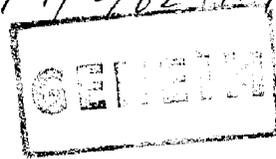


17 februari 1959

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Land:

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Onderwerp:

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Referenties:

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Bron:

Van bevriende zijde.

Opmerkingen:

Verzonden aan:

de Minister van Buitenlandse Zaken.

Aan Zijne Excellentie Prof. Dr. L.J.M. BEEL
Minister-President

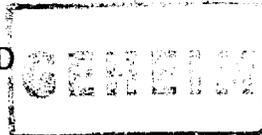
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17 February 1959

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REVIEW: CHINESE COMMUNIST TRADE WITH THE FREE WORLD



Communist China's trade with the free world, which is often conducted with political objectives in mind, has increased from 26 percent of Peiping's total trade in 1954--after the Korean war--to 38 percent in 1957, when it was valued at \$1.16 billion. It is expected to amount to nearly \$1.3 billion this year, out of China's planned \$3.5 billion worth of foreign trade.

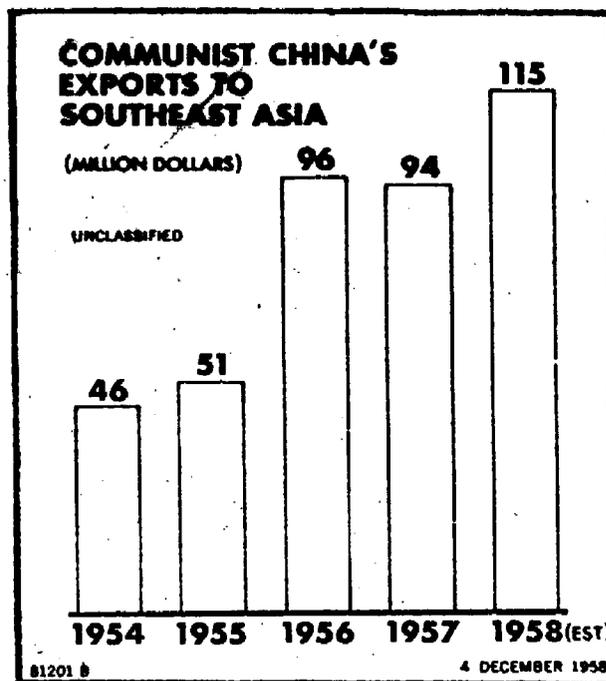
Far East: At least half of China's trade with the free world is with the Far East and Southeast Asia, where potential markets for expanding light industrial exports exist. China's exports to these areas have consistently exceeded imports, earning foreign exchange for Peiping's purchases in Western Europe. Hong Kong and Japan normally account for half of China's Far East commerce.

During the early period of the Chinese Communist regime, Hong Kong served as an entrepot for goods from Western Europe. Now, as a result of establishment of direct trade relations with Europe, China's imports from the colony have fallen from more than \$250,000,000 in 1950 to only \$20,000,000 last year. On the other hand, Peiping's sales have gradually increased to the point where it now earns more than \$150,000,000 in sterling annually from its export surplus with Hong Kong.

Trade with Japan was insignificant until 1954, when China stepped up exports of agricultural commodities and raw materials. At the same time, but to a lesser degree, Peiping increased imports from Tokyo and by early this year trade was nearly balanced. While China has found a relatively fertile export market in Japan, its purchases from that country have been made partly from the desirability of maintaining a balance of trade. Japan's high production costs make its prices for steel and fertilizer comparable to identical goods from Western Europe, but it is a nearby source for emergency purchases--as in 1956 when immediate demands for cement were fulfilled rapidly. Japan's payments in sterling for its import surplus have provided China with about \$185,000,000 in foreign exchange to help meet its trade debts in Europe over the past eight years.

China presumably will not be greatly affected over the long run by its cancellation of trade with Japan last spring. Trade contacts are in fact being maintained through Hong Kong. Indirect trade by September had amounted to \$4,000,000.

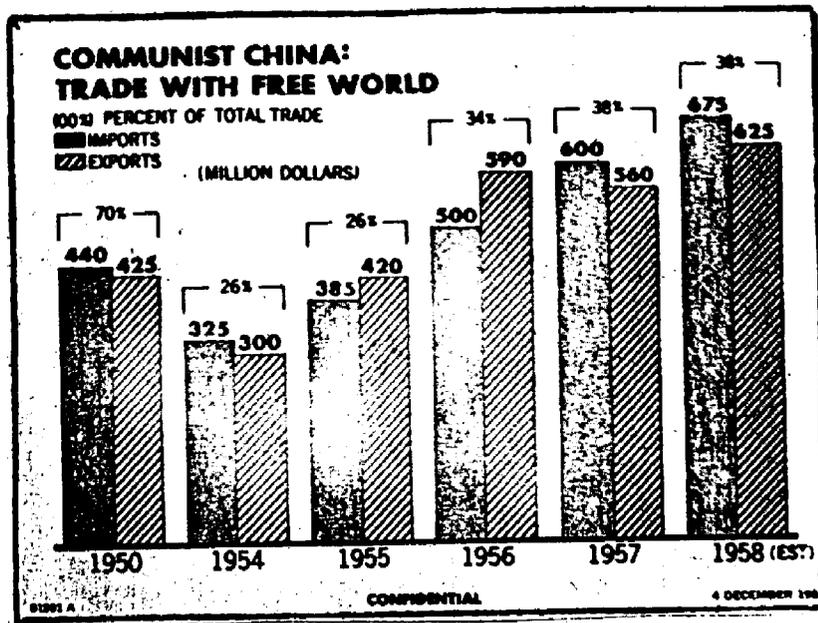
Southeast Asia: Peiping has been able to further the impression through trade in Southeast Asia that China is the industrial giant of the Far East. It has captured a growing share of markets for light industrial goods, particularly in Indonesia and Malaya, despite a general reduction in demand for these goods as a result of depressed economic activity in the area. The large Overseas Chinese population in Southeast Asian countries has assisted Peiping in introducing its consumer goods.



The Bank of China branches in Southeast Asia supply Peiping with commercial intelligence and provide easy credit terms for importers of Chinese goods. Peiping offers products at prices as much as 10 to 20 percent below those prevailing in the current market, and has reportedly offered rebates to merchants to compensate for import taxes. The Chinese effort is not limited to exports. Communist China diverts its rubber purchases from one source to another in order to develop internal pressures for increased economic relations with Peiping.

The Singapore press reports that China now is banning all exports to Malaya, probably in retaliation for Malaya's announced intention to close branches of the Bank of China. Peiping presumably hopes that Malayan merchants, who received loans and financial concessions from China, will press the government for an accommodation with Peiping. Peiping may also decide to withdraw from Malaya's rubber market where, in the first eight months of 1958, Peiping almost doubled its total 1957 purchases. The cancellation would be a temporary set-back to China's program for economic penetration. It is likely that some trade with Malaya would continue through Singapore.

Exploiting Indonesia's anti-Western attitude and disrupted economy, Peiping has secured a firm foothold through long-term commercial credits, loans, and emergency food shipments. In 1957, China supplied over 70 percent of the cotton cloth purchased by Indonesia. To assure retention of this market, Peiping is delivering on long-term credit cotton textiles equal to 25 percent of its sales in Indonesia last year. China has offered to supply textile machinery and is exporting rice to Indonesia on credit. The Bank of China in normal commercial transactions with Indonesian importers arranges to provide importers of Chinese goods with the 100 percent deposit now required to obtain import licenses. Peiping also offers contracts quoting fixed prices for future deliveries, at a time of wildly fluctuating commodity prices.



In other parts of Asia, China uses credit programs and trilateral trade deals to introduce increasing quantities of its goods in return for surplus agricultural commodities. A loan to Cambodia enabled a wide variety of Chinese consumer goods to be exported. Textile equipment continues to be delivered to Burma, and cement factories have been offered to Pakistan. India is importing, for the second year, a variety of Chinese chemicals and newsprint. China is offering industrial raw materials and light manufactured goods to secure a permanent place in the Ceylonese market. New direct shipping lines from New Zealand and Australia to the mainland are beginning to stimulate trade between these areas.

Western Europe: China's imports from Western Europe, mostly nonstrategic goods, showed sudden increases in the last half of 1956 and in the last part of 1957, as a result of "exception" procedures to trade controls and the subsequent relaxation of these restrictions. Increased direct purchases of iron and steel--totaling about 125,000 tons in 1957--usually purchased and transshipped via Eastern Europe accounted for most of the recorded increases in shipments of strategic goods. About 1,000,000 tons of iron and steel have been bought in Western Europe this year, reflecting, in part, the cancellation of planned purchases of 400,000 tons from Japan in 1958.

Peiping's trade with individual countries of Western Europe has been subject to wide fluctuations, resulting from political considerations and variations in China's economic planning. It is common Chinese practice to withhold trade contracts until a foreign trade delegation arrives in Peiping in order to propagandize the accomplishments of such missions.

West Germany and the United Kingdom normally account for 50 percent of China's trade with Western Europe. Sino - West German trade has grown rapidly in recent years. It is stimulated this year by China's purchase of over 300,000 tons of steel plates. China's imports from the United Kingdom during the first nine months of 1958 were 75 percent higher than during the same period in 1957. These imports consist chiefly of metals, wool tops, and machine tools.

Trade under the initial agreements signed with the Scandinavian countries in the latter part of 1957 may increase China's trade deficit in Western Europe.

Other Areas: Peiping established its first economic tie with Africa in 1955 by concluding a trade agreement with Egypt. China now conducts \$100,000,000 worth of trade annually with 14 African countries, having official trade pacts with four. Peiping's purchase of Egyptian cotton, amounting to about \$42,000,000 in 1957, has kept Sino-African trade balanced. China is now insisting on barter agreements with those trade partners with whom it has had trade deficits, while its current trade drive elsewhere in Africa is primarily to seek markets for its own goods.

Although the American embargo has virtually eliminated trade with China's former major trading partner in the western hemisphere, Peiping is increasing its efforts to expand relations with Canada and Latin America. China's purchases of Canadian wheat amount to over 100,000 tons this year--ten times greater than last year. In Latin America, Peiping is stepping up imports of Brazilian sugar and exporting large quantities of coal to Argentina. Trade with Latin America probably will reach a new peak this year and may total \$50,000,000.

Communist China's growing import requirements from the industrial West are largely balanced by its growing trade in underdeveloped areas where its export balance provides the necessary foreign exchange.