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The objective of international trade for a market economy is to reap the benefit of specialization in the line of industries in which it has a comparative advantage and then exchanging the products for imports at favorable terms of trade. In contrast, international trade for a planned economy such as China is only a mean of fulfilling an overall economic planning while, in principle maintaining the posture of self-reliance.¹

More specifically, China's economic planners aim for various economic targets, usually within the framework of their successive five-year plans. When a domestic bottle-neck appears to prevent them from attaining these targets, manifested in such factors as lack of materials and specific machines, it is to be overcome, or at least eased, through importation of said materials and machines in shortage. Exports then become a necessary cost for financing these imports in order to fulfil the goals of an overall economic plan.²

The role of trade as one aspect of overall economic planning does not imply that trade, once its size is pre-determined, will be carried out without disruption or without adjustment. Ideological disputes between political factions within China, or natural disasters, for example, can suddenly reduce the size of her trade. On the other hand, occasional bumper crops or surpluses can enhance the size of her trade, without altering the principle stated above. As China's contacts with the rest of the world, through trade, have been increasing, it is essential to understand her trade apparatus and ideological disputes in China concerning the course of her economy and trade. Only then one can discern the pattern of her trade and trade performance of China as well as her future course of actions in international trade.

(1)

I. China's Trade Apparatus

The administrative organization through which foreign trade is conducted in China is the Ministry of Foreign Trade, which has a close working relationship with the Ministry of Finance in matters of payments. Since China's trade is an integral part of her overall national economic plan, the Ministry of Foreign Trade also has a close coordinating relationship with the National Economic Commission and the National Planning Commission (Figure 1).

The Ministry of Foreign Trade consists of the following fifteen offices: International Trade Research Institute; First through Fifth Bureau, each specialized in the geographical areas of the world;⁴ Import; Export; Planning; Personnel; Accounting; Customs Office;⁵ Commodity Inspection; Industrial Plants; and Trade Corporations (Figure 2).

The Trade Corporations Office, in turn, has nine corporations of individual products and four corporations supportive for international trade under its supervision. These corporations are: native and dairy products, technology, industrial products, textiles, edible oil and foodstuffs, chemicals, metals and minerals, machinery, complete plants: ship charter, maritime transportation, foreign office, and trade transportation. The Trade Corporations Office has four branch offices in Hong Kong.

Each corporation is an independent accounting unit and enjoys a substantial degree of administrative autonomy in its field. Since the corporation is in the position of monopoly and monopsony, foreign firms are considerably disadvantaged in trade negotiations.

Bsides the Ministry of Foreign Trade and its subordinate trade corporations, there is an extra governmental organization, the China Council for Promotion of International Trade (CPIT). Although this is nominally a "non-governmental" organization, it has a close working relationship with the Ministry of Foreign Trade. It holds trade fair in various parts of China such as Canton and Shanghai; sends trade representatives abroad and receives foreign counterparts; and exchanges information on markets and products with similar organizations and business firms in other nations. This organization, by circumventing governmental contacts, has been

instrumental in promoting trade with those countries where China has no formal diplomatic relationship.

The CPIT has two commissions established to settle trade disputes with foreign countries; the Foreign Trade Arbitration Commission, whose arbitration is binding and applies to the parties whose contracts have a settlement provision, and the Maritime Arbitration Commission which acts as a Court of Admiralty and whose judgment is non-binding.

Besides these trade organizations, the Ministry of Finance has a close relationship with the Ministry of Foreign Trade in the matter of payments through the People's Bank of China and the Bank of China.⁶ Handlings of foreign exchange are centralized at the People's Bank of China which purchases all foreign currencies "earned" by the Bank of China at a fixed exchange rate, and in turn, it allocates them according to import priorities established by the State Council and carried out by the Ministry of Foreign Trade. Actual foreign exchange transactions, however, are delegated to the Bank of China, which has many regional offices throughout the country and branch offices in some foreign cities such as London, Singapore, Hong Kong and Karachi. The Bank of China also has a correspondent relationship with many foreign banks.

With regard to international settlements, China uses different methods depending upon the trading areas. With respect to the Soviet Union and the East European countries, it uses the ruble for accounting purposes, but actual clearance is made by commodity transfers in the following accounting period to obviate foreign currency requirements. However, China uses the renminbi (RMB) in accounting trade with Communist countries and some non-Communist countries in Asia (*e.g.* Hong Kong) and Africa (*e.g.* Tanzania and Zambia).⁸

Accounts with Western European countries are mainly settled by the bound sterling, Swiss franc, and German mark. The exchange rate applied is determined by the cross rate between the Swiss franc and the currency of the trading partner, using the yuan-Swiss franc rate as the basis for conversion.⁹

Although the "parity" rate between the yuan and Swiss franc is arbitrarily fixed by the People's Bank of China, it is said to be

quite stable because of China's policy and accomplishment of minimizing imbalances in its balance of payments. This balance in turn is attained through the exchange control. However, the yuan rate cannot be entirely severed from the influences of the currencies of the market economies as long as other currencies are fluctuating and as long as cross rates are used to determine the exchange rate between the yuan and particular currencies. This explains why China has tried to avoid transactions in pounds since the latter's devaluation in 1967, and to sign contracts in the renminbi to avoid exchange losses. To some extent, this effort has been successful; dozens of countries have reached agreement with the Bank of China on yuan-based settlement.¹⁰

It is noteworthy that the Bank of China also engages in forward contracts to hedge on foreign currencies up to six months. However, fees are collected only on forward sales of the renminbi, but not on the purchase of the same. This may indeed reflect the strength of the renminbi although its use in international transactions is still very limited.

II China's Trade and Ideologies

Despite its policy of self-reliance, China expressed its interest in foreign trade even before the People's Republic was formally established in 1949: China would trade with all countries on the bases of "equality, mutual benefit and mutual respect for territorial integrity and sovereignty."¹¹ The Common Programme adopted in 1949, which was to become the foundation of the Constitution of China, incorporated, in Article 37, her desire for foreign trade. As recently as 1972, China's delegation to the United Nations Conference on Trade and Development, held in Santiago, Chile, reiterated her interest in trade on the basis of the Five Principles.¹²

Historically speaking, China's trade has been closely related to the overall performance of her industrial and agricultural production. The overall performance, in turn, has been subject to at least two factors: One is the ideological struggle within China; the other is climatic conditions since China still depends predominantly on agriculture and light industries that use agricultural raw materials

The surge in trade in 1958-59 during the Great Leap Forward belongs to the former example and the large grain imports of 1971-73 belong to the latter example (Tables 1 and 2).

Subsequently, trade dropped sharply due to various factors including : the collapse of the pent-up efforts of the Great Leap Forward through which the policy of industrialization-at-any-cost was carried out by the "radical" elements ; and the Sino-Soviet ideological disputes which culminated in the sudden and complete pullout of the financial, technical, and personnel aid provided by the Soviet Union. The drastic effects of these two events were only strengthened by the adverse weather conditions of 1959-61. During and after this period, trade was set back by ten years and did not recover to the previous level of 1954 until 1963.

The subsequent period was led by the "moderates" in China. The excess of the industrialization-at-any-cost was realized, and the importance of laying a firm economic foundation based on agriculture and promotion of light industries for capital accumulation-before venturing on to heavy industries—was stressed. Favored by good weather conditions and readjustment in industry, trade also increased until 1966. Then the Great Proletarian Cultural Revolution was staged by the "radicals" during 1966-69, and industrial and agricultural production — as well as trade — in 1958 decreased to the level of 1958.¹³ However, disruption in production and trade during this period was not as drastic experienced in the Great Leap Forward. This was due in part to favourable weather throughout most of 1960's and particularly to the industrial foundation which had been laid, ironically, with the aid of the Soviet Union during the 1950's.

The post-Cultural Revolution saw a resumption of the disrupted economic planning in the form of the Fourth Five-Year Plan. China outwardly looked normal and renewed their efforts for economic growth. She established a membership in the United Nations in 1971 and responded to the diplomatic overtures of the United States in 1972. The country "reopened" the door to international trade, exemplified by the huge grain imports in 1971-73 and a large purchase of industrial plants in 1973-74. Indeed, a mood

of optimism began to prevail in the world with respect to trade with China.

However, behind the scenes, the ideological struggle continued. Chou-En-lai made a speech at the 4th People's Congress in 1975 and proposed the program of the Four Modernizations (namely modernization of four sectors : agriculture, industry, national defence, and science and technology) to make China one of the world's leading industrial nations by year 2000. Although the proposal was accepted unopposed, the crux of the matter was how to achieve these objectives. The radicals stressed self-reliance and ideological purity while the moderates emphasized achievement of rapid industrialization through imports of industrial plants and technology and stressed economic efficiency.¹⁵ As the ideological struggle intensified, an element of uncertainty was thrown into the "Line Struggle"... the struggle for setting the course of the nation...and coupled with the devastating effects of the Tangshan earthquake of 1976, the growth of trade and industry slowed during 1975-76.¹⁶

It is a long-standing Chinese principle that one cannot separate politics and economics. In a somewhat altered context, this applies to industrial and trade performance of China. It is important to note that any analysis of the Chinese economy which lacks a minimum reference to the internal political situation, or more broadly, a minimum understanding of ideological struggle, will reduce itself to a technical analysis deprived of the real context of China.

III. China's Trade Performance

China inherited its trade structure from the pre-revolutionary era which favored non-Communist countries as trade partners. However, its ideological orientation clearly preferred trading with Communist countries and changes in the course of trade were soon to come. The advent of the Korean War and the earlier establishment by the Western countries of the International Coordinating Committee on Strategic Trade with Communist Countries (COCOM)¹⁷ and its stricter version as it applied to China (China Committee or CHINCOM) ; the threat of invoking provisions in the U. S. Battle Act ; together with the total trade embargo by the United States under the Foreign Assets Control Regulation, only

hastened the redirection of China's trade from the Non-Communist countries to the Eastern Block, particularly the Soviet Union.¹⁸ By 1955, China's trade with the Eastern Block reached the record high of 74.1%, three quarters of which was with the Soviet Union, as compared with trade with the non-Communist countries, which accounted for only 25.9% (Table 2).

The year 1955 was the turning point for China's trade with Communist countries, for China began to redirect its trade away from the Eastern Block to the non-Communist countries. The ideological rift with Russia and the end of the Korean War contributed toward this trend. By 1963, China's trade with the West finally surpassed that with the East. The drift away from the Eastern Block continued unabatedly until, in 1974, the share of trade with the East hit the lowest recorded figure of 14.8%. Since 1974, China's trade with the Communist countries has recovered slightly in proportion, but its trade with the non-Communist countries still remain as high as 80.3% as of 1976.

The balance of trade of China has been mostly favorable for China. Since the trade sector is a part of the overall economic planning, any deficit incurred in one year can be quickly corrected in the following year by controlling imports through exchange restrictions and by stepping up its supply of exports and export stocks. Thus, excluding the early years of 1952-55 when China imported heavily for her efforts of the post-Korean War recovery by "leading on one side" towards Russia and when its deficit with that country was met by extension of credit by Russia, China suffered deficits only in three years: in 1960 (approx. \$70 million), 1967 (\$50 million) and 1970 (\$210 million). Throughout their course of trade, China scrupulously declined purchases of imports on credit (except credit from Russia in early years) as a matter of principle.

However, during 1971-73, and again in 1975-76, China bought a large quantity of grain from Canada, Australia and Argentine (as well as from the United States) on credit to make up for their poor crop harvest and thus broke the principle for the first time since the 1950's. The end of the Cultural Revolution restored the semblance of normalcy, and China's attempts for industrialization continued despite the ideological struggle from within. During 1973-74, China

embarked on a large purchase of industrial plants, mainly in chemicals, steel, fertilizers and electrical generators, many of which were purchased on credit. As the result, China's balance of trade recorded deficits for the three consecutive years of 1973-75, the largest of which occurred in 1974 and totalled \$1.3 billion (Table 3). However, a surplus of \$1.2 billion was recorded in 1976, thereby quickly restoring its balance of trade to normalcy and at the same time showing the agility in her balance of trade adjustment,

In 1976, among the non-Communist countries, 56.7% of China's trade was with industrial countries; Japan led the other countries (27.8%), followed by West Germany (8.4%), France (5.1%), the United States (3.1%), and Canada (6.8%). Another 21.5% represents China's trade with other Asian countries (Table 4).

While Russia has come to understand the benefit of multinational trade, at least within the COMECON area,¹⁹ China in principle still adheres to bilateral balance. In practice, however, China has flexibly applied the principle. Thus, China is largely in deficit with industrial countries, which is offset by her surplus vis-à-vis Asian and African countries, particularly Hong Kong, Singapore and Malaysia.

IV. Prospects for Sino-U. S. Trade

As we saw earlier, Japan is by far the most important trading nation from China's viewpoint, involving 27.8% of its trade as of 1976. In contrast, the United States ranks only distant fourth, lagging behind West Germany and France and accounting for a mere 3.1% of China's total trade with the Western countries. However, the prospects of Sino-U. S. trade merits special attention because of its profound implications on the East West trade.

In four short years, Sino-U. S. trade grew from literally zero in 1970 to its peak of \$930 million in 1974 (Table 4). It is no wonder that the world judged this a honeymoon period not only in the trade area, but in the political relations which were established between the two nations.

However, in recent years, United States trade with China has considerably decreased from the peak of 1974. The total declined to \$475 million in 1975 and \$357 million in 1976 (Table 5). Besides

the decrease in grain exports in 1975-76, there are many reasons for this decline in trade. First, the United States' shopping list from China is very limited. The foodstuffs and light manufacturing products China can offer are either not to the tastes of the United States or available elsewhere from its traditional trading nations. Also, the United States, though increasingly dependent on foreign sources, has its own mineral resources and does not rely on the limited supply China can offer. Second, despite the fact that the United States has good potential for wheat and other grains, and despite the fact that it actually sold a large quantity of wheat to China in 1973-74, it must nevertheless compete for sales to China with other producers such as Canada, Australia and Argentina.

Third, the United States is the only major nation which has not established a diplomatic relationship with China. China often considers preferentially those countries which have a diplomatic relationship with her. For instance, when purchasing wheat in 1975-76, the United States was not accorded the opportunity to sell grain to China: since China's need for foreign wheat was not as in pressing as 1973-74, diplomatically friendly nations were accorded the contract.

Last, not least, it is true that the United States has progressively eased its trade restrictions with China since 1969. when travel to China was liberalized, until, finally, in 1972. restrictions on imports from China were totally removed. As of 1977, theoretically, no trade barriers exist between the two countries save a few strategic export items in the COCOM list.

However, one should not confuse unilateral dismantling of trade barriers with an automatic increase in trade. Mutual distrust between the United States and China that has been cultivated in both countries since the emergence of the People's Republic is still too deep to overcome overnight. Also, the problem of settlement of the frozen assets in both countries is still to be solved. And until this solution is effected, mutual depositing of currencies for merchandise transactions or use of air carriers or ocean transportation are all but impossible.²¹ Another problem still pending is the mutual application of the most-favored-nation clause. This problem

is unlikely to be solved until a full diplomatic relationship is restored. Availability of credit from the U. S. Export Import Bank is another matter still to be resolved.²²

Conclusion

Despite the political and ideological turmoil and resulting disruption in economic activities, China has achieved respectable economic growth. According to a report, China attained an annual growth rate of 5.6% in GNP, 2.4% in agriculture, 10.5% in industry, and 3.4% in per capita income during the period of 1953.74²³ With China ideologically focusing on increased economic development, the expected developments include : modernization of agriculture, industry and national defence ; raising the level of science and technology ; upgrading her transportation networks ; implementing programs of making the six geographical areas reasonably self-sufficient ; and favoring international trade to achieve these goals.

However, in predicting the future trend of China's international trade, one must be cautious of being too mechanical in applying any form of prediction.²⁴ Its trade as well as agricultural and industrial performance can be thrown off balance in any particular year because of political and ideological struggles in China, policy decisions or their alterations, or natural disasters that beset China so often.

In assessing the performance and perspectives of China's trade, it is important to keep in mind that China does not trade because of the benefit of trade based on specialization in production per se. Rather, China's objective of trade is to acquire necessary raw materials, machines and equipment that required to fulfil its overall economic plan.

In the light of China's current policy course for modernization of agriculture, industry, national defence, and science and technology on one hand, and the constraint of its foreign exchange holdings on the other, how much China's trade can increase depends crucially on its ability to export natural resources, especially petroleum.²⁵

With regard to Sino-U. S. trade, a number of constraints exist. The lack of the U. S. shopping list and rivalry with other grain

producing countries is one. Establishing a diplomatic relationship, with its concomitant freer flow of trade information and mutual settlement in the frozen assets is another. The timing and method of extension of the most favored-nation clause and export credit to China are also problems yet to be solved. China's stated policy of diversifying its import source and not depending too heavily on a few countries for any specific item—a lesson she learned from her experience with the Soviet Union—must also be kept in mind.

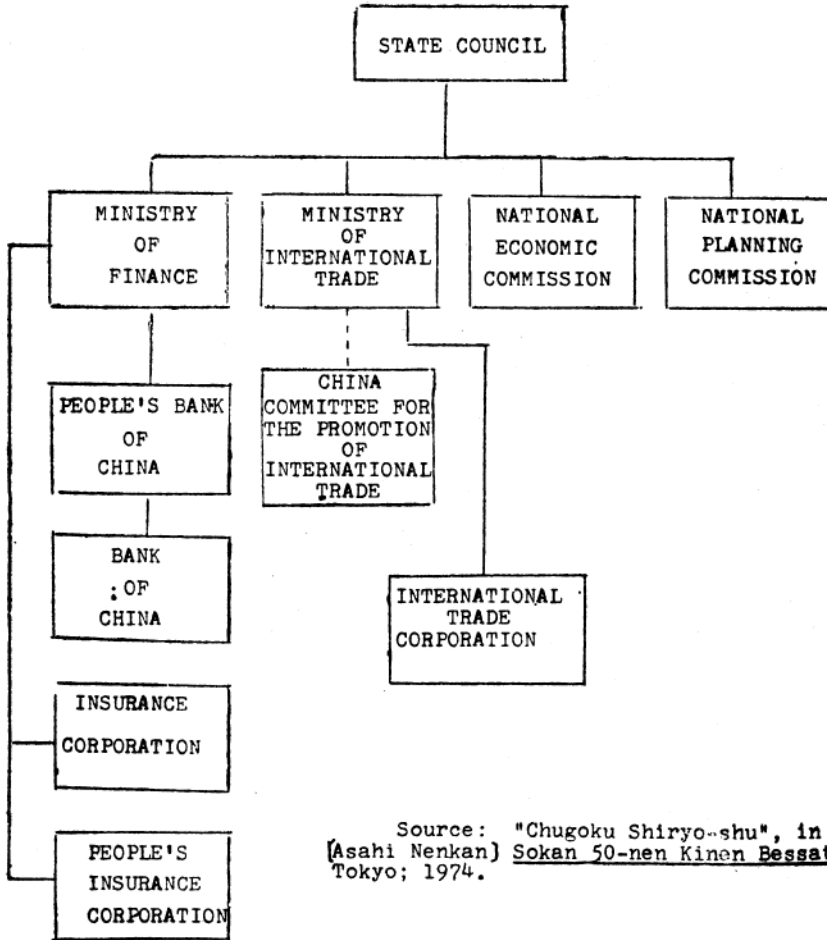
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APPENDIX

Figure 1

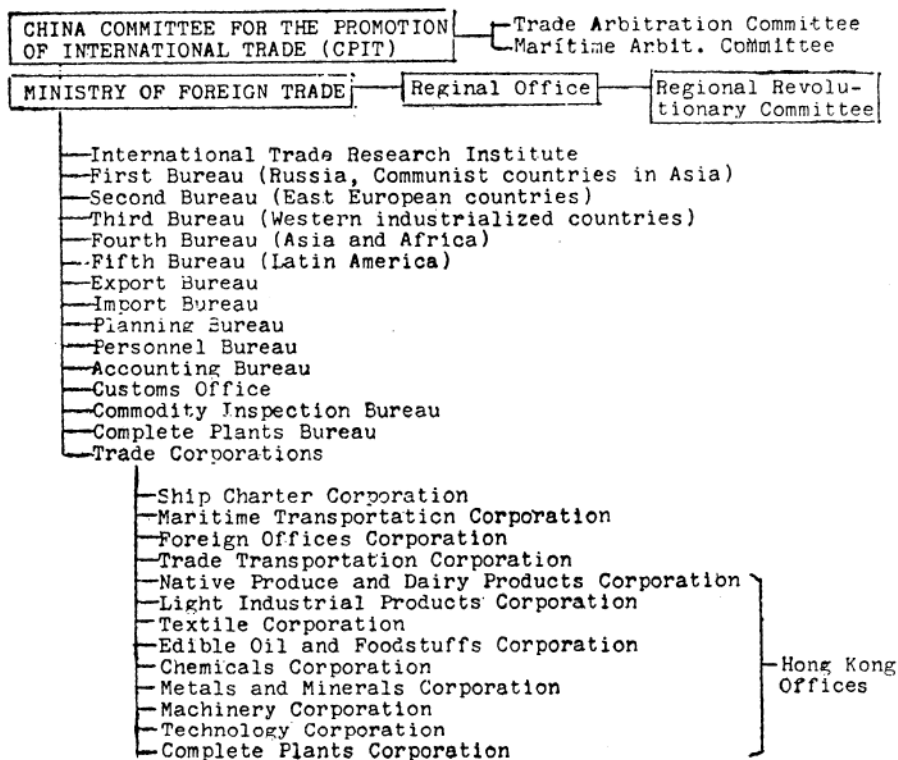
China: Organizational Chart for International Trade-I



Source: "Chugoku Shiryo-shu", in [Asahi Nenkan] Sokan 50-nen Kinen Bessatsu, Tokyo; 1974.

Figure 2

China: Organizational Chart for International Trade-II*



*Constructed on the basis of information from various sources including U.S. Congress Joint Economic Committee, China: A Reassessment of the Economy, Washington, D.C., July 1975.

TABLE 1

Chronology of China's Political and Economic Events, 1949-1977

Reconstruction Period	1949	The establishment of the People's Republic
	1950	
	1951	The Korean War
	1952	
First Five Year Plan	1953	
	1954	
	1955	
	1956	Let-Hundred-Flowers-Bloom
	1957	
Second Five Year Plan	1958	
	1959	The Great Leap Forward
	1960	Sino-Soviet disputes and the Russian pullout
	1961	Natural disasters (1959-61)
	1962	
Third Five Year Plan	1963	The Economic Readjustment Period
	1964	
	1965	
	1966	
	1967	The Great Proletarian Cultural Revolution
	1968	Downfall of Liu Hsia-chi
	1969	
	1970	Reestablishment of Econ. Planning, the Lin Piao Incident
Fourth Five Year Plan	1971	U.N. membership, large grain imports (1971-73)
	1972	The Shanghai Communique
	1973	Large complete-plant imports (1973-74)
	1974	The Four Modernizations
	1975	
Fifth Five Year Plan	1976	Readjustment of Econ. Planning, the Gang of Four
	1977	
	1978	
	1979	
	1980	

Source : U.S. Congress, Joint Economic Committee, *ibid.*

TABLE 2
 China's Trade with Communist and Noncommunist Countries—1950-1976
 (In Million of Dollars)

Year	Total Trade Amount	Communist Countries		Noncommunist Countries		China's GNP*	
		Amount	%	Amount	%		
1950	1 210	350	28.9	860	71.1	49	
1951	1 900	970	51.3	920	48.4	56	
1952	1 890	1 315	69.6	575	30.4	67	
1953	2 295	1 555	67.8	740	32.2	71	
1954	2 350	1 735	73.8	615	26.2	75	
1955	3 035	2 250	74.1	785	25.9	82	
1956	3 120	2 055	65.9	1 065	34.1	88	
1957	3 965	1 055	64.3	1 090	35.7	94	
1958	3 765	2 380	63.2	1 385	36.8	113	
1959	4 290	2 980	69.5	1 310	30.5	107	
1960	3 990	2 620	65.7	1 370	34.3	106	
1961	3 020	1 685	55.8	1 335	44.2	82	
1962	2 675	1 410	52.7	1 265	47.3	93	
1963	2 775	1 250	45.0	1 525	55.0	103	
1964	3 220	1 100	34.2	2 120	65.8	117	
1965	3 880	1 165	30.0	2 715	70.0	134	
1966	4 245	1 090	25.7	3 155	74.3	145	
1967	3 895	830	21.3	3 065	78.7	141	
1968	3 765	840	22.3	2 925	77.7	142	
1969	3 890	785	20.3	3 075	79.6	157	
1970	4 220	825	19.5	3 395	80.5	179	
1971	4 720	892	18.9	3 828	81.1	190	
1972	5 920	1 145	19.3	4 775	80.7	197	
1973	10 190	1 708	16.9	8 382	83.1	237	
1974	13 950	2 069	14.8	11 881	85.2	283	
1975	14 320	2 159	15.1	12 161	84.9	299	
1976	13 200	2 600	19.7	10 600	80.3	307	

Source : U.S. Department of Commerce, *The Chinese Economy and Foreign Trade Perspective-1976* and International Monetary Fund, *Direction of Trade*.

* In billion of dollars.

TABLE 3

China's World Trade, 1968-1976*
(In Million of Dollars)

Year	Exports (1)	Imports (2)	Balance (1)-(2)	Total (1)+(2)
1968	1 474	1 427	47	2 901
1969	1 614	1 514	100	3 128
1970	1 680	1 896	-216	3 576
1971	1 959	1 869	91	3 828
1972	2 456	2 319	137	4 775
1973	4 070	4 312	-243	8 382
1974	5 292	6 589	-1 297	11 881
1975	5 757	6 404	-647	12 161
1976	6 045	5 045	1 000	11 090

* Compiled from the data in IMF, *ibid.* The data exclude trade between China and Communist countries and therefore the total trade is less than the figures in Table 2.

TABLE 4
China's World Trade, by Area, 1976¹
(In Million of Dollars)

Area	Export (1)	Imports (2)	Balance (1)-(2)	Total (1)+(2)	%
<i>World</i>	6 045	5 045	1 000	11 097	100.0
<i>Industrial Countries</i>	5 500	3 777	-1 277	6 277	56.7
Japan	1 248	1 833	- 585	3 080	27.8
United States	200	149	52	349	3.1
Canada	90	220	- 130	309	2.8
EEC	863	1 450	- 586	2 313	20.8
Germany	246	685	- 439	931	8.4
France	177	390	- 213	567	5.1
United Kingdom	142	138	4	280	2.5
Italy	141	140	1	281	2.5
Other Europe	299	307	- 8	606	5.5
<i>Oceania & S. Africa</i>	114	320	- 206	434	3.9
Australia	100	293	- 193	393	3.5
<i>Oil Exporting Countries</i> ²	626	29	598	655	5.9
<i>Other Less Developed Areas</i> ³	506	612	1 894	1 118	28.1
Western Hemisphere	35	87	- 52	123	1.1
Middle East	154	122	33	276	2.5
Asia ⁴	2 071	310	1 761	2 381	21.5
Hong Kong	1 448	33	1 415	1 482	13.4
Singapore	227	39	188	265	2.4
Malaysia	122	49	73	171	1.5
Thailand	51	74	- 22	125	1.1
Africa	246	93	152	339	3.1

1. Compiled on the basis of the data provided in IMF, *ibid.* Data exclude trade with other Communist countries.
2. Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Omar, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.
3. Excluding oil exporting countries.
4. Excluding Japan and Indonesia.

TABLE 5
The United States' Trade with China, 1970-1976
(In Million of Dollars)

Year	Exports	Imports	Total
1970	0	0	0
1971	0	5	5
1972	64	35	99
1973	690	68	758
1974	807	123	930
1975	304	171	475
1976	135	222	357

Source : International Monetary Fund, *Direction of Trade*.

FOOTNOTES

1. For various statements by Chinese officials with regards to the objectives of trade, see Kenneth Wang, "Foreign Trade Policy and Apparatus of the People's Republic of China," *Law and Contemporary Problems*, Summer-Autumn 1973, 38 (2), 182-200. China's trade objectives are reiterated by Chi Ch'ao-ting, then Secretary General of the China Committee for Promotion of International Trade, in 1957. The importance of trade to China's economic development was acknowledged by Chou En-lai in 1959.

2. For this aspect, see Tamao Watanabe and Kazuo Ogawa, "Introduction to Japan-China Trade," *Chinese Economic Studies*, Fall 1973, 7 (1), 3-137, especially Section XI, pp. 73-9. Also, Leo Tansky, "Chinese Foreign Aid," U.S. Congress, Joint Economic Committee, *People's Republic of China: An Economic Assessment*, May 1972, pp. 371-82.

3. E.A. Theroux, "Legal and Practical Problems in the China Trade," U.S. Cong., JEC, *ibid.*, pp. 535-99.

4. Their jurisdictions are as follows. First Bureau—U.S.S.R., Vietnam, North Korea and Mongolia; Second Bureau—East European countries; Third Bureau—Western industrialized countries; Fourth Bureau—Asia and Africa; Fifth Bureau—Latin America.

5. China, like most countries, has two separate customs tariff schedules: a normal customs tariff schedule, which is applicable to countries with which it has trade agreements and a higher tariff schedule, which is applicable to countries with which it has no trade agreements. The State Council has established a general guideline for formulating tariff schedules. Reflecting the policy of self-reliance, China's tariff structure is essentially protectionist. The priorities are for import of scientific information, machines and equipment, and materials which cannot be produced domestically or available only in small quantity, for which no or low tariffs are imposed. Higher tariffs are imposed on manufactured or semi-

manufactured goods that are available domestically in large quantity, luxurious goods and non-essential goods.

6. The two banks should not be confused with each other. People's Bank of China is a central bank, while Bank of China are somewhat similar to commercial banks in the capitalist economies in its relationship to the central bank.

7. "David L. Denny, "International Finance in the People's Republic of China," in U.S. Cong, JEC, *China: A Reassessment of the Economy*, July 1975, pp. 653-77.

8. Watanabe, *op. cit.*, Section V, pp. 28-32.

9. Watanabe, *ibid.*

10. Denny, *loc. cit.*

11. Kenneth Wang, *loc. cit.* There is a quotation from Mao Tse-tung himself indicating his interest in foreign trade on p. 183. China's unusual preoccupation in the principle of "equality, mutual benefit and mutual respect" can be traced to her historical experience of semi-colonial status since the Opium War of 1839-42 until the establishment of the People's Republic.

12. The chief delegate in the Santiago Conference of the United Nations Conference on Trade and Development was Chou Hua-min, then Vice Minister of Foreign Trade. The Five Principles refer to the one adopted at the Nonaligned Nations Conference held in Bandung, Indonesia in 1955, which stipulates: (1) respect for sovereignty and territorial integrity, (2) nonaggression, (3) non-interference in internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence.

13. During the Cultural Revolution, the Defence Minister Liu Hsiao-chi was purged from power on charges of his alleged attempt to correct the excess of the Great Leap Forward in the early 1960s. The Cultural Revolution ended with an anecdote of then Defence Minister of Lin Piao's failure of alleged attempt for coup d'état and his death in an airplane accident enroute to escape to the Soviet Union. According to the current Chinese Marxist lexicon, Liu Hsiao-chi is described as a revisionist while Lin Piao is depicted as an ultra-leftist, thus providing model targets both on the right and the left. (Refer to the Ten Hsiao-ping article in Footnote 15).

14. The only five year plan that was successfully carried out without political interruptions was the first one of 1953-57. Although the second and third five year plans existed in name for the period of 1958-62 and 1963-67 respectively, they were disrupted by the Great Leap Forward and the Cultural Revolution and all but cancelled before their conclusions.

15. For those who are interested in the ideological struggle between the "radicals" and the "moderates", that have important bearings in determining the present and future course of Chinese economic policy, refer to the two articles that appeared in recent issues of Japanese economic literature, *Ekonomisuto* in full translation. One is Teng Hsiao-ping's "On the General Program of all Works

of the Party and the Nation (*Zento Zenkoku no Soryo ni tesuite* or *Ekonomisuto*, August 23, 1977, pp. 10-24. This article represents the "moderates" view and although it was written in 1975, appeared only in 1977 (in Hong Kong). The other is Fon Hai's "A Critique of the Philosophy of Servility to Foreigners (*Yodo Tetsugakuo Hihan suru*," *Ekonomisuto*, June 1, 1976, pp. 22-26. This represents the "radicals" view and originally appeared in the 4th issue of *Honqui* (Red Flag), the theoretical organ of the Chinese Communist Party.

16. During the Cultural Revolution, Teng Hsiao-ping, along with Liu Hsiao-chi, was severely criticized but rehabilitated by Premier Chou En-lai in 1973. After Chou's death in January 1976, Teng was again criticized as "that unrepenting Capitalist Roader" and deprived his post as a main instigator of the Tien An Men incident of April, 1976. However, one month after Mao Tse-tung's death in September 1976, the radical "Gang of Four" themselves were purged and Teng made a surprising second-time comeback under new Chairman Hua Kuo-feng. Teng was elevated to one of the four Vice Chairmen at the Central Committee meeting of the 11th Convention of the Representatives of the Communist Party of China held in August 1977. Other Vice Chairmen are Yeh Chien-ying, Li Hsien-nien Wang Tung-hsing. For followups of current Chinese political and ideological struggles, see U.S. Consulate General of Hong Kong *Survey of the People's Republic of China Press*, monthly.

17. Headquartered in Paris, consisting of 15 nations : the United States, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, Luxemburg, the Netherlands, Norway, Portugal, the United Kingdom, Greece and Turkey.

18. For legal restrictions in trading with China, see Kazimierz Crzybowski, "Control of U.S. Trade with China : An Overview," *Law and Contemporary Problems*, Summer-Autumn 1973, 38 (2), 175-81 : David L. Denny and Daniel D. Stein, "Recent Development in Trade between the U.S. and the P.R.C. ; A Legal and Economic Perspective," *Law and Contemporary Problems*, Summer-Autumn 1973, 260-73. For an analysis of China's trade up to 1974, see Chen Nai-ruen, "China's Foreign Trade in U.S. Cong., JEC, *China : A Reassessment of the Economy*, July 1975, pp. 617-52 : and Fan Lian-shing, "The Economy and Foreign Trade of China," *Law and Contemporary Problems*, Summer-Autumn 1973, 38 (2), 175-81.

19. The English acronym of Communist Economic Conference whose official name is Council for Mutual Economic Assistance, or CMEA, established in 1949. Members are the Soviet Union, Bulgaria, Hungary, Poland, Rumania, Czechoslovakia, East Germany and Mongolia. Yugoslavia, Cuba and Vietnam send observers to the conference.

20. For history in trade restriction vis-a-vis China, see Kazimierz Grybowski, *op. cit.*

21. Denny and Stein, *op. cit.*

22. Provision of both the most-favored-nation clause and export credit are made conditional upon freer emigration policies of the trading partner, through the amendments attached to the 1974 Trade Law. Application of the criterion to China can be potentially a complicated problem to solve.

23. Arthur G. Ashbrook, Jr., "China : Economic Overview, 1975," in US.. Cong., JEC, op. cit., pp. 20-51.
24. Cheng Nai-Ruenn, "An Assessment of Chinese Economic Data ; Availability, Reliability and Usability," JE., op. cit., pp. 52-68.
25. Bobby A. Williams, "The Chinese Petroleum Industry : Growth and Prospects," in JEC, *ibid.*, pp. 225-63.

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