Chinese Communists achieved power and established civil order and a stabilized currency, exports rose sharply from the low levels of 1946-49. Chinese Communist data show exports rising from about $215 million in the first half of 1950, to about $350 million in the second half of the year. It is estimated that exports had reached an annual level of $1.5 billion by 1953 and 1954, representing (taking account of increased prices) approximately the 1928 volume.

The Chinese Communists reported their 1950 exports in some detail, and since 1950 have made fragmentary reports on individual export commodities which provide an indication of the developing over-all pattern of exports, which are estimated approximately as follows for 1950, 1953, and 1955:

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Table 29

Commodity Composition of Communist Chinese Exports
1950, 1953, and 1955

	Million US $		
	1950	1953	1955
Cereals, oils, seeds	210	600	600
Textile fibers, products	80	150	200
Animal products	130	300	400
Miscellaneous vegetable products	65	250	350
Coal, metals, minerals	30	100	150
Other commercial exports	50	100	180
Aid program to North Korea, and North Vietnam	-	-	120
Total	565	1,500	2,000

Exports of cereals, oils, and seeds in 1950, on the basis of the Chinese Communist export returns, are estimated to have included nearly 1,000,000 tons of beans and cereals, 80,000 tons of vegetable oils, and several hundred thousand tons of peanuts and other oilseeds and seed-cake. These exports increased rapidly, reaching a peak in 1953; the Chinese Communists reported total exports during 1950-53 of 6,200,000 tons of beans and cereals and 988,000 tons of vegetable oils. With the development of domestic shortages, the government promised to stabilize exports of beans and cereals at 1,750,000 tons in 1954 and 1955, and to reduce vegetable oil exports from the high 1953 level. The 1954 exports in this category probably were reduced from 1953, but with the good crops reported for 1955 and the continuing evidence of restricted domestic consumption, it seems likely that 1955 exports recovered to at least the 1953 level.

The major items in the announced 1950 exports of textile fibers and products were $23 million of raw wool, $10 million of raw silk, $8 million of wool carpets, and $8 million of embroideries. The exports in these categories are believed to have greatly increased, with the improvement of interior transport and the better organization of these trades. Wool exports reportedly doubled between 1950 and 1954, while reports of silk

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and silk product exports suggest that these reached a $225 million total for 1950-54 (an annual average of $45 million), and $75 million in 1955.

The principal animal products exported in 1950 included $38 million of pig bristles, $27 million of eggs, $13 million of live hogs, and $12 million of furs and skins. The Chinese Communists have particularly expanded their export of meat and eggs. Reports of the purchasing power of exports in terms of import commodities place the exports of frozen pork in 10 1/2 months of 1954 at $62.5 million and planned 1954 exports of canned meat at $10 million; and it is estimated that exports of live animals for food and meat exceeded $100 million in 1954 and $120 million in 1955. From official reports of the proportion of egg production exported, egg exports are estimated at about $70 million in 1954.

Miscellaneous vegetable products include a wide range of food produce exported mainly to Hong Kong, Macao, and Southeast Asia, as well as some major specialty items such as tea and tobacco. Official trade data placed tea exports in 1950 at $19 million, and suggest that total tea exports during 1950-54 may have totalled $110 million. It appears that tea exports have been increasing rapidly in recent years, however, and may have reached a level of about $50 million in 1955. Tobacco exports, negligible in 1950, have been greatly expanded, reaching about 42,000 tons valued at possibly $50 million in 1953 according to Chinese Communist production and trade data.

Exports of coal, metals, and minerals have also expanded, largely to China's Bloc partners. It is believed that expanded production of nonferrous ores (such as tin, tungsten, and antimony) probably enabled exports of $100 million of these items in 1955. In addition, Communist China has exported over 500,000 tons of iron ore annually in recent years, as well as substantial amounts of pig iron, which is in surplus because of an unbalanced relationship between Communist China's present iron and steel plants.

Other exports have included a wide variety of industrial manufactures and handicraft products. Although exports of light industrial manufactures have been increasing in recent years (particularly to underdeveloped countries of South and South East Asia), they are relatively small, Chinese Communist data placing 1954 exports at about $60 million and 1955 exports at about $75 million.

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