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ECONOMIC DEVELOPMENT IN COMMUNIST CHINA:

(POSTSCRIPT): INCREASED SOVIET AID AND A FEW UNVEILED "STATE SECRETS"

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During recent months, the leaders of Communist China have been producing a number of diplomatic, political, and economic surprises. One of their recent economic surprises has been the publication of statistics in real terms, rather than in vague percentages, of over-all national production figures for several major industries,

As I wrote earlier in my reports on Chinese economic development (ADB-7-'54 through ADB-9-'54), most economic statistics in Communist China have been classified as "state secrets" during the past five years, and data on production have been released for the most part in ambiguous percentage figures. Recently, however, the "Report on Government Work," made by Premier Chou En-lai to the September 23 opening session of Communist China's National People's Congress, revealed more important economic facts (or claims) than any document released in recent years by Peking.

The facts (or claims) contained in this document do not alter the general picture of economic conditions, policies, and trends in Communist China, as I described them in my three earlier reports on the subject. But if the figures released are accurate, some of my estimates of Chinese industrial production -- as well as those made by other American and Chinese economic observers in Hong Kong, ECAFE economists in Bangkok, and many students of Chinese economic development -- are too low,

For the record, therefore, I would like to add the most important of these recently-announced statistics to the data contained in my earlier reports.

Premier Chou En-lai, in the first section of his September 23 report, admitted candidly that "the blueprint of the first Five Year Plan is at present not yet complete and final." He also reiterated that "in the period when the State concentrates its efforts on developing heavy industry, the people have to bear some hardships and inconveniences."

He proceeded, thereafter, to put forward the regime's claims of progress during the period 1949-1952. During those four years of rehabilitation, he said, the value of industrial production in Communist China increased at an average rate of 36.9 per cent annually. The first year of the Five Year Plan (1953), he claimed, saw a further increase in the value of industrial output of 33 per cent over 1952.

Turning to 1954, Premier Chou claimed that by the end of this year the total value of the output of modern industries in Communist China would be 4.2 times that of 1949, and that the value of over-all industrial and agricultural output would be 2.2 times that of 1949. More specifically, he revealed the 1954 production targets of eight major industries. According to Chou, the following are this year's targets in these industries:

<u>Industry</u>	<u>1954 production Target</u>	<u>% of 1949</u>
Electric Power	10.80 billion kwh	250
Coal	81.99 million tons	260
Pig Iron	3.03 million tons	1,240
Steel	2.17 million tons	1,370
Metalworking machines	13,513	850
Cement	4.73 million tons	720
Cotton yarn	4.60 million bales	260
Machine-made paper	.48 million tons	450

These figures are really the first ones of their kind which have been published in Communist China since 1949. Some of them are fairly close to estimates which have been made by economic specialists outside of China, after painstaking analysis of the fragmentary data obtainable. Some, however -- in particular the claimed targets for electric power and coal -- are considerably higher than estimates made by non-Communists. Observers in Hong Kong studying Chinese Communist publications, and making production estimates on the basis of economic data hitherto made public have believed that 1954 production of coal might approach 60 million tons and that electric output during the year would be under 6 billion kwh. Premier Chou En-lai's claims are significantly higher than these estimates. To the extent that his claims approach the truth, the problem of fuel and power in Communist China's economic development program is less of a bottleneck, therefore, than many observers have believed -- although there is no doubt that it is still a bottleneck of serious proportions.

How accurate Chou En-lai's claims are is a matter for conjecture, however, particularly in view of the economic difficulties he admits the Chinese Communists have encountered. Chou states, for example, that only 30 per cent of all enterprises in China completed their production plans in every respect during 1953.

Despite admissions of this sort, Chou's general claim is one of success. He asserts that from 1949 to 1954 the proportion of modern industrial output to total agricultural and

industrial output in China has risen from 17 to 33 per cent; that the proportion of "means of production" (capital goods) as a percentage of all industrial production has risen from 28.8 to 42.3 per cent; and that the production of all "state enterprises" (including that of cooperatives and "joint state-private" enterprises) has risen from 37 to 71 per cent of total industrial output.

During the first Five Year Plan (1953-1957), according to Chou, about 600 "important industrial units" are to be "built or improved" in Communist China. The "sinews" of industrialization will be 141 Soviet-aid projects, "most" of which will be completed by 1958.

This year, Chou said, 300 "important industrial projects" will be "improved, newly built or continued under construction," and 51 will be "completed." Chou now claims that of the 141 Soviet-aid projects, 17 are already "wholly or partially completed," 34 are "under construction," and the rest are in the blueprint stage.

In terms of investments, Chou states that during the past five years, JMP 328 trillion (close to US\$14 billion, at official exchange rates) have been invested in "economic construction" in Communist China.

Turning to agriculture, Chou says in his report that this year China's floods (officially admitted to be the worst in over a century) inundated "about one-tenth of the farmland of the country, totaling over 160 million mow" (26.6 million acres); but he then asserted that this year's agricultural output will "exceed that of 1953," even though "agricultural production also will not be able to fulfill the plan."

Plans for collectivization proceed apace, despite flood disasters. Already, Chou states, 100,000 agricultural producers' cooperatives have been organized; it is hoped that by next spring 500,000 producers' cooperatives, containing ten million peasant households, will have been formed; and the 1957 target is to bring over one-half of the farming households and over one-half of the total cultivated land in China into such cooperatives.

These facts and figures do not significantly alter the picture of economic conditions in Communist China already pieced together by non-Communist economic specialists outside of China. Premier Chou En-lai's report confirms, in fact, the general conditions and lines of policy already known. The figures released do indicate, however, that the Chinese Communists may have made more progress in a few fields -- most specifically in industrial power -- than was generally believed. And they also show that although flood damage in Communist China has been extremely serious, the pace of agricultural collectivization has been speeded up rather than slowed down. Peking's leaders continue to press for austerity, industrialization, and step-by-step socialization in both the cities and the countryside.

Communist China's ability to carry through its economic plans has probably been improved somewhat by a series of new Sino-Soviet economic agreements recently concluded in Peking between a high-powered Soviet delegation (headed by Khrushchev, First Secretary of the Central Committee of the Russian Communist Party) and top Chinese leaders. On October 12, Sino-Soviet joint declarations were released in Peking revealing that Port Arthur is to be returned completely to China; four Sino-Soviet joint stock companies (companies to exploit nonferrous metals and petroleum in Sinkiang, to build and repair ships in Dairen, and to operate civil airlines in China) are being transferred to exclusive Chinese control; "scientific and technical cooperation" between Russia and China is to be extended; and the U.S.S.R. is to help China build the Lanchow-Urumchi-Alma Ata Railway (the Sinkiang line, linking with the Russian's Turkish-Siberian line at Alma Ata) and the Chining-Ulan Bator Railway (the Mongolian line, linking with a line to Russia at the Outer Mongolian capital of Ulan Bator).

Even more important, perhaps, an agreement was concluded under which the U.S.S.R. will grant another "long term credit" of 520 million rubles (officially the ruble is worth US\$0.25, but actually it is worth considerably less) to Communist China; will grant "assistance" to China on 15 additional industrial enterprises (added to the 141 previously announced); and will increase "by an amount valued at more than 400 million rubles the supply of equipment for the 141 enterprises covered in the previously signed agreement."

These October 12 agreements are a significant sign of closer Sino-Soviet economic cooperation. The amount of financial aid to China from the U.S.S.R. is still fairly small, however, and the aid still consists of loans rather than grants. The 1950 Soviet loan of US\$300 million is scheduled to expire this year, and if the original agreement is not changed the Chinese Communists must send the first of ten annual installments to repay the loan by December 31 of this year. The new loan -- which in terms of official Soviet exchange rates amounts to only US\$130 million, and in terms of real value is much less than this -- will help the Chinese Communists, but it will not begin to solve Peking's financial problems. Communist China still must find ways and means to pay for most of the "aid" from the U.S.S.R., and to this end new moves have recently been made in China's domestic austerity program to control and ration basic commodities, limit consumption, and increase exports.

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