

On the Character of the Foreign Trade of the People's Republic of China in the Period 1949–1969

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Foreign trade was one of the first areas of the Chinese economy which passed completely under the state control after the establishment of the Communist regime in China. The Beijing government started to build a new institutional model inspired by the Soviet experience. Like in other Communist states, the PRC's foreign economic relations were strongly influenced by political and ideological factors determining not only territorial structure of foreign trade. In general, foreign trade had a positive impact on both the development of the industrial sector and the whole economy in the 1950s, while in the 1960s the PRC's foreign economic relations were naturally limited by political tensions in relations with the Soviet bloc and also heavily impacted by the problems of the domestic economy.

[Czechoslovakia; China; history of international trade]

When China was officially proclaimed a communist country in October 1949, it was in a sorry state. The Middle Kingdom had experienced several decades marked by chaos and continuing disintegration, as well as dramatic military conflicts. Logically, the long-term unfavourable development had a negative effect on the underdeveloped Chinese economy, which was plagued by many problems, ranging from the lack of foodstuffs and corruption to hyperinflation.¹

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¹ According to contemporary official Chinese statistics the communist leadership managed to eliminate the inflation problem shortly after assuming power (in fact, within two years). For more information, see *Comprehensive Statistical Data and Materials on 50 Years of New China*, China Statistics Press, Department of Comprehensive Statistics of National Bureau of Statistics, Beijing 1999, p. 4.

Practically everything indicated that the chances of the communists to rapidly rid the Chinese economy of its problems was quite small and that finding an efficient cure for the Chinese economy and ensuring economic stability would not be an easy task for the new regime. The communists were prepared theoretically, having to a limited extent verified their theory even in practice, in the area they had ruled for many years before the establishment of the PRC. On the other hand, it was quite difficult to estimate what actual impact the leftist concept would have on the Chinese economy in the long run and to determine whether it would be sustainable at all.

Foreign trade was one of the first areas of the Chinese economy which passed completely under the state control – the state monopoly essentially came to life in the early 1950s. The People's Republic of China drew inspiration from the Soviet institutional model of foreign trade, gradually building its own system of foreign trade management, which was very similar to its Soviet model. The institutional foundations of the new system were completed after the Moscow International Economic Conference of 1952.² The Ministry of Foreign Trade (MFT) became the main administrative authority of this system. It primarily fulfilled an administrative and monitoring role and its possibilities to influence the overall character of foreign trade were limited by a directive plan which was primarily elaborated by the State Planning Committee.³

State-owned foreign trade companies, charged with the actual realization of foreign trade, including the formulation and signing of contracts, were very similar to the foreign trade companies (FTC) of communist Czechoslovakia. Individual FTCs were bound primarily by the one-year plans, elaborated by the MFT, and had strictly defined authority, clearly specified groups of commodities for whose export (or import) they were responsible. The FTCs' headquarters were based in Beijing and in the course of the 1950s they gradually built their branches in other prominent cities of the PRC.⁴ One of the FTCs' core activities was the purchase of the present amount of domestic production for export at fixed prices. Similarly, the amount of

² K. WANG, Foreign Trade Policy and Apparatus of the People's Republic of China, in: *Law and Contemporary Problems*, 38, 2, 1973, p. 189.

³ A. SKŘIVAN Jr., *Hospodářské reformy v ČLR v letech 1979–1989*, Praha 2007, p. 49.

⁴ A. BOONE, The Foreign Trade of China, in: *The China Quarterly*, 11, 1962, p. 175.

foreign goods they were supposed to purchase was predetermined. Apart from concluding trade contracts they also engaged in information and advisory activities. This system, however, also demonstrated a clear disadvantage, which became evident particularly in trade relations with democratic countries and to a smaller extent also with communist countries, and that was weak direct ties between the purchasing and selling parties. Companies from Western countries were in effect precluded from direct contact with Chinese producers (or recipients), which along with other factors considerably complicated trade with the PRC. Due to this system the flow of information in trade between the PRC and other communist countries was more complicated and slower.⁵ The Council for the Promotion of International Trade became another important body in the sphere of foreign trade relations. Its primary tasks included organizing presentations of Chinese products abroad, publishing promotional and information brochures and procuring certain legal acts, such as registering trademarks. Through its subordinate bodies, the Council also ensured the arbitration of foreign trade disputes.⁶ The Council's representatives were often involved in negotiating specific trade deals, primarily with companies from countries which did not maintain diplomatic relations with the PRC.⁷

Undoubtedly, one of the first important tasks the new communist government had to address and which was naturally related to the PRC's foreign trade strategy was the "clarification" of its relations with other countries and establishment of the basic principles of its foreign policy. Co-operation with the Soviet Union and its satellites appeared as the only logical and realistic option. The Soviet Union represented a politically kindred regime which had helped the Chinese communists to achieve their final victory.⁸ On the other hand, re-

⁵ For example, from a Czechoslovak producer, through a Czechoslovak FTC, then a Chinese FTC to a particular customer in the PRC.

⁶ For more information, see SKŘIVAN Jr., pp. 49–50; Ch. HOWE, *China's Economy*, London 1978, pp. 139–143.

⁷ For information concerning contemporary activities of the Council for the Promotion of Foreign Trade, see <http://english.ccpit.org/> [2008–04–20]. For more information on individual institutions active in foreign trade in the 1950s and 1960s, see WANG, pp. 189–200.

⁸ For example, in rapid expansion of the areas controlled by the communists and in procuring new weaponry for communist armies during the last stage of World War

lations with the United States were tense for several reasons. In a way, the victory of communists in China was a dangerous failure on part of the USA, or better yet a failure of American policy in the Far East. In communist China, the United States were, naturally, presented as the main representative of its enemy, the capitalist world, which moreover had been supporting Chiang Kai-shek for a long time.⁹ No other options seemed realistic or offering advantages comparable to the alliance with the Soviet Union. Sino-Japanese relations had been considerably disrupted by the war and apart from that it was clear that Japan, unlike in the interwar period, had not been acting as a regional power and in some respects merely fulfilled the role of an “extended arm” of the United States in the Far East.¹⁰ The option that China would remain neutral in the bipolar world of the era, was a utopian notion also with regard to the economic needs of the new regime. Mao Zedong was an advocate of the principle of the economic self-sufficiency of the country (autarky) and of the related limited role of foreign trade. On the other hand, he realized that this strategy should not be applied at the time when the Chinese economy was still very weak and underdeveloped.

At first glance, there was no serious obstacle that would hamper establishment of close co-operation between the Soviet Union, the existing leader of the communist world, and the newly founded communist China. The reality was much more complicated. The relations between Stalin and Mao Zedong were far from ideal. Stalin considered Mao an unpredictable and peculiar figure, possibly fearing the fact that Mao would eventually become a second Tito. Mao Zedong, on the other hand, suspected that Stalin wanted to make China an obedient satellite following instructions of its “older and more experienced brother” from Moscow. The memories of Stalin’s support of Mao’s

II. For more information on the Soviet aid to Chinese communists and the increase of the Soviet influence in China, see H. FEIS, *The China Tangle*, Princeton 1953, pp. 226 ff; A. KUBEK, *How the Far East Was Lost*, Chicago 1963, pp. 159 ff.

⁹ For more information on relations between the PRC and the USA, see D. SHAMBAUGH, Patterns of Interaction in Sino-American Relations, in: T. W. ROBINSON – D. SHAMBAUGH (eds.), *Chinese Foreign Policy, Theory and Practice*, Oxford 1994, pp. 197–223.

¹⁰ For more information on relations between Japan and the PRC in the 1950s, see M. NAKAJIMA, Foreign Relations: From the Korean War to the Bandung Line, in: *The Cambridge History of China* (further only CHOC), 14/1, pp. 287–289.

party competitors in the past still played an important role. Mao Zedong was, however, aware of the fact that close co-operation with the Soviet Union was a necessity and that he had no other real alternatives. Due to this, as early as the summer of 1949, before the end of the civil war and the declaration of the PRC, he delivered a speech rejecting neutrality and declaring communist China's resolve to "take the side of the socialist bloc led by the Soviet Union".¹¹

In December 1949, Mao travelled to Moscow to negotiate a new Sino-Soviet treaty which would establish the basic framework of future co-operation, become the basis of Chinese foreign policy and, last but not least, represent an agreement between two equal partners, rather than being a document specifying the relations between vassal and its lord. After very complicated and protracted negotiations the Sino-Soviet *Treaty of Friendship, Alliance and Mutual Assistance* and other documents regulating economic co-operation were signed in Moscow on February 14, 1950.¹² *The Treaty of Friendship, Alliance and Mutual Assistance* was basically drawn up as a military treaty primarily oriented at the "disturbance of peace by Japan or its allies". At the same time, the Soviet Union undertook to, in the future, give up its rights related to the existing Sino-Soviet administration of the Chinese Changchun Railway¹³ and to withdraw its units from Port

¹¹ P. SHORT, *Mao*, Praha 2001, p. 321. For more information on the controversial nature of the relations between Stalin and Mao Zedong see, for example, K. DURMAN, *Popely ještě žhavé. Velká politika 1938–1991, Vol. 1, Světová válka a nukleární mír 1938–1964*, Praha 2004, pp. 304–306. On the other hand, some historians accentuate the less problematic aspects of the relations between Mao and Stalin. They argue, for example, that despite all disagreements they managed to create a well-functioning alliance. Cf. S. GOLDSTEIN, Nationalism and Internationalism: Sino-Soviet Relations, in: ROBINSON – D. SHAMBAUGH (eds.), *Chinese Foreign Policy, Theory and Practice*, Oxford 1994, pp. 232–235. For information on the foreign policy of the PRC in the first years of the communist regime, see for example K. MÖLLER, *Die Aussenpolitik der Volksrepublik China 1949–2004: Eine Einführung*, Wiesbaden 2005, pp. 45–53.

¹² Stalin was originally opposed to concluding this treaty. In his opinion, the treaty concluded on August 14, 1945, signed by Molotov and Wang Shijie, Chiang Kai-shek's minister of foreign affairs, was to remain the cornerstone of Sino-Soviet relations as it secured special rights in Manchuria for the Soviet Union. For more information on the Sino-Soviet treaty of August 1945, see Ke-wen WANG, *Modern China, An Encyclopedia of History, Culture, and Nationalism*, New York – London 1998, pp. 319–320.

¹³ In effect, it occurred on December 31, 1952. The name Chinese Changchun Railway is an aggregate name commonly applied to the Chinese Eastern and South Manchuria Railways.

Arthur. Communist China also gained a loan of USD 300 million, distributed gradually over a five-year period. The promises of the economic assistance provided by the Soviet Union caused the greatest disappointment to Mao in particular as they clearly fell below his original expectations.¹⁴

The somewhat controversial nature of Sino-Soviet relations became manifest during the Korean War. In the first stage, at the time of the North Korean army's successes, the Beijing government was restrained, paying more attention to the dispatch of the seventh American fleet to the Taiwan Strait than to the events on the Korean Peninsula.¹⁵ However, the situation in Korea changed in September 1950 and North Korean units started to retreat. The threat of the North Korean regime's fall would entail the appearance of the Beijing regime's enemies at the Sino-Korean border. Considering the circumstances, Mao Zedong decided in favour of a direct intervention in the Korean War, sending "volunteer" units to Korea.¹⁶ This was a difficult decision for Mao. A mere year after the declaration of the People's Republic of China, China was drawn into an extensive conflict which had a negative effect on the economic stabilization of the country, among other things. Mao was disillusioned by the Soviet Union's approach to the Korean problem and considered its help in the fight against common enemies as insufficient. With bitterness Mao pointed out the fact that the Soviet Union's expenses related to the Korean War and a limited direct Soviet presence in this conflict were incomparable to the burden the weak communist China was forced to bear.¹⁷

¹⁴ For more information on the Sino-Soviet negotiations concerning the Treaty of Friendship, Alliance and Mutual Assistance, see SHORT, pp. 322–324.

¹⁵ It was the American President Truman's attempt to prevent a potential communist invasion of Taiwan and the transfer of the Guomindang units to the mainland. I. BAKEŠOVÁ – R. FÜRST – Z. HEŘMANOVÁ, *Dějiny Taiwanu*, Praha 2004, p. 102.

¹⁶ The UN called the PRC an aggressor and appealed to the Chinese units to withdraw. On 1 February 1951, the General Assembly of the United Nations adopted Resolution no. 498 concerning the Intervention of the Central People's Government of the People's Republic of China in Korea. The text of the resolution is to be found at: <http://www.un.org/documents/ga/res/5/ares5.htm> [2017-08-30]. For more information on the outset of the Korean conflict, see V. NÁLEVKA, Stalin, Mao Ce-tung, Gottwald a začátek války v Koreji, in: *Dvacáté století / Twentieth century* 2006, pp. 99–114.

¹⁷ According to some estimates, the PRC's expenses related to the Korean War totalled USD 10 billion. NAKAJIMA, p. 278. For more information on the Korean War and

After the Korean War, the Beijing government entered a new stage, during which it could concentrate more on economic questions and on the economic development of China, naturally using communist methods. Stalin's death marked a change in Sino-Soviet relations. Khrushchev was not a dictator of the "Stalinist type", which was reflected also in his approach to Beijing, primarily in his willingness to allow greater concessions and in an effort to win Mao's trust. This new strategy was also related to a considerable broadening of economic aid to communist China, which markedly contributed to the more rapid industrialization of the country. The Soviet Union had definitely become China's strategic partner in the transformation of the Chinese economy to the socialist model. In the 1950s, the average share of imports from the USSR contributed to almost one half of the overall annual imports to the PRC, with machinery and equipment for reconstructed or newly built industrial complexes forming a considerable part of the Soviet deliveries. Approximately one fourth of the deliveries from the USSR were financed by loans provided to the Chinese by the Soviet Union.¹⁸ The Soviet Union was also clearly the largest supplier of new technologies to the PRC. With Soviet participation, approximately 200 primarily larger projects were realized (particularly steelworks, power plants and engineering enterprises), although not all of them were also completed under Soviet supervision. The most important projects realized with Soviet help during the first five-year plan (1953–1957) included new steelworks in Wuhan, the reconstruction of steelworks in Anshan and the construction of the automobile plant in Changchun. New industrial factories were usually not constructed in the more developed coastal centres but rather in new industrial inland centres, such as in Manchuria, Inner Mongolia and Sichuan.¹⁹ Over 10,000 Soviet advisors and various specialists worked in communist China with about 1,500 coming from other countries of

the Chinese participation in it, see B. CATCHPOLE, *Korejská válka 1950–53*, Praha 2003. For information on Sino-Soviet relations in the period from the end of World War II until the end of the Korean War, see E.-M. STOLBERG, *Stalin und die chinesischen Kommunisten, 1945–1953*, Stuttgart 1997.

¹⁸ Loans were provided primarily for the purchase of complete plant equipment; naturally, some of the important loans were for the purchase of military material and were of purely political and military nature. For more information, see J. G. GURLEY, *China's Economy and the Maoist Strategy*, New York 1976, pp. 163–164.

¹⁹ N. LARDY, Economic Recovery and the 1st Five-Year Plan, in: *CHOC*, 14/1, p. 177.

the socialist bloc. Approximately 30,000 Chinese were sent to study and train in the Soviet Union.²⁰ Without Soviet participation, the industrialization of the PRC would certainly have taken a different form, or at least would have proceeded more slowly. According to some estimates over three-fourths of the machinery produced during the first five-year plan were made on Soviet machines or using Soviet technology and supervised by Soviet experts. Today, it is difficult to determine the exact volume of the financial resources flowing in the 1950s from the USSR to the PRC. According to the later and rather ambiguous proclamations by the Soviet government, in the 1950s the PRC acquired loans totalling approximately USD 2 billion from the Soviet Union.²¹ Soviet aid indisputably supported the rapid growth of the Chinese economy. On the other hand, this co-operation caused considerable dependence of the Chinese economy on the USSR.

The development of economic co-operation with the Soviet bloc as well as the complicated relations with the democratic world²² was naturally also reflected in the basic statistical overview of the PRC's foreign trade. The 1950s witnessed relatively rapid growth in foreign trade, albeit with certain fluctuations (Table 1). The entire foreign trade policy principally emphasized the imports that would speed up industrialization and support greater economic independence for China in the future. Export, on the other hand, was primarily viewed as necessary in order to maintain an acceptable overall trade balance.²³

²⁰ Information on the number of projects realized in co-operation with the Soviets, the number of the Soviet experts working in China and related information differ from source to source. Cf. WANG, p. 173. C. RISKIN, *China's Political Economy, the Quest for Development since 1949*, Oxford 1987, pp. 74–77; J. K. FAIRBANK, *The Great Chinese Revolution 1800–1985*, New York 1987, pp. 285–286.

²¹ NAKAJIMA, pp. 282–283.

²² The potential to trade with democratic countries in fact diminished even more after the UN appealed to individual countries to impose an embargo on supplies of selected strategic commodities, such as weapons and crude oil to the PRC. The resolution adopted by the General Assembly of the UN concerning Additional Measures to Be Employed to Meet the Aggression in Korea, resolution no. 500 of May 18, 1951. The text of the resolution is to be found at: <http://www.un.org/documents/ga/res/5/ares5.htm> [2007–08–30]. For more information on the trade regulation of Western countries with communist China, see SHU Guang Zhang, *Economic Cold War, America's Embargo Against China and the Sino-Soviet Alliance, 1949–1963*, Stanford 2001; WANG, p. 187.

Table 1. PRC's Foreign Trade in 1950–1959²⁴

Year	In billions of yuan			In billions of USD		
	Export	Import	Balance	Export	Import	Balance
1950	2.02	2.13	-0.11	0.55	0.58	-0.03
1951	2.42	3.53	-1.11	0.76	1.2	-0.44
1952	2.71	3.75	-1.04	0.82	1.12	-0.3
1953	3.48	4.61	-1.13	1.02	1.35	-0.33
1954	4.0	4.47	-0.47	1.15	1.29	-0.14
1955	4.87	6.11	-1.24	1.41	1.73	-0.32
1956	5.57	5.3	0.27	1.65	1.56	0.09
1957	5.45	5.0	0.45	1.6	1.5	0.1
1958	6.7	6.17	0.53	1.98	1.89	0.09
1959	7.81	7.12	0.69	2.26	2.12	0.14
total	45.03	48.19	-3.16	13.2	14.34	-1.14

The PRC mainly exported agricultural products and raw materials. The PRC's export potential was directly linked to harvest as well as the increase in population, whose yearly numbers augmented in the period of the first five-year plan, being above 2 % on average.²⁵ As concerns industries, the textile industry achieved the largest numbers, second to the food industry in Chinese export.²⁶ As has been suggested, import into the PRC consisted primarily of machines and machinery (for information on the commodity structure of foreign trade, see Table 2).

In 1950, non-communist countries had a large share, approximately two thirds, of the PRC's foreign trade. However, in the very next year, the ratio changed; a major percentage of the PRC's foreign trade was with communist countries.²⁷ Communist China favoured the Soviet Union as its main trade partner, followed by its Eastern European satellites. In the second half of the 1950s, the Sino-Soviet trade totalled approximately 50 % of the PRC's total volume. Approximately

²³ Feng-hwa Mah, *The Foreign Trade of Mainland China*, Edinburgh 1972, p. 2.

²⁴ Source: *Comprehensive Statistical Data and Materials*, p. 60.

²⁵ For more information, see M. PARKER, *The Population Trends in Eastern Europe, the USSR and Mainland China ("Fertility Control in Communist Countries")*, New York 1960, pp. 197–208.

²⁶ A. ECKSTEIN, *Communist China's Economic Growth and Foreign Trade, Implications for U. S. Policy*, New York 1966, pp. 114–115.

²⁷ Estimates of the overall share of communist and non-communist countries vary. Cf. BOONE, pp. 169–170.

Table 2. Commodity Structure of the PRC's Foreign Trade in 1955 and 1959 (%)²⁸

Commodity group	Import		Export	
	1955	1959	1955	1959
Foodstuffs, beverages and tobacco	2.2	0.3	32.8	26.2
Raw materials	11.1	13.4	36.9	24.4
Mineral fuels and lubricants	7.4	6.5	0.6	0.4
Vegetable and animal fats and oils	0.5	0.2	3.5	1.3
Chemicals	9.6	8.1	2.1	2.6
Manufacturing industry products	12.4	17.9	18.3	25.8
Engineering and transport devices	22.4	40.0	1.1	1.5
Other industrial products	2.6	2.2	1.8	12.9
Unclassified commodities	31.8	11.4	2.9	4.9

half of the Soviet export to communist China consisted of machines and other equipment for industrial plants, with oil products becoming another important commodity group with its share reaching 15%.²⁹ The GDR was the PRC's second most important trade partner (with a share of about 6 %) and Czechoslovakia came third (approximately 4.5 % share). The PRC's trade balance in the first half of the 1950s showed a negative balance as the growing import was financed not only from the income from Chinese export, but largely also by Soviet loans. In relation to repaying the debts to the Soviet Union, this trend changed in the second half of the 1950s, resulting in a regular active trade balance.³⁰

As has been stated, Khrushchev's rise to power resulted in the improvement of Sino-Soviet relations, which had a positive effect on the development of the economic co-operation of both countries. In reality, Mao Zedong and Khrushchev did not particularly like each other and their rapprochement never exceeded the bounds of a calculated alliance. Mao viewed Khrushchev with considerable contempt, in a way even looked down on him, among other things for not being as uncompromising a ruler of the Soviet Union as Stalin. In 1956, three years after Stalin's death, first more serious ruptures in relations between Beijing and Moscow reappeared.

²⁸ SKŘIVAN Jr., p. 50. Sources differ in the share of individual commodity groups, for example as a result of different specifications of commodity groups. Cf. LARDY, p. 162. Source: A. ECKSTEIN, *China's Economic Revolution*, Cambridge 1977, pp. 250 and 252.

²⁹ *Ibidem*, p. 174.

³⁰ For information on the PRC's trade with the Soviet Union and its satellites in the 1950s see, for example, ECKSTEIN, pp. 145–161.

On February 25, 1956, Khrushchev delivered a speech at the 20th congress of the Communist Party of the Soviet Union (CPSU) in Moscow denouncing Stalin's cult of personality. This event also had a major impact outside the Soviet Union, in effect contributing to the destabilization of the entire Soviet Empire. Despite having many objections to Stalin's government, Mao Zedong denounced this step of Khrushchev. It was probably motivated primarily by Mao's concern that the adoration of him might end in a similar fashion. In November 1957, during his visit to Moscow, Mao was arrogant and disdainful, thus openly demonstrating his dissatisfaction with the development in the Soviet Union.³¹ Despite this, his visit in the end led to partial mitigation of the disagreements between the two leaders. This was primarily thanks to Khrushchev, who promised further aid to the Chinese economy as well as technology for the production of nuclear weapons. The intention to provide communist China with technology for the production of nuclear weapons could appear as a rather risky step. Mao's extremist statements indicated that he did not fear the use of nuclear weapons and an ensuing nuclear conflict as much as most other politicians did.³²

Mutual relations between the two countries sharply deteriorated at the end of the 1950s. To a large extent this was caused by Mao Zedong, who embarked on a journey of economic experiments digressing considerably from the Soviet model. At the same time, he abandoned the existing more or less careful foreign policy, which led to the complica-

³¹ For interesting observations on this visit of Mao to Moscow, see LI Zhisui, *Soukromý život předsedy Mao*, Praha 1996, pp. 152–155.

³² For details, see SHORT, p. 372. In mid-1959, Khrushchev withdrew from the agreement concerning "nuclear aid" to the PRC, however, the PRC still shortly after became a nuclear power and in October 1964, performed its first trial nuclear explosion. K. LIEBERTHAL, *The Great Leap Forward and the Split in the Yenan Leadership*, in: *CHOC*, 14/1, pp. 312 and 352; A. S. WHITING, *The Sino-Soviet Split*, in: *CHOC*, 14/1, p. 538. The PRC tried to use the first test nuclear explosion as propaganda. For example, the Embassy of the People's Republic of China in Prague informed dozens of institutions and individuals in writing about this success. Information for the First Secretary of the CC CPCz (The Central Committee of the Communist Party of Czechoslovakia), comrade Novotný (signed by Col. Josef Kudrna, the first deputy minister of interior), 2 November 1964, folder 90, part 2 – foreign relations, office of the First Secretary of the CC CPCz, Antonín Novotný, Communist Party of Czechoslovakia – Central Committee, collection no. 1261/0/44, National Archives, Prague (hereinafter only NA).

tion in the relations between the East and West. Khrushchev openly criticized the Great Leap Forward, which he considered a completely wrong strategy.³³ Khrushchev was also provoked by the attacks of the Chinese People's Liberation Army against the Guomindang units on Kinmen (Jinmen, Quemoy) and Matsu Islands, which could lead to the worsening of relations between the Soviet Union and the United States.³⁴ Nor did Mao remain aloof. With his agreement, reports were published in Beijing in April 1960, for example in the *People's Daily* (Renmin Ribao), on the 90th anniversary of Lenin's birth, in which Khrushchev was accused of modern revisionism. Tension between Moscow and Beijing rapidly escalated. In June 1960, the schism was completed when Khrushchev announced the withdrawal of the Soviet experts from China. Extensive economic aid of the Soviet Union thus virtually ceased overnight. China was also requested to settle its obligations early. From the economic perspective, the Sino-Soviet split occurred at the least suitable time; communist China found itself beset by great problems, which were the result not only of the Great Leap Forward, but also the inclement weather.

In the 1960s, communist China found itself in isolation and forced to solve its problems by its own means, without extensive aid from abroad. In a way and under rather curious circumstances, the PRC returned to Mao's original vision of the economic autarky. Relations with the Soviet Union did not improve even after the fall of Khrushchev, as Brezhnev found it very difficult to find common ground with Beijing as well. The turn of 1965 and 1966 saw the commencement of the Great Proletarian Cultural Revolution, an ideological campaign, which acquired immense dimensions and resulted in a further reduction of ties between the PRC and the rest of the world.³⁵ In the

³³ The Great Leap Forward was a unique, radical and clearly unsuccessful development policy, which among other things led to forming people's communes, changes in planning and expansion of steel production. For more information, see FAIRBANK, pp. 296–315; F. WEMHEUER, *Chinas „grosser Sprung nach vorne“ (1958–1961)*, Berlin 2004.

³⁴ For more information on the attacks, see BAKEŠOVÁ – FÜRST – HEŘMANOVÁ, pp. 113–114. The deterioration of the Sino-Soviet relations was also due to the Soviet support of India during the Sino-Indian border dispute. For information on the Sino-Indian border dispute, see N. MAXWELL, *India's China War*, London 1970.

³⁵ The chronology of the Cultural Revolution is not univocal. Usually, 1969 is considered the end of the Cultural Revolution as that was the year when the period of the

second half of the 1960s, the PRC sunk into a deep crisis. The country was in chaos caused by the violent actions of the Red Guards and the controversies with Moscow grew into an open conflict. In early March 1969, clashes between the Chinese and Soviet units broke out on the Ussuri and the conflict spread to other parts of the common border. Beijing started talking about the threat of a Soviet nuclear attack.³⁶

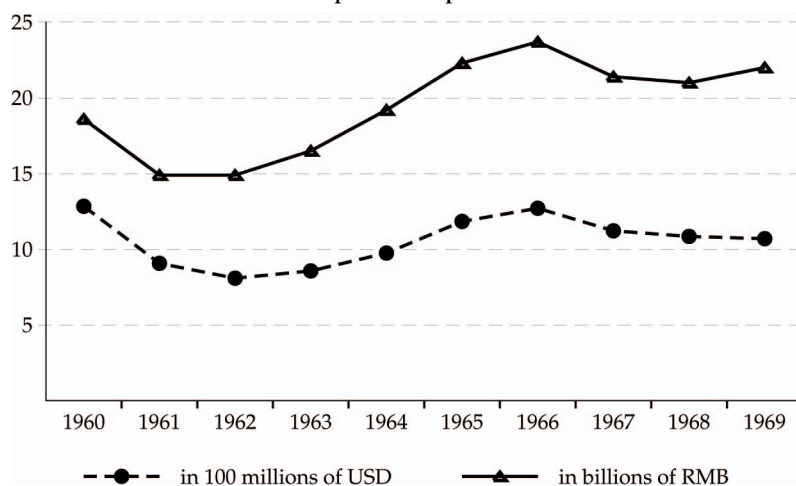
As has been suggested, at the turn of the 1950s and 1960s, communist China found itself mired in major economic problems, with the development in the agricultural sector, where the first slump in production occurred as early as 1959, becoming the most serious threat. In 1960–1961, the volume of the agricultural production returned to the level of the early 1950s.³⁷ However, while in 1952, the PRC's population was 575 million, at the time of the outbreak of the depression, it had to sustain a population augmented by a growth of almost 100 million. The severe drop in agricultural production was logically followed by a critical lack of food. The communist government attempted to resolve this lack, at least partially, by more extensive import of foodstuffs and primary agricultural products. While in 1959, the import of these commodities was at a record low, when the PRC purchased foodstuffs and primary agricultural products for approximately USD 5 million abroad, which resulted in this commodity group's share in the PRC's total import by mere 0.3 %, in 1962 the share of this commodity group increased to almost 40 %, totalling

harshest repressions and violent acts of the Red Guards ended. For more information on the Cultural Revolution and its economic consequences, see E. AXILROD, *The Political Economy of the Chinese Revolution*, Hong Kong 1972, pp. 341–451; D. H. PERKINS, *China's Economic Policy and Performance*, in: *CHOC*, 15/2, pp. 486–495.

³⁶ A. SKŘIVAN Jr., *Teng Siao-pching. První muž Říše středu*, Praha 1996, pp. 51–52. For more information on the Sino-Soviet split, see B. T. KULIK, *Sovetsko-kitaiskii raskol: prichiny i posledstviya*, Moscow 2000.

³⁷ Available sources differ in data concerning the drop in agrarian production. The most optimistic figures are presented by contemporary Chinese statistics from the turn of the 1950s and 1960s, which were strongly influenced by falsified data from the provinces and which cannot be considered relevant today. Western estimates are more pessimistic as are the statistical overviews published recently in the PRC. Cf. HOWE, p. 72; D. A. BARNETT, *China and the World Food System*, Washington D. C. 1979, p. 37; *Ten Great Years, Statistics of the Economic and Cultural Achievements of the People's Republic of China*, Beijing 1960, p. 219; *Comprehensive Statistical Data and Materials*, p. 31.

Figure 1. The Development of the PRC's Foreign Trade in the 1960s (Total of Overall Import and Export)³⁸



almost USD 330 million. Despite the increase in import of foodstuffs and grains, the situation developed into famine in some regions, which according to different estimates claimed the lives of 15–30 million people. Today, the Chinese resources admit that in the period of 1959–1961, the population decreased by approximately 13 million; from 672 million to 659 million.³⁹

The unfavourable development in agriculture led not only to the growth of agricultural imports but also had other consequences for foreign trade. Logically, the food deficit had a negative impact on agricultural exports and thus also on the overall export performance of the PRC. This limited export performance consequently led to growing problems with procuring sufficient means to finance import. As has been suggested, communist China was forced to abandon its existing strategy of expanding foreign trade and to rely more on economic self-sufficiency. In the early 1960s, the total volume of Chinese foreign trade visibly decreased (Figure 1). Unlike the import of agricultural products and artificial fertilizers, the import of most of other commodities dropped. One of the most marked slumps occurred in

³⁸ Source: *Comprehensive Statistical Data and Materials*, p. 60.

³⁹ *Comprehensive Statistical Data and Materials*, p. 1.

the commodity group of machines and machinery.⁴⁰ The revitalization period of 1963–1965 led to a temporary increase in foreign trade, however this positive trend was disrupted in 1966 by the start of the Cultural Revolution, which destabilized communist China and initiated an extensive propaganda campaign against all things foreign. Foreign trade stagnated until 1969. Considering the reduced need to purchase foodstuffs and agricultural primary production abroad, the commodity structure of Chinese import changed in the second half of the 1960s, when the share as well as absolute volume of import of metallurgical industry production (products from iron, steel as well as nonferrous metals) grew considerably.⁴¹ On the other hand, the commodity structure of Chinese export did not change much.⁴²

The Sino-Soviet split also caused changes in the territorial orientation of the PRC's foreign trade as the Beijing government was forced to co-operate more with non-communist countries. The PRC's trade with non-communist countries grew from approximately USD 1.4 billion in 1960 to over USD 2 billion in 1964.⁴³ In 1963, the Soviet Union was clearly the most important trade partner of the PRC, with an approximately 20 % share in the overall Chinese foreign trade. Two years later it was surpassed by Hong Kong and Japan, with the latter becoming an important supplier of complete plant equipment to the PRC in the mid-1960s.⁴⁴ Australia, Canada⁴⁵ and Great Britain were also important trade partners of the PRC, while the share of the Eastern European countries was on the decrease.

⁴⁰ An increase in agrarian import was achieved primarily at the cost of the considerably limited import of machines and machinery. Cf. ECKSTEIN, *Communist China's Economic Growth and Foreign Trade*, p. 107, and T. N. SRINIVASAN, *Agriculture and Trade in China and India*, San Francisco 1994, pp. 111–113.

⁴¹ Liang-Shing Fang, *The Economy and Foreign Trade of China*, in: *Law and Contemporary Problems*, 38, 2, Trade with China 1973, p. 257.

⁴² For more information on commodity structure see ECKSTEIN, *China's Economic Revolution*, pp. 250 and 252.

⁴³ Liang-Shing Fang, p. 256.

⁴⁴ For more information on trade between the PRC and Japan in the 1960s, see, B. GROSSMAN, *International Economic Relations of the People's Republic of China*, in: *Asian Survey*, 10, 9, 1970, pp. 796–797. Chinese export to Hong Kong was markedly larger than import from Hong Kong. For more information on the PRC's trade with selected countries, see Table 3.

⁴⁵ In the 1960s, Canada and Australia were primarily a significant source of grain for communist China.

Table 3. The PRC's Trade with Selected Countries in 1960–1979 (Millions of USD)⁴⁶

Year	Hong Kong and Macau		Japan		USSR		USA	
	import	export	import	export	import	export	import	export
1960	17	198	0.2	—	845	819	—	—
1961	12	190	14	22	292	536	—	—
1962	9.7	228	42	32	211	491	—	—
1963	8.2	301	64	65	194	407	—	—
1964	16	404	161	141	134	312	—	—
1965	18	462	262	192	186	222	—	—
1966	16	581	334	269	165	140	—	—
1967	12	497	304	234	56	55	—	—
1968	11	532	335	205	59	33	—	—
1969	13	575	382	201	27	27	—	—
1970	14	604	583	224	24	23	—	—
1971	12	659	594	281	68	81	—	—
1972	20	892	627	412	117	133	3.3	9.6
1973	137	1,579	1,107	841	128	133	221	40
1974	109	1,603	1,983	1,143	145	155	373	103
1975	35	1,719	2,239	1,403	146	151	342	129
1976	29	1,817	1,817	1,223	246	168	161	156
1977	136	2,012	2,109	1,357	153	176	115	180
1978	75	2,668	3,105	1,719	208	230	721	271
1979	214	3,548	3,944	2,764	250	242	1,857	595

The GDR dropped to the sixth place and Czechoslovakia to seventh. Unlike the commodity structure and territorial orientation, the foreign trade balance did not experience considerable changes in the 1960s. With the exception of 1960, it probably⁴⁷ remained positive throughout the 1960s although the surplus was not particularly prominent on average.⁴⁸ The PRC mostly showed an active balance in trade with developing countries. In total, trade with the Soviet Union throughout the 1960s ended in surplus for communist China. On the other hand, trade with Japan, Canada and Australia ended in deficit.⁴⁹

⁴⁶ Source: B. R. MITCHELL, *International Historical Statistics, Africa, Asia & Oceania 1750–1993*, London 1998, p. 587.

⁴⁷ Some historians, although they are in the minority, believe that even further years ended in negative balance. See, e. g., R. F. DERNBERGER, *China's Development Experience in Comparative Perspective*, Cambridge, Mass. 1980, p. 131.

⁴⁸ SKŘIVAN Jr., *Hospodářské reformy v ČLR*, p. 51. For more information on the foreign trade balance see *China Foreign Economic Statistical Yearbook 1999*, p. 15.

⁴⁹ Liang-Shing Fang, pp. 257–258.