

ECONOMIC ASPECTS OF THE
SINO-SOVIET ALLIANCE
(1949--1964)

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ABSTRACT

The characteristics of the Sino-Soviet Alliance have been analyzed extensively for more than three decades. However, the economic aspects of this Alliance remain unclear. A number of factors, such as statistical discrepancies, complexity of interpretation, and the quality and reliability of the Chinese and Soviet sources , are accountable for this obscurity. A more narrowly focused study examining the role Sino-Soviet economic relations played in shaping the Alliance is useful to better our understanding. .

After a chronological review of the Sino-Soviet economic relationship, its significance in shaping the Alliance is examined through the reappraisal of three major areas.

Firstly, the relative costs and benefits for each partner are assessed in an objective and detached way. The Soviet Union made a decisive contribution to China's industrialization. Soviet financial aid , though modest in figure, was provided in a timely way. Together with the provision of scientific and technological knowledge, the value of Soviet aid must be regarded as considerable. The benefits to the Soviet Union were less impressive; but since the imported Chinese consumer goods were largely consumed in the Soviet Far East, the benefits should not be underestimated. The cost for both sides remains obscure; though it is obvious that the questions of "Soviet exploitation", concerning the joint-stock companies, the overvaluation of the rouble and

the pricing in Sino-Soviet trade are highly complex and should be interpreted with greater care.

Secondly, the effect of Sino-Soviet economic cooperation on the Alliance -- whether it strengthened or weakened it -- is explored. Undoubtedly, the economic relationship had both unifying and divisive effects. It was a unifying factor because the Soviets had provided China with support and assistance that would have been difficult to obtain elsewhere . Another factor which had tied China to the USSR was the strong Soviet influences resulting from the implementation of the Soviet model and the close cooperation in the fields of education and sciences. On the other hand, these Soviet influences proved to be a divisive factor as well, because they produced a domestic political and social situation that Mao found profoundly distasteful. Different economic interests and competition in foreign aid programs also created tensions and frictions. The independent outlook of China's leaders made them resentful of their role as a junior partner in the early 1950's, and prevented them from entering a long-term trade agreement with the USSR or joining the Council of Mutual Economic Assistance, as the Soviets had wished.

Finally, the impact of Sino-Soviet economic relations upon China's policy-making is discussed, albeit speculatively. In the early 1950's, China's economic and military dependence on the USSR made its leaders exercise greater caution in their claim of "Mao's Road " as the model for other Asian countries. As China

gained strength, however, Soviet influence declined. While the discontinuation of Soviet financial aid can reasonably be regarded as one of the major factors contributing to China's decision to abandon the Soviet model in 1958, the economic pressure applied by Khrushchev failed to change China's policy, and proved counterproductive.

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Chapter I - Introduction

The characteristics of the Sino-Soviet Alliance and the underlying causes of its split have been the subject of a sizable body of scholarly analysis for more than three decades. While a great deal is known about the political relationship between these two countries, especially as a result of their debates in the 1960's, the economic aspect of this Alliance remains relatively obscure.

For some observers, the Alliance "was originally wholly due to the ideological factor... the common enmities provoked by the pursuit of these goals remain the chief factors holding the alliance together." Meanwhile, the "pure national interests" of the two countries "tend to oppose them."¹ Hence, the economic aspect of the Alliance was considered only for its political significance. For instance, it was believed that "Russia's investment of less than two billion roubles for the first five-year plan of China's industrialization" was merely "Moscow's 'tribute' to Peking for the temporary security of the USSR's eastern borders."² And China's "one-sided economic dependence on Soviet aid" was regarded as nothing but a steady source of "deep resentment", because the terms and conditions of the aid in the 1950's had convinced the Chinese that "Soviet aid was in effect blackmail, since economic pressure was applied in excruciating fashion in an effort to influence the policies of China."³

Even in a more recent study by T.G.Hart (1987) which attempted to assess "the possible future development of Sino-Soviet relations" through "determining the present status of all identifiable issues, current and historical" (the italics in original), in its "complete list" of twelve issues and eleven "controversial policy areas" (pp. 69-70), only two -- trade and technical assistance -- were related to economic relations. In this 127-page report, these two issues occupied less than three pages and three footnotes altogether.⁴

To some other authors who specialize in economics, however, the economic aspect of the Alliance is of major importance. However, many of them tend to emphasize the difficulties facing researchers who study Sino-Soviet economic relations. In a major study of China's First Five Year Plan published in 1959, Choh-ming Li stated: "Peiping statistics are open to the charge of inconsistency and even to the suspicion that they are fabricated," though he also pointed out that the unreliability and inaccuracy of available statistics apply equally to almost all other underdeveloped countries.⁵ Chu-yuan Cheng, a specialist in Sino-Soviet economic relations, also affirmed in 1965 that original Chinese Communist sources "were often found to be inadequate and unreliable. Figures on the same subject appearing in different sources frequently conflicted. Some of the material was obviously propaganda."⁶

Soviet aid to China was a major aspect of Sino-Soviet economic relations in the 1950s. Yet, in his study on China's foreign trade (1966), Alexander Eckstein, a professor of Economics at the University of Michigan, points out that "the data concerning Soviet aid to China are rather obscure and in many ways inconsistent."⁷

A number of factors are accountable for the difficulties in evaluating Soviet aid. The first is the conceptual discrepancies in defining "aid". The Soviets frequently considered the transfer of assets located in China from Soviet to Chinese ownership as a part of aid. Imports from the U.S.S.R. paid by current Chinese exports were also included as "aid", though in a narrower sense, aid proper would be understood to include only goods financed by Soviet credit not requiring current payment by China. Second, not enough is known about the actual use of Soviet loans, especially because the Chinese had claimed, since 1964, that they were used "mostly for the purchase of war material from the Soviet Union, the greater part of which was used up in the war to resist United States aggression and to aid [North] Korea."⁸ Third, there is no ideal way of converting roubles, the currency in which capital goods exported to China were calculated, into Chinese yuan to obtain the true scarcity value within China. Fourth, although Soviet-aided projects had

played an important role in China's industrialization, the way of counting them -- that is, what should be considered a project -- as well as their classification, have never been clearly defined.

Even after twenty years, in the mid-1980's, scholars were still puzzled by the same problems in their attempt to evaluate Soviet aid. According to Carl Riskin, "the exact amount and composition of Soviet aid is still a matter of uncertainty, and its contribution to China's development cannot be quantified with precision."⁹ Furthermore, China's publications in the reform years seem to offer little help in solving the puzzle. In 1986, for instance, a fairly systematic and comprehensive work on China's economic history, China's Socialist Economy, An Outline History (1949-1984), was published by Beijing Review in Chinese, English, French, German, Japanese and Spanish. In the preface to the book, Xue Muqiao, the Director of China's Economic Research Centre, affirms that the authors of this book are well-known Chinese economists who "have long been working in various economic departments and have devoted their efforts to the study of New China's economic history." In addition, the book has incorporated the results of their "all-round analysis and deep-going studies", including many previously unpublished details of events and figures which have emerged through the sifting of large quantities of documents and materials.¹⁰

Four chapters (viii, ix, xi, xiii) totaling 70 pages are devoted to the First Five Year Plan; yet, Soviet aid is discussed on less than two pages (4 lines on p.119, 1 line on p.123, 11 lines on p.124, half a page of p.125, and 6 lines on p.188). Readers are told that the number of Soviet aid projects was 156 (pp. 124, 188), though neither the location nor the nature of these projects are revealed. They are further informed that the total Soviet loans to China amounted to 1.406 billion roubles (p.125) and that "foreign loans" accounted for 2.7% of the total state revenue during the First Five Year Plan (p.123). These chapters, however, fail to indicate what the yuan equivalent of these 1.406 billion roubles would be or how they were spent, though it is emphasized that the loans "included those used to purchase Soviet military equipment and material" during the Korean War (p.125).

Unfortunately, sources from the Soviet Union are equally problematic. While exaggerating their "sacrifices for the sake of proletarian internationalism", most Soviet commentators of the 1950's, tended to avoid any discussion of the benefits their country had drawn from Sino-Soviet economic cooperation. The limitations of Soviet data have already been pointed out by Western researchers. For instance, in 1961, L. A. Orleans stated that "it is unusual to find facts and figures in Soviet books and

journals that are not already available from Chinese sources, while critical analyses of any of the problems simply do not exist."¹¹ Even in the present day, to the best knowledge of this author, Glasnost has not yet revealed any past secrets of Sino-Soviet economic cooperation.

In spite of these handicaps, a fair amount of effort has been made to examine the issues concerning the economic aspect of the Sino-Soviet Alliance. After having subjected myself to some of the analyses and commentaries on the subject, I am convinced that a more narrowly focused report examining the role Sino-Soviet economic relations played in shaping the Alliance may be in order. Drawing heavily from previous studies which are often insightful and well-documented (though not always up-to-date) , the present study does not claim to be less speculative or more conclusive. However, it is hoped that by assembling scattered bits of information and synthesizing existing research, the analysis of this specific issue will be useful to better our understanding of this more obscure aspect of the Sino-Soviet Alliance.

After a chronological review of the Sino-Soviet economic relationship, its significance in shaping the Alliance will be examined through the re-appraisal of three major areas. First, the relative costs and benefits of the relationship for each partner will be assessed as accurately as possible, though in light of the underdeveloped state of the Chinese economy and

China's greater economic dependence on the Soviet Union during the period, both the costs and benefits were far more significant for China than for the Soviet Union. Next, the effect of their economic cooperation on the Alliance -- whether it strengthened or weakened it -- will be explored. Finally, the impact of this economic relationship upon China's policy-making will be discussed, albeit speculatively. The aim of this study, due to the author's limitations as well as the nature of the source materials, is not so much to present both sides of the picture as to examine the Chinese side in detail. If more questions are raised than answered, suffice it to say that the point of diminishing return for this topic has not yet been reached.

Notes

1. Richard Lowenthal, "Factors of Unity and Factors of Conflict," Annals of the American Academy of Political and Social Science no.349 (September 1963), pp.109, 107.

2. Oton Ambroz, Realignment of World Power, vol.1 (New York : Robert Speller & Sons, Publishers, 1972), p.25.

3. Statement of Dr. Robert A. Scalapino at the hearings held by the Subcommittee on the Far East and the Pacific of the Committee on Foreign Affairs, U.S. House of Representatives, (March 1965). Sino-Soviet Conflict (Washington D.C.:U.S. Government Printing Office, 1965), p.220.

4. Thomas G. Hart, Sino-Soviet Relations, Re-Examining the

Prospects for Normalization (Aldershot:Gower Publishing Co., 1987).

5. Choh-ming Li, Economic Development of Communist China (Berkeley :University of California Press,1959), pp.3,4.

6. Chu-yuan Cheng, Scientific and Engineering Manpower in Communist China, 1949-1963 (Washington D.C.:National Science Foundation, 1965), p.vi.

7. Alexander Eckstein, Communist China's Economic Growth and Foreign Trade (New York : McGraw-Hill Book Co., 1966), p.154

8. Peking Review, May 8, 1964, p.7.

9. Carl Riskin, China's Political Economy (London:Oxford University Press, 1987), p.76

10. Liu Suinian and Wu Qungan, ed., China's Socialist Economy, An Outline History (1949-1984) (Beijing: Beijing Review Press, 1986), p.2.

11. Leo A. Orleans, Professional Manpower and Education in Communist China (Washington D.C.:U.S. Government Printing Office, 1961), p.vii.

Chapter II - An Overview

Economic relations between the Soviet Union and the Chinese Communists began long before the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance signed in February 1950.

According to the Yalta Agreement, the Soviet army invaded China's Northeast (Manchuria) on August 9, 1945. In order to limit the Guomindang's capacity to challenge their policy¹, the Soviets encouraged the Chinese Communists to form local administrations throughout the occupied region. Some 150,000 Chinese Communist Party (CCP) forces led by Lin Biao and Gao Gang penetrated the Northeast before Guomindang armies reached it. Though well disciplined, they were poorly armed. The Soviet authorities supplied them with adequate amounts of ammunition, side arms and provisions, assigning them political and police functions.² Thus began the cooperation between the CCP and the Soviet Union.

The first trade talks between the Soviet foreign trade organization and the People's Democratic Administrative Commissions for the Northeastern Provinces were concluded on December 21, 1946 in Voroshilovsk. A contract was signed, and deliveries of Soviet goods for both the Communist army and the population began. In addition, some captured war materials and food were turned over to CCP organizations.³

In June 1949, Mao declared his "lean to one side" foreign policy in his famous speech "On People's Democratic Dictatorship". At the same time, a trade delegation, headed by Gao Gang, went to Moscow, where a one year agreement on mutual exchange of goods between China's Northeastern Provinces and the Soviet Union was signed. Under the terms of this agreement, the Soviet Union exported industrial equipment and goods, while the Northeastern provinces delivered soy beans, vegetable oils and other agricultural products in return. From 1947 to 1949, trade between the Northeastern provinces and the Soviet Union expanded steadily, as can be seen from the following data on trade turnover.

Trade Between The Northeastern Provinces and the U.S.S.R.

(In millions of roubles)⁴

	1947	1948	1949
Imports into USSR	201.7	346.5	470.7
Exports from USSR	212.1	327.5	445.2
Total trade turnover	413.8	674.0	915.9

In August 1949, upon the request of the CCP, the first group

of 250 Soviet specialists came to provide organizational and technical aid in the rehabilitation of the "Liberated Areas". Under their guidance, the training of new Chinese cadres, who had been in the Army or partisan units and had no experience in civic administration, began on a day-to-day basis.⁵

The founding of the People's Republic of China (PRC) was proclaimed on October 1, 1949. The Soviet Union was the first country to extend its official recognition. In December of the same year, Mao led a delegation to Moscow. After ten weeks, the Treaty of Friendship, Alliance and Mutual Assistance was signed on February 14, 1950. Apart from sections dealing with military cooperation directed against the United States and the rebirth of Japanese militarism, the treaty also committed both countries to develop and strengthen their economic and cultural relations. In addition, the Soviet Union agreed to extend to China a 300 million dollar loan, payable in five years by delivering Soviet industrial equipment and materials and repayable over the ten-year period (1954-1963) at a 1% interest rate.⁶

The Sino-Soviet alliance was severely tested by the Korean War less than a year after the treaty was signed. Despite certain strains, it survived the test, and in some aspects, Sino-Soviet ties were even strengthened. Because of the war, China's freedom of diplomatic maneuver was greatly reduced. Nevertheless, Moscow sold China large amount of military equipment, and, despite large casualties, China's army was substantially modern-

ized along Soviet lines. The war also accelerated the reorientation of China's economy toward the Soviet bloc: the UN embargo compelled China to become more dependent economically on the Soviet Union.

As a result, China and the Soviet Union developed some very close, far reaching relations in the economic, scientific and educational fields. From 1950 to 1955, the Soviet Union appeared eager to help China in her rehabilitation programs and her effort towards industrialization. China's First Five Year Plan (1953-1957) was drafted with Soviet advice and was specifically geared towards Soviet promises of technical assistance and capital equipment. The general program for Soviet aid over this period was agreed upon in November 1952, when the Soviet Union pledged to provide economic and technical aid in the construction of 141 projects. These included large, modern complexes such as China's largest steel and iron complexes in Anshan, Wuhan, and Baotou, the first automobile plant in Changchun, and the first tractor plant in Luoyang.⁷

Sino-Soviet economic cooperation reached new heights in September 1954 when Bulganin and Khrushchev visited Beijing. The new Soviet leaders began to pay more attention to the Chinese Communists' feelings and interests, and were obviously making a deliberate effort to move toward a more equal partnership with China, removing previous causes of friction. According to the various documents signed on this occasion, the USSR extended a

new development loan of \$130 million to China. All the special rights acquired in 1950--the stationing of a Soviet force in the shared naval base in Port Arthur and the joint stock-holding companies--were removed. At this point, the number of Soviet aid projects increased to 156.⁸

In sum, from 1950 to 1955, Soviet assistance to China was substantial. In return, the CCP almost unanimously supported every policy decision of the Communist Party of the Soviet Union(CPSU). It can well be argued that "never had any Chinese leaders gone so far in linking China's interest to, or emulating the model provided by, a foreign nation."⁹

The year 1956 marked the turning point in Sino-Soviet relations. The underlying reason for the change, as the CCP later admitted was the process of de-Stalinization unleashed at the Twentieth Congress of the CPSU in February.¹⁰ Chinese leaders were shocked by Khrushchev's secret speech. From the Chinese leaders' point of view, de-Stalinization might threaten the legitimacy of Communist regimes and parties over the world. Making such a crucial decision without consulting China beforehand was regarded as a great insult. Moreover, in 1956 the PRC was, in a sense, passing through a Stalinist stage of their own ; many of the CCP's policies were explicitly modeled on Stalin's. An outright repudiation of Stalin could have led to the questioning of many of their own current policies. In addition,

since 1945, Mao had steadily built up his own "cult of personality" in Stalin's way; the sweeping attack against Stalin might also threaten Mao's primacy in China.

Once the seeds of Sino-Soviet conflict were sown in 1956, a clear divergence in ideology and basic strategy between China and the Soviet Union developed between 1957-1959 when the interests of these two countries clashed. At the same time, Soviet economic assistance to China began to dwindle. According to Cheng Chu-Yuan's calculation, Soviet loans to China, which reached \$700 million in 1955, dropped drastically to \$50 million in 1956 and declined to less than \$10 million in 1957.¹¹

1957 was a difficult year for China. The bad growing weather combined with Mao's rapid pace for full collectivization made 1957 a poor crop year. The claimed grain production of the year was 185 million tons, constituting a 0.98% increase over 1956¹²--less than the population increase which is believed to be about 2.2% per year.¹³ The outstanding debit to the Soviet Union, which had to be paid mainly by the export of agricultural products, was believed to be as high as \$2.4 billion in 1957.¹⁴ The First Five Year Plan, which was near completion, failed to resolve the pressing problems of growing unemployment in the cities and underemployment in the countryside.¹⁵ By pragmatic calculation, therefore, without further Soviet credit, China was not in a position to continue its industrialization following the Soviet model. After some debate on the development strategy,

Mao and other " Left-Wing" leaders began, in the fall of 1957, to push for more radical domestic policies. By 1958, when the Great Leap Forward (GLF) and Commune program took shape, the Soviet model was apparently abandoned.¹⁶

Initially, the Soviet Union appeared to support the Great Leap Forward . In 1958, the Soviets shipped more than 9,300 motor vehicles and locomotives, 8,000 trucks and 2,000 trailers, plus 500,000 tons of petroleum to China.¹⁷ However, such assistance was carried out entirely through trade. And increasingly, Mao's methods of industrialization through mass movement were responded to with an unaccommodating attitude from the Soviet leadership.

For reasons that cannot be clearly defined even today, the Chinese communists launched a heavy shelling of the offshore islands of Taiwan Strait on August 24, 1958, creating an international crisis that involved the major powers. Although the critical moment passed rather quickly, this event highlighted, to the leaders of both Communist China and the Soviet Union, the conflict of their national interests, and thus had a crucial effect on overall Sino-Soviet relations. According to A.D. Barnett's analysis, this crisis " precipitated a reassessment of the Soviet policy of nuclear aid to China...because it highlighted the USSR's awareness of risks its alliance with China could involve".¹⁸ Consequently, Moscow began to have serious doubts about the wisdom of nuclear assistance to China. Accord-

ing to Chinese sources, in June 1959, the Soviet government "tore up the agreement... and refused to provide China with a sample of an atomic bomb and technical data concerning its manufacture."¹⁹

In addition to this rift over nuclear weapons, Moscow's neutrality in the Sino-Indian border dispute of September 1959 strained the Sino-Soviet relations severely. However, this strain was largely concealed from the outside world at the time. From September 1958 when the Taiwan Strait crisis took place, to the end of 1959, China and the Soviet Union still signed several agreements on economic and scientific cooperation. The most important one was the new Sino-Soviet agreement for the extension of economic and technical cooperation for the period of 1959-1967, signed in Moscow by Zhou Enlai and Khrushchev on February 7, 1959. Soviet technical aid continued, despite some serious friction between Soviet experts and the Chinese generated by the policy of the Great Leap Forward. The total value of Sino-Soviet trade in 1959 reached \$2,054 million--3.5 times the 1950 level.²⁰

To sum up, despite the strain and friction in their political and military relations in the latter part of the 1950s, the decade after 1949 saw a very close economic cooperation between China and the Soviet Union. Besides the above mentioned financial and technological assistance, the Soviet Union also helped to reorganize the Chinese educational system along Soviet lines. By 1960, about 1,700 Chinese teachers had been trained in the

Soviet Union. If we include the number of teachers trained locally by Soviet experts, the total would be 19,000 which was about a quarter of the teaching personal at Chinese colleges.²¹ Soviet colleges and universities enrolled over 11,000 Chinese students and post-graduates between 1951 and 1962.²² Over 1,300 Soviet educational specialists and hundreds of Soviet teachers worked in China for bodies attached to the Ministry of Education.²³ Scientific and cultural exchanges were equally extensive. The Soviets claimed that they had given China 24,000 sets of virtually cost-free scientific and technological documents over a period of slightly more than ten years which were worth "many billions of dollars in the world market" and amounted to half of the technical documents given by the Soviet Union to all socialist countries.²⁴ From 1949 to 1964, 566,059 Soviet books were sent to China and in return the Soviet Union received 39,366 Chinese books.²⁵ Between 1949 and 1958, 112 Soviet artistic groups and 134 Chinese groups visited each other's countries, and almost two billion Chinese saw 747 Soviet movie pictures.²⁶

Sino-Soviet economic relations began to deteriorate in 1960 when their rifts on ideological and political matters came into the open. The Chinese took the initiative in April 1960 by launching an ideological attack on Soviet "revisionism". They used the occasion of the ninetieth anniversary of Lenin's birthday to publish a bitter polemical article in the party's

main theoretical journal, Hong Qi(The Red Flag), condemning the Soviet leadership for abandoning Leninist principles and basic Communist values.

Khrushchev responded with an all-out attack on the CCP at the Rumanian Party Congress in June 1960. In addition, the Soviet government took punitive actions by an instant withdrawal of all Soviet experts working in China. In return, the Chinese declared the slogan "to revive through our own strength and build the country with diligence and thrift" as the guiding principle "for a long period in the construction of socialism."²⁷

Nevertheless, deteriorating economic conditions and widespread famine, due to the failure of the Great Leap Forward and the Communization program as well as to the bad weather, forced the Chinese leaders to seek Soviet assistance once again. But the help granted by the Soviet government was rather meager compared to China's pressing needs. After three months of negotiation, the 1961 protocol for Sino-Soviet exchange of goods was signed in Moscow, which permitted China to repay its 1960 trade deficit(288 million roubles) within five years in installments without interest, and the Soviets agreed to deliver 500,000 tons of sugar on credit to be repaid during the period 1964-67 without extra interest charges.²⁸

The meagerness of this aid, plus the withdrawal of experts in 1960 and the unilateral abrogation of the nuclear agreement in 1959 finally led the Chinese leaders to believe that they were subjected to Soviet economic blackmail.

If the Soviet leaders had hoped to use the curtailment of economic aid to discipline China, it proved to be a serious misjudgment; the economic pressure only made Chinese leaders extremely bitter and as uncompromising as ever. Despite their relatively weak position, they determined to end their economic dependency and vulnerability. They began, deliberately and systematically, to reduce China's links with the Soviet Union and expand her trade with the West. Once started, the process of economic disengagement gained in momentum and soon became irreversible.

Since much of the Soviet aid was provided through trade, the most important indicator of the changing Sino-Soviet economic cooperation was the decline of trade between the two countries. The volume of trade declined steadily from 1849.4 million roubles in 1959 to 540 million roubles in 1963, and further to 375.5 million roubles in 1965. As the Chinese proceeded to repay all Soviet loans through export, their imports from the Soviet Union declined even more precipitously: from 895.1 million roubles in 1959 to 121.8 million roubles in 1964.

Soviet Exports to, and Imports from China (1950-1965)²⁹

(in millions of new roubles)

	1950	1951	1952	1953	1954	1955	1956	1957
Imports into USSR	169.5	298.2	372.4	427.2	520.5	579.2	687.8	664.3
Exports from USSR	349.4	430.6	498.8	627.8	683.4	673.5	659.7	489.7
Total Trade	518.9	728.8	871.2	1055.0	1203.9	1252.7	1347.5	1154.

	1958	1959	1960	1961	1962	1963	1964	1965
Import into USSR	793.1	990.3	763.3	496.3	464.7	371.7	282.8	203.0
Exports from USSR	570.6	859.1	735.4	330.6	910.1*	168.5	121.8	172.5
Total Trade	1363.7	1849.4	1498.7	826.9	674.8	540.2	404.6	375.5

*printing mistake, must be 210.1

The drop in trade was accompanied by a gradual weakening of all other ties. Soviet experts were never invited back, despite repeated offers from the Soviets.³⁰ According to Soviet sources, the construction of many Soviet-aid enterprises was halted. Some of them were turned into "'museums' for discrediting Soviet economic aid."³¹ In an agreement signed in July 1961, China refused further Soviet assistance in the construction of 89 industrial plants, thus causing a fivefold reduction in the deliveries of complete sets of equipment from the Soviet Union, as compared with 1960. Eventually, in December 1961, China announced total refusal to import complete sets of Soviet equipment.³² New agreements on scientific and cultural cooperation were also signed to replace the previous ones, allegedly

upon the insistence of the Chinese government. The result was a sharp cutback in obligation undertaken by both parties towards one another.³³

From the beginning of 1963, the Sino-Soviet dispute increasingly took on the form of a struggle for power and influence rather than that of an ideological debate. On April 20, 1963, China announced its intention to repay all debts to the Soviet Union ahead of schedule.³⁴ China's determination to pay back all these debts indicated its wish to pursue a path free of Soviet control.

In sum, whereas in the mid-1950's China seemed well on its way toward full economic cooperation with the Soviet Union, by 1963, it determined to end all economic dependency on the Soviet Union--regardless of all problems and costs. From then on, the Sino-Soviet Alliance, which would have lasted to 1980, existed only on paper.

Notes

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1. The Soviet policy in China's Northeast was very harsh. Manchurian industry was regarded as "war booty", and some \$95 million worth of equipment was removed by the end of 1945. In 1946, an American investigation commission estimated that \$895 million in direct damage or \$2 billion in production loss and replacement costs had been sustained. See Steven I. Levine, Anvil of Victory, the Communist Revolution in Manchuria, 1945-1948 (New York: Columbia University Press, 1987), p.69 and notes 87,88, on p.259.
 2. See the Forward in O.B. Borisov and B.T. Koloskov Soviet-Chinese Relations 1945-70 (Indiana: Indiana University Press, 1975), p.25.
 3. O.B. Borisov and B.T. Koloskov Sino-Soviet Relations, 1945-1973, A Brief History (Moscow: Progress Publisher, 1975), p.30. Henceforth it will be cited as A Brief History.
 4. M.I. Sladkovsky, Istoriya Torgovo-Ekonomicheskaya Otnoshenii SSSR s Kitaem (The History of Commercial-Economic Relations Between the USSR and China ,1917-74, Moscow: Nauka Press, 1977), p.174. The reason for the excess of exports from China's Northeast was, according to Sladkovsky, that "part of the Manchurian food stuff was transported by sea through Vladivostok to Dalian for the needs of the Chinese population in the Liaodong Peninsula." (See Ibid., p.175).
 5. Borisov and Koloskov Soviet-Chinese Relations, p.60.
 6. Jia Wenhua, Sulian Dui Wai Guanxi (The Soviet Union's Foreign Relations, Henan: Jiaoyu Chubanshe, 1989), p.241
 7. Chu-Yuan Cheng, Economic Relations Between Peking and Moscow (New York: Frederick A. Praeger, Publisher, 1964), p.14.
 8. Ibid., p.15. Also, Liu and Wu Socialist Economy, p. 124.
 9. A. Doak Barnett, China and the Major Powers in East Asia (Washington D.C.: Brookings Institution, 1977), p.26.
 10. "The Origin and Development of the Difference Between the Leadership of the CPSU and Ourselves," Peking Review, September 13, 1963, p.7.

11. C.Y.Cheng, Economic Relations, p.3.
12. Ten Great Years (Compiled by The State Statistical. Bureau of the PRC Government. Beijing: Foreign Languages Press, 1960), p.119.
13. Victor D. Lippit, The Economic Development of China (Armonk: M.E. Sharpe, Inc. 1987), p. 110. The Situations , however, were in fact even more ominous. According to The Development of China, 1949-89 (Beijing: Beijing Review Press,1989),the total agricultural output value of 1957 was 53,700 million yuan, representing a 12% decrease from 1956's 61,000 million yuan. p.27.
14. O.Edmund Clubb, China and Russia, the "Great Game" (New York: Columbia University Press, 1971), p.419. According to Jia Wenhua, from 1950-56, the total Soviet credit was 567.6 million old roubles, 60.4% of this total amount was used in the Korean war. See his Sulian, p.253.
15. Maurice Meisner, Mao's China (New York: The Free Press, 1977), p.217.
16. This crucial change of policy and the abandonment of soviet model will be discussed in more detail in Chapter IV.
17. C.Y. Cheng, Economic Relations, p.18.
18. A.D. Barnett, China and the Major Powers, p.346.
19. Peking Review, August 16,1963, p.7.
20. C.Y. Cheng, Economic Relations, p.53.
21. "Memorable Pages in the History of Soviet-Chinese Cooperation," Far Eastern Affairs, 1984, no.4, p.143.
22. Ibid.,p.141.
23. Gilbert Rozman, ed., The Modernization of China (New York:The Free Press,1981), p.422.
24. Borisov and Koloskov, Soviet-Chinese Relations, p.161.
25. L.V.Filatov, Ekonomicheskaya Otsenka Nauchno-Tekhnicheskoi Pomoshchi Sovetskogo Soiuzu Kitaiu, 1949-66 (Economic estimate of scientific-technical assistance by the Soviet Union to China 1949-66, Moscow: Nauka Press, 1980), p.152.
26. Borisov and Koloskov, Soviet-Chinese Relations, p.83.

27. Peking Review, August 23, 1960, p.15.
28. Vneshnyaya Torgovlya, 1961, no.5, p.12. It is of interest to note that, this aid, as well as China's trade deficit had been stated 4 times on pp.12,13,14, and 18 in a section titled "The Unbreakable Fraternal Friendship." According to the Soviets, 300,000 tons of grain and flour were also delivered to China, on credit, during the spring and summer of 1961. See Borisov and Koloskov, A Brief History, p.217.
29. M.I. Sladkovsky, Istoriya, pp.204, 222, 252, 281.
30. According to Borisov and Koloskov, after November 1960, the Soviet Union repeatedly expressed its readiness to return its experts. Soviet-Chinese Relations, p.212.
31. Oleg Ivanov, Soviet-Chinese Relations Second Revised ed., (Moscow: Novosti Press Agency Publishing House, 1979), p.15.
32. Eckstein, Foreign Trade, pp.213-215.
33. Ibid., pp.216-217.
34. C.Y.Cheng, Economic Relations, p.23. China indeed paid back all its debts to the USSR by 1965. Soviet authors denounced such high speed of repayment, despite the country's hardship, as "contrary to all common sense" and "a deliberate measure of Maoist propaganda to blame China's economic difficulties on Soviet leadership." See Oleg Ivanov, Who Is To Blame? (Moscow: Novosti Press , 1981), p.26.

Chapter III - The Benefits and The Costs

An appraisal of the economic relationship between China and the Soviet Union must be based on an assessment of its relative costs and benefits for each partner. In this respect, the period from 1945 to 1949 is of crucial importance. It was during these few years that the foundation for Sino-Soviet economic cooperation was laid down and the future development of their alliance was shaped.

From August 1945 to May 1946, the presence of Soviet troops in the Northeast of China was a factor of major importance for the military and economic development of the area. Various considerations had shaped the USSR's China policy. Its most consistent characteristic was certainly not "the effective efforts for the military and economic consolidation of the revolutionary base in Manchuria" -- as Soviet authors often claimed.¹ Rather, it was determined, as Steven I. Levine pointed out, "to keep all options open and to avoid too close identification with one side or the other," and aimed at "maximizing Soviet influence within the Chinese political arena while minimizing the risk of confrontation with the United States."² Nevertheless, Moscow did not pretend to be impartial in the conflict between the CCP and the Guomindang, and clearly favored the CCP in important ways.

In general, Soviet contribution to the CCP's victory in Manchuria was ignored by Chinese sources. The dearth of convincing evidence of Soviet aid to the CCP also made many Western authors downplay the "Soviet factor" in China's civil war. However, Moscow's contribution during the Manchurian period, as S.I. Levine observes, was "substantial".³ The foremost was "the gift of time,"-- a head start in the competition for power in Manchuria which was "even more valuable than the Japanese weapons transferred to the CCP by the Red Army."⁴

The CCP began to organize armed guerrillas in a systematic manner in Manchuria in the early 1930's. By 1935, the Communists came to have a dominant influence on the anti-Japanese movement. In 1936, "there were few armed men in the region who were not under their influence."⁵ The activities of these guerrillas spread into more than forty counties, and their number exceeded 20,000.⁶ In the late 1930's, however, these guerrillas were "finally decimated" by the concentrated efforts of the Japanese military. By 1941, "organized Communist and nationalist guerrilla activity in southern Manchuria ended."⁷ In February 1941, all Communist guerrillas evacuated into the Soviet border areas. Inside the Soviet Union, the CCP's Northeastern Party Committee was established in April 1942. At the same time, the guerrillas were organized into a brigade "mainly for the purpose of political and military training."⁸

From 1942 to 1945, the Manchurian Branch of the CCP was incapable of ambitious actions. Up until the Soviet declaration of war against Japan, the CCP's army was in a very bad condition. According to Soviet sources, there were no more than 10,000 Communist soldiers in the area.⁹ When large numbers of Communist troops entered the Northeast after the Soviet declaration of war against Japan, most of them were disguised as civilians.¹⁰ It was reported that "two-thirds of the soldiers had no arms whatsoever; each rifle had only 30 rounds of ammunition; there was one machine-gun for every 100 soldiers. Except for a few pieces of artillery captured from the surrendering Japanese, CCP troops had no means for fighting a serious battle."¹¹

These soldiers were then equipped with weapons captured by Soviet forces from the Japanese Kwantung Army. According to Guomindang's sources, "in October 1945, Lin Biao led three divisions of unarmed troops to Shenyang. After receiving the arms and equipment for a division, [these troops] took the train to Changchun, where a large amount of arms and equipment was given [to them]. [Lin's troops] were then expanded into four divisions which became the nucleus of the 'United Democratic Army.'"¹² Only during the "first stage", Soviet sources claim, the CCP's army received more than 3,700 of all sorts of guns, 600 tanks, 860 aircraft, about 12000 machine-guns and 680 different kinds of depots.¹³ According to R. Medvedev, a distinguished "dissident"

historian living in Moscow, in addition to the weaponry captured from the Japanese, " a substantial amount of arms and ammunition [was] taken from Soviet regiments and divisions" and handed over to the CCP.¹⁴ By December, the number of Communist soldiers in the region exceeded 200,000. In February 1946, the number was approximately 500,000.¹⁵

After Yanan was surrendered to the Guomindang's troops, the Northeast became the most important base for the survival of the CCP and later, the preparation for its general offense against the Guomindang regime. As Lloyd Eastman observes, the Soviet intervention effectively blocked the Guomindang from establishing the control of the region and provided the CCP with a "springboard for the conquest of China proper."¹⁶

For the economic development of this area, Soviet support also played a significant role. Areas under the CCP's control, which were cut off from China's central provinces, experienced an acute shortage of fuel, motor vehicles, coal, medicines, salt, and other consumer goods. When southern Manchuria was invaded by Guomindang's troops, the condition of food supply in the Liaodong Peninsula deteriorated sharply.¹⁷ The shortage of goods naturally made the merchants as well as the people in these areas very apprehensive about the value of the new currency (the "Renmin Piao"--people's money) issued by the Communist government. Under such circumstances, stabilization of trade was crucial in consolidating the CCP regime. In this respect, imports

from the Soviet Union, the commercial activities of the Soviet-owned companies in the Northeast, as well as the Sino-Soviet joint-stock companies in the Liaodong Peninsula were most critical.

Of the Soviet-owned companies in the Northeast, the most significant was the "I. Ya. Churin Company". This company was established in 1868 by Russian merchant I. Ya. Churin. After the Russian Revolution, its commercial activities had been centered on Manchuria, with the headquarters in Harbin. In October 1945, it became a Soviet Stock Company with branches in Dalian, Hailaer, Jiamushi, Qiqihaer, Mudanjiang, Suifenhe and Shenyang. Through a widely spread network of stores and other enterprises, the company sold scarce industrial goods imported from the Soviet Union on Renmin Piao.¹⁸ These measures undoubtedly helped to stabilize the financial situation of the Northeast.

When food supplies dwindled in the Liaodong Peninsula, Soviet agencies supplied grain, vegetable oil, sugar and tinned foods from Vladivostok to Dalian directly by sea and then distributed them to the population at prices fixed by the CCP local government. According to Soviet sources, "the Soviet Union met all the costs of food transportation, storage, and distribution as part of free assistance to the Chinese population."¹⁹

Several Sino-Soviet joint stock companies were established in the Liaodong Peninsula from 1947 to 1950. Both the "Dal'anerko" and "Lyaodunryba" were on an equal share basis.

The "Dal'anerko" controlled 14 large enterprises including two power stations in Dalian, as well as radio-telephone, lightbulb, glass and cement factories. The major products of the "Lyaodunryba" were salt and fishing-products.²⁰ The "Dar'dok" was the more important one and later became one of the five joint-stock companies in the early 1950's--the Dalian Dockyard. In 1947 this company employed over 2000 worker, 264 engineers and technicians; from 1947 to 1950, 246 ships of small-tonnage, 275 lighters (in 100 ton), and 21 barges (in 500 ton) were built.²¹ The production of these companies contributed to the normal functioning of the industries, transportation as well as commerce in the Peninsula. When the establishment of the People's Republic was proclaimed in 1949, the Liaodong Peninsula became one of the most important industrial areas of the country.

In addition, Soviet assistance in restoring the railway system and controlling plague should not be ignored. It was reported by a Soviet source that at the end of the war, 6000 km of railway lines in the Northeast were destroyed or damaged. Toward December 1948, however, "as a result of the great work performed under the guidance of Soviet railwaymen... over 15,000 km of main railway lines... 120 large and medium-sized bridges... had been restored."²² In retrospect, this timely restoration had certainly facilitated troop movement during the final stages of Lin Biao's military campaigns.

Plague epidemics had occurred in Manchuria periodically in its history. Poor nutrition, inadequate preventive public health care, as well as the strain of war and revolution had all increased the susceptibility to disease of man and animals alike. In 1947, there were several serious outbreaks of plague in the Northeast provinces. Soviet epidemic-fighting teams were sent in with vitally needed medical supplies and equipment. Chinese personnel in preventing and combating plague were trained by Soviet specialists. As a result, the number of persons afflicted with plague in the region fell sharply from 30,326 in 1947 to 5947 in 1948 and 250 in 1949.²³ It is certainly true that "this aid was dictated as much as by self-interest as from international solidarity, because plague could easily have traveled along rail lines to the Soviet Union as it had in earlier times."²⁴ But the net effect of Soviet medical assistance was the containment of what could have been a far more disastrous outbreak of the disease.

In short, by frustrating the Guomindang takeover of Manchuria in 1945-46 and providing assistance to the CCP in that same region, the Soviets contributed significantly to the victory of Mao's forces. However, just how significant was that contribution is difficult to judge in the absence of more detailed information. While there is little doubt about the duality of Soviet policy which was far from as disinterested as presented by Soviet commentators, the trade with the Soviet Union, as well as

the military, economic, technical and medical assistance rendered to the CCP by the Soviets had indeed made it easier for the weak and struggling revolutionary government to cope with the numerous problems of civil war. As Levine had concluded in his study, "without Soviet assistance, it would be far more difficult for the CCP to mount a challenge to the Nationalists in Manchuria--an area where the Party lacked support, experience, and local cadres."²⁵

After the founding of the People's Republic, the benefits of Sino-Soviet economic cooperation for the Chinese Communists became even more obvious. When they came to power, the Communists had had almost no experience in developing modern industry. Determined to embark quickly on an ambitious industrialization program, they looked naturally to Soviet leadership and technical assistance. Because of a U.S.-initiated and UN-backed embargo, the Soviet Union and other European Communist countries became China's sole suppliers of military equipment as well as of many other types of machinery and capital goods.

All writers agree that during China's First Five Year plan(1953-1957), the Soviet Union made a decisive contribution to China's industrialization. The 156 Soviet-aid projects formed the backbone of China's industrialization, which equaled 41.7% of the total investment in industry²⁶ and accounted for a very high percentage of China's total increase in productive capacity:

Percentage of increase in productive capacity
owing to 156 Soviet-aid projects (1953-1957)²⁷

Pig iron.....	92.1
Steel.....	82.8
Rolled Steel.....	90.4
Coal.....	22.7
Crude oil.....	51.4
Metallurgical equipment.....	50.3
Electric generating equipment....	45.0
Chemical fertilizers.....	28.5
Trucks(units).....	100.0

The following percentages of products produced in China in 1960 are the results of Soviet-aid projects: Pig Iron---30%; Steel---about 40%; Rolled steel---more than 50%; Trucks---80%; Tractors---more than 90%; Electricity---25%; heavy machinery---more than 10%.²⁸

On the other hand, Soviet financial assistance to China has been a controversial aspect of Sino-Soviet economic relations. It is generally assumed that there was no free aid given to China--save for a few gifts with very limited value such as Soviet equipment for a state farm given in 1954 during

Khrushchev's visit to China. But Soviet sources claimed that they assumed 50% of all costs for the instruction and provision of stipends for the Chinese trained in their country.²⁹ Moreover, as mentioned before, the Soviets claimed that 24,000 sets of scientific and technological documents, worth "many billions of dollars," were given to China virtually cost-free.³⁰

The only publicized Soviet loans were those in 1950 and 1954, totaling 1,720 million old roubles (=US \$430 million). However, it is generally agreed that Soviet financial aid was not limited to this amount. In fact there has been a total disagreement as to how much "aid" had been supplied by the Soviet Union to China, not only between the Chinese and Soviet governments but also among Western scholars. According to R. L. Price, the long-term Soviet credits China has acknowledged amounted to US \$1,405 million. "These included an economic loan of 300 million granted in 1950; a further economic credit of 130 million in 1954; a loan in 1955 covering the transfer to China of Soviet holdings in four joint-stock companies and other Soviet-owned assets in China believed to total \$330 million; and other miscellaneous credits totaling \$645 millions, probably mainly used for military purposes."³¹ If calculated from the sum total of China's favorable trade balance with the Soviet Union from 1956 to 1965 (since the Chinese debt repayment principally took the

form of trading surplus), the figure amounts to 6,211 million old roubles,³² which is closer to both A.Eckstein's estimation of 5,300 million old roubles(1950-1957)³³ and Zhou Enlai's figure of 6,244 million old roubles.³⁴ Data published in more recent years by both the Soviets and the Chinese seem to suggest that Robert R. Price's figure of US \$1.405 billion might be closer to reality. In 1977, M.I.Sladkovsky gave a list of Soviet credits totaling 1.816 billion roubles:

Year.....Total amount of credit used³⁵

(in millions of roubles)

1950.....270.0

1951.....433.0

1952.....241.5

1953.....135.2

1954.....188.2

1955.....218.2

1956.....329.6

In China's socialist Economy (1986), the amount of total Soviet loans was given as 1.406 billion roubles³⁶, without revealing further detail. Thus, it seems reasonable to assume that the figure is between 1.4 to 1.8 billion roubles. Still, since much of the Soviet aid to China was given during the 1950's when alternative sources of aid were politically out of the question, the value of Soviet aid must be regarded as fairly considerable and indispensable. Besides, Soviet aid cannot possibly

be evaluated only in terms of rouble figures alone. The provision of expert knowledge and technical assistance must have greatly contributed to the efficiency of investment, especially in view of the shortage of engineering and management personnel in China.

Without the assistance and cooperation of the Soviet Union, the progress of China's science and technology, as well as the building up of its scientific and technical manpower during the 1950's could not have been achieved. For instance, the restoration and development of railway lines in the Northeast had to be performed under the guidance of Soviet engineers and technicians, because under Japanese occupation, all technical jobs in the Manchurian Railway system were held by Japanese.³⁷ In China's largest steel-iron complex of Anshan, there was not a single Chinese engineer familiar with designing because the foreign owners of industrial enterprises did not allow the Chinese to participate in designing as a rule.³⁸ According to a survey taken in 1957, only 56% of chief engineers, the number two men in enterprises, had graduated from higher schools. Only 13% of 800,000 engineers and technicians had received higher education, and 64% had to learn on their job.³⁹ Thus, the presence of Soviet advisers in key industrial units must have alleviated the problem of shortage of expertise in technical areas.

The Chinese government was keenly aware of the need to build up adequate scientific and engineering manpower. From 1949 to 1963, enrollment in institutions of higher learning increased sevenfold, and large numbers of students were trained as scientists and engineers in various branches of modern science and technology.⁴⁰ In the training of Chinese technical personnel, the role played by the Soviets is undeniable. Even allowing for some exaggeration of Soviet contribution, the figures revealed by the Chinese press in the 1950's are still very impressive. For instance, as reported in 1955, during the 3 years of joint management of Changchun Railway, 45,900 managerial personnel and servicemen were trained by Soviet specialists. The Sino-Soviet Nonferrous and Rare Metals Company had trained more than hundred young engineers and more than 5,000 technicians and skilled workers. More than 2,000 technicians were trained in the Xinjiang Petroleum Company. Twenty four training courses were conducted in the Sino-Soviet Civil Aviation Company. It was exclaimed: "In one word, where there are Soviet specialists working, there are large numbers of new-type technical personnel trained."⁴¹ According to a study conducted under the National Science Foundation of the United States:

Almost every important branch of the technical or natural sciences in China was created or expanded with Soviet assistance during 1950-60. The Soviets laid a foundation for the development of branches of science previously unknown in China. Departments formerly short of qualified personnel have gradually formed armies of experts, while those branches of science previously underdeveloped have advanced remarkably.⁴²

It is fair to state that Soviet cooperation and assistance laid the groundwork from which the Chinese have been able to continue their industrialization independently. As Mao I-sheng, an outstanding Chinese civil engineer, observed in 1959, immediately after the "liberation", most of the major capital reconstruction was under Soviet auspices. But by 1959, "our scientific force could independently undertake such a job."⁴³

On the other hand, the seemingly ungrateful Chinese attitude expressed after their relations with the Soviet Union had soured was not totally unreasonable. As early as September 1959, while commenting on Soviet assistance, Li Xiannian wrote:

"In the past ten years, ... with the exception in the the earlier years of the founding of our country when the Soviet Union granted us some low-interest loans, (its) assistance was primarily conducted through the trade processes in a mutually beneficial way."⁴⁴

This statement can be regarded as well founded, because it was estimated that the two well-known Soviet loans for economic development (US \$430 million) were only enough to pay 11% of China's total imports from 1950-57 and constituted merely 3% of the total state investment for the First Five Year Plan.⁴⁵ In comparison with Soviet aid to other socialist countries, the "Chinese share" was completely disproportionate to the size of its population.⁴⁶ In addition, the deficiency of Soviet assis-

tance also deserves notice here. C. Y. Cheng wrote, "some direct aspects of Soviet aid were deficient in many respects and sometimes clumsy and ill-advised."⁴⁷ Occasionally, the Chinese also reported that some Soviet technical data and machines were unsuited to Chinese conditions. For instance, in 1951, an article published in the magazine Zhongsu Youhao (Sino-Soviet Friendship) mentioned that some mining machinery from the Soviet Union could not be made to operate in Chinese mines.⁴⁸ In 1957, it was reported that Soviet instruments failed to operate in China's subtropical climate.⁴⁹ In all fairness, however, it should be noted that this kind of deficiency would hardly be avoidable in any foreign-aid program.

The costs for China in its economic cooperation with the Soviet Union are more difficult to assess. While the harmful effects of Soviet economic pressure, such as the sudden withdrawal of all experts and the curtailment of trade after 1960 are obvious, assessments of "Soviet exploitation" are often speculative in nature. It is one thing to assume that "economic dependence on the Soviet bloc would prove quite expensive,"⁵⁰ but quite another to prove it with properly interpreted statistical evidence.

Foremost among the cases of "Soviet exploitation" is the so-called "Stalin's imperialist 50-50 joint stock deal." The standard assumption of the matter was that "if the [joint-stock] formula of economic cooperation [was] extended to other parts of

China... the Soviet Union would by means of a certain amount of its technological equipment get half of the wealth hidden under Chinese soil and a large amount of profits from commercial undertaking in China."⁵¹ It is often observed that even Khrushchev himself admitted, in his memoirs, that it had been a major error to establish joint-stock companies.⁵² Moreover, the New York Times reported that Khrushchev said Stalin had jeopardized the Sino-Soviet alliance by "demanding too much in return for aid", and Mao had been "extremely embittered" by Stalin's insistence on joint stock companies and mining and industrial concessions.⁵³

A more careful and thorough study of Soviet and Chinese sources, however, seems to suggest that the question might not be as simple as had been assumed.

First of all, it is not entirely clear who initiated the deal. It was generally assumed that the Soviet had desired it, and the Chinese Communists' acceptance of the deal represented their concessions to Soviet demands. As early as November 1945, the Soviets already negotiated with the Guomindang, demanding extensive Sino-Soviet economic cooperation in the form of joint Sino-Soviet management. The Soviet commander in Manchuria, Marshal Malinovsky, as well as the Soviet economic advisor M. I. Sladkovsky, repeatedly warned that a solution to the problem of economic cooperation would have to be found before Soviet troops

would leave Manchuria. These demands were turned down by the Guomindang on the ground that such cooperation would give the Soviets a permanent economic interest in the region.⁵⁴ Later, in the East European satellites, when joint-stock companies were established, the Soviet share was based on expropriated German assets. This pattern was paralleled closely when the first two joint-stock companies in the Northeast, the Changchun railway and the Dalian shipyards, were established. In these two companies, the Soviet contribution was represented by Japanese shares and holdings which had been expropriated by the Soviet occupation authorities in Manchuria.⁵⁵ Therefore it is plausible that the Soviets had demanded the deal.

However, in his recently published memoirs, Andrei Gromyko, the deputy-head of the Soviet delegation negotiating the deal of joint-stock companies in 1950, gave the following account:

Soon after the formation of the Chinese People's Republic, the Chinese had proposed talks with the USSR on the creation of two joint-stock companies, one Sovkitneft (Soviet-Chinese Oil) and the other Sovkitmetal (Soviet-Chinese Metal), to be built in the north-western part of China, in the province of Xinjiang. It only remained to put it all on paper.

The two sides accordingly agreed that specially appointed delegations should conduct the talks... After a few sessions in Moscow, however, it became clear the Chinese had changed their minds, and, when I reported this to the Politburo, Stalin vented his feelings on the matter in the strongest terms.⁵⁶

It would be interesting to know how accurate such an account is. Unless both Moscow and Beijing open their archives, however, there is no way to know for certain.

Second, the Soviet contribution to the joint-stock companies was not limited to the expropriated Japanese shares or holdings, or a "certain amount of Soviet technological equipment."

There were five Sino-Soviet joint-stock companies: the Changchun Railway, the Dalian Shipyards, the Xinjiang Nonferrous and Rare Metals Company, the Xinjiang Petroleum Company, and the Sino-Soviet Civil Aviation Company.⁵⁷

The Dalian Shipyards were established on the base of "Dal'doc"---a shipyard founded by the Russian government in 1903, when Russia held a lease on the Liaodong Peninsula. It was surrendered to the Japanese under the terms of the Treaty of Portsmouth in 1905. The shipyards were then expanded by the Japanese into one of the biggest shipbuilding factories in China with the capacity of building and repairing ships up to 12,000 tons. Under Japanese management, all engineers and technicians were Japanese. When Soviet authorities took control in 1945, they were paralyzed: major equipment was badly worn out during the war, and all Japanese personnel had been evacuated. Rebuilding of the shipyards was conducted by Soviet engineers and technicians with Soviet equipment. By the end of 1949, the prewar output of the yards was surpassed. In the process, Chinese workers and managerial personnel were trained. By mid-

1949 , the shipyards were put under Sino-Soviet joint management. And according to the agreement of 1950, it became a joint-stock company.⁵⁸

Up till 1943, there were some joint Sino-Soviet enterprises in Xinjiang, set up at the request of the local Chinese authorities for exploring, mining , the dressing of some nonferrous metal ores, as well as for extracting and refining oil in the area. In 1950, these enterprises became the basis for the joint-stock companies in the province.⁵⁹

the 1950 agreements defined that these joint-stock companies, except the Changchun Railway which was returned free of charge to China on January, 1953,⁶⁰ were set up for a term of 30 years, on a parity basis with the provisions for the parties equally sharing in the capital and management of their affairs. The Soviet Union provided industrial equipment, machinery, airplanes and appliances; China contributed land and building materials. The activities of these companies were to be directed by representatives of both sides alternately.⁶¹

In October 1954, on the initiative of the Soviet government, an agreement was signed in order to transfer all Soviet rights and shares in these joint-stock companies into China's full possession. Presumably, the reason for this transference was that the Chinese were, at the time, capable of managing these companies on their own. More likely, however, it was a result of a deliberate effort on the part of the new Soviet leaders to remove

past causes of friction. For China to purchase these shares, a long-term credit of more than 60 million roubles was provided by the Soviet government.⁶² Renmin Ribao wrote in this connection:

The use of advanced Soviet experience in economic development and first-rate technology has made it possible to resume and expand within a short space of time the operation of the enterprises taken over by these companies; these modern enterprises have contributed effectively to the rehabilitation and development of our economy....The investments of the socialist Soviet Union... were to (be used for) developing our natural wealth, which we ourselves were unable to develop, or to organize the operation of those existing enterprises that was difficult for us to operate on our own, and thereby to help create the conditions for economic independence of our people.⁶³

It is important to note that after more than 30 years, both Chinese scholars and governmental officials still hold largely the same view. For instance, in his memoirs My Eight years in the Ministry of Foreign Affairs(1983), Wu Xiuquan clearly stated that the joint-stock companies were "beneficial to both sides"; because at that time, "we had no means to develop these rich natural resources. We had to ask the Soviet Union for help...In our negotiation, we emphasized that our country kept her independence , while the Soviet Union tried her best to help without exploiting (us)."⁶⁴ Jia Wenhua, in his Soviet Union's Foreign Relations(1989), also affirms that the joint-stock companies were "beneficial to both sides. For China, they provided the technical basis of these firms and helped to train the managerial staff and technicians capable of directing modern industries."⁶⁵

According to Wu Xiuquan, even in the early 1950s, there were some disagreements concerning joint stock companies. For instance, the Soviets had once proposed to expand the areas of exploring oil deposits. The Chinese considered the area with oil deposits their investment. If the area of exploring was to be increased, the Soviets should also increase their investment in the form of equipment for oil fields. But what the Soviets wanted was only the expansion of the oil fields without further investment. As a result of this disagreement, the issue was dropped. For Wu Xiuquan, this was an example which manifested that "we were not always in total agreement with the Soviet Union even at that time."⁶⁶ To an outside observer, however, it also demonstrated that "even at that time," China was not merely a docile "satellite" in matters of economic cooperation with the Soviet Union.

Soviet sources used to claim that the joint-stock companies greatly contributed to China's economic rehabilitation. For example, the Non-ferrous and Rare Metals Company had built 11 non-ferrous and rare metal ore mines, set up a specialized mining and petroleum secondary school of 600 Chinese students, and had trained 5,150 Chinese engineers, technicians, and skilled operatives as well as 300 members of administrative and managerial personnel.⁶⁷ And as mentioned before, Chinese sources of the mid-1950's were no less enthusiastic about this Soviet contribution. (See p.37 of this paper.)

Unfortunately, even with all this information, the picture of Sino-Soviet joint-stock companies is still not very clear, because neither their accounting system nor the method of profit-sharing is known. Moreover, it is far from certain how equal the managerial right was for both parties--especially because it was the Soviets who had the know-how--though A.Eckstein believed that the three joint-stock companies in Xinjiang " were based much more on a genuine partnership."⁶⁸ However, it would be safe to assume that while there were plenty of compelling reasons, both domestic and foreign , for Khrushchev to lift his hand against Stalin, it would be far more difficult to provide incentives for a retired Wu Xiuquan to flatter the Soviet Union in 1983. In fact, available evidence indicates that, at least up till 1983, Wu was not at all "pro-Soviet". To the contrary, in his memoirs, the Soviets were accused of attempting to "take advantage of China" in the negotiation of rouble-yuan exchange rate in 1950.⁶⁹ And his account of the Sino-Soviet dispute, published in late 1983, was bitter at times and in general not less partisan than the Chinese polemical rhetoric of the 1960's.⁷⁰ In the case of Mao's reported "extreme bitterness" against the deal of joint-stock companies, it should be noted that, in view of Mao's rather consistent "anti-Soviet" record,⁷¹ more evidence is needed to prove that his reaction was due more to the economic cost to the nation than to some other psychological or personal factors.

In Sino-Soviet trade, the superiority of Soviet bargaining power must have been evident to all observers. As a whole, China was economically much more dependent on the Soviet Union than vice versa. In its urgent demand for Soviet industrial equipment, China had no realistic alternative, whereas Soviet demand for Chinese consumer goods was rather low on Moscow's list of preferences. In addition, the Soviet commitment to export capital goods to China was directly competitive with the USSR's own domestic demand and its commitment to other less developed countries. None of these factors was likely to have favorable influences on China's bargaining position. Hence, it is not inconceivable that Soviet superiority in bargaining power could be reflected in adverse trade terms for China.

In a study which compares the unit value of Soviet exports to and imports from both China and Western Europe from 1955 to 1959, F.H. Mah tried to find out whether the Soviets had "overpriced" their exports to China, or whether they "underpriced" their imports from China. The central finding of this investigation is that trade with the Soviet Union involved a price disadvantage for China. According to Mah's calculations, in the case of China's imports, "for roughly four out of every five commodities sold to both China and Western Europe, Russia charged China higher unit values between 1955 and 1957. In 1958

and 1959 China paid higher unit values for roughly nine out of every ten commodities." As a result, the Chinese paid on average about 30% more for their imports than did Western Europe.⁷² If the same degree of unit value differentials is applied to Sino-Soviet trade as a whole, China's total overpayment from 1955-1959 would be approximately \$928 million, which is roughly equal to China's total imports from the Soviet Union in 1959.⁷³

However, what does this price differential really mean? Can it be interpreted as Soviet exploitation? In fact, many questions can be raised concerning the basis of this analysis. For instance, to what extent is the sample of goods studied representative? Can the finding of the study be applied to all imports? Since so many details of the needed information are missing, even F.H. Mah is obliged to acknowledge that his finding at best only sets up a presumption rather than a proof.⁷⁴

Several factors might have contributed to the price differential. One important factor was the transport costs. As all the calculations of unit value are based on official Soviet statistics, it is important to keep in mind that the reported values of Soviet exports and imports are based on the seller's delivered prices at the borderpoint. The bulk of Soviet exports to China moved via the Tran-Siberian railroad; therefore, the price of China's imports from the Soviet Union included the cost of long and expensive transport hauls. On the other hand, the

transport cost to countries in Europe was much lower simply because the route was much shorter. Thus the transport cost could be the major reason for the price differential.⁷⁵

If one assumes that the transport costs explain the major portion of the price differential, can the unexplained residual be attributed to Soviet superiority in bargaining power?

Mah inclined to explain the situation by referring to the effects of China's "lean to one side" foreign policy. According to him, such foreign policy had left China "not much choice but to be a price-taker" in price negotiation," and it is thus conceivable that superior bargaining power might have been employed by the Russians."⁷⁶ And China's complaint of the USSR's "unfair economic treatment" was cited as an evidence.⁷⁷ Nevertheless, such evidence should be examined more carefully. On the one hand, up to the year 1989, the Chinese were still accusing the Soviets of overpricing their goods, though not as high as 30%. Jia Wenhua asserts:

The Soviet Union also provided industrial equipment at the prices higher than international market. In purchasing set equipments, China was always the price taker. Before delivery, China was required to pay at the so-called temporary price upon receiving goods--portion by portion. After the delivery of a whole set of equipment, the Soviet Union would decide the final price. On the face, China would pay the differences or get refund; actually it was China who almost always paid more. After 1960, an investigation of more than 30 accounting agreements on final prices proposed by the Soviet Union indicated that the prices of all the equipments provided by the Soviet Union were on an average 10-20% higher than the international market prices. on the top of such prices, China was charged 3% more as fee for "set equipment".⁷⁸

On the other hand, only a few years before the CCP publicized its complaint against Soviet overpricing, China's minister of Foreign Trade had also declared in his speech, delivered at the National People's Congress, that "the prices under the Sino-Soviet trade agreement were reasonable and fair."⁷⁹ Moreover, according to Soviet sources:

Each year at the start of the negotiations with Chinese representatives on the trade protocol for the following year, the USSR Ministry of Foreign Trade asked the Chinese side to express its views on the prices of Soviet commodities. The Chinese representatives invariably replied that they saw no reason for a revision of the prices.⁸⁰

Even two months after the Central Committee of the CCP openly accused the Soviets of overpricing in May 1964,⁸¹ Chinese representatives still expressed the view that a revision of the prices was not needed for the trade protocol.⁸²

It was important to note at this juncture that the Chinese were hard bargainers even in the early 1950's. It took ten weeks for them to sign the Treaty of Alliance in 1950. According to Wu Xiuquan, a participant of the negotiation, every word of the Treaty had been discussed over and over. For instance, an article in the Treaty stated that both sides agreed to "immediately render military and other assistance by all means at its proposal" if either ally were attacked by Japan or any state

allied with it. The phrase "by all means at its proposal" was added into the original Soviet draft because Zhou Enlai had insisted that it would be "not positive enough" without it.⁸³ The negotiation of rouble-yuan exchange rate in 1950 was also "not so harmonious and facile". The Chinese representatives gave in only after some unpleasant disputes with the Soviet delegates.⁸⁴ If such bargaining had happened during the first months of their Alliance, it would be difficult to imagine the Chinese being so docile in 1964, had the Soviets indeed overpriced their goods. According to the Soviets, the Chinese side declined to review the prices because "they were, as a rule, set in favor of China, and this was also a form of aid to the Chinese people."⁸⁵

According to Eckstein's opinion, the secondary factor which might have contributed to the price differential could be the relatively poor competitive positions, both as buyers and sellers, of all Communist countries in the non-communist market.⁸⁶

A study comparing the trade among the Communist countries of Europe and their trade with non-Communist Europe revealed that the discrimination existing between the Soviets and the East Europeans was mutual.⁸⁷ Such intrabloc price discrimination, as Eckstein suggests, could have resulted from the weakness of their bargaining power in the Western European market due to inadequate quality standards.⁸⁸ A similar situation was quite likely to be found in Sino-Soviet trade.

Another obscure problem of Sino-Soviet trade is the rouble-yuan exchange rate. Since 1950, the rouble-yuan exchange rate has been veiled in secrecy, causing great difficulties for scholars working with the Sino-Soviet trade statistics.

According to Kang Chao and F.H. Mah's study in 1964, from the signing of the Sino-Soviet trade agreement in April 1950, to the end of 1957, the effective rouble-yuan exchange rate was roughly 1 to 1, which greatly overvalued the rouble. It was not until 1957 that China began to seek adjustments to this unfavorable exchange rate. As a result, a new exchange rate was introduced at 2 roubles=1 yuan for foreign trade and 6 roubles= 1 yuan for non-commercial exchange.⁸⁹ This adjusted exchange rate was effective until January 1961, when Moscow revalued the rouble (internally 1 new rouble=10 old roubles;externally 1 new rouble=4.44 old roubles). After this currency reform, the exchange rate of the new rouble and all other Communist currencies were recalculated accordingly. The resulting rouble-yuan exchange rate was 1 yuan=0.45 new rouble for foreign trade, and 1 yuan=0.60 new rouble for non-commercial exchange.⁹⁰ This 1961 adjustment of the exchange rate had probably corrected the over valuation of the external value of rouble in all Communist countries except China--because "only the Sino-Soviet noncommercial exchange rate is still higher than the corresponding foreign

exchange rate. This indicates that even after the 1961 rouble revaluation, in foreign trade the rouble-yuan rate still overvalued the rouble."⁹¹

The overvaluation of the rouble since 1950 is generally assumed to be unfavorable to China's trade with the Soviet Union. For instance, C.Y. Cheng states that it "proved to foster Soviet exploitation..." because it required China to increase exports in order to be able to pay for Soviet imports.⁹² Kang Chao and F.H. Mah also regarded the 1 to 1 exchange rate from 1950 to 1957 as "highly unfavorable" to China, and were inclined to think that "it was probably only for the sake of the then much needed Soviet support of its industrialization program that Peking had kept silent."⁹³ Likewise, Jia Wenhua asserts that in settling the rouble-yuan exchange rate, the Soviet Union took advantage of China: the rouble was greatly over valued, while the yuan was relatively undervalued. As a result, the effective rouble-yuan exchange rate was relatively unfavorable to China.⁹⁴

However, the effect of the overvaluation of the rouble might be more complex than the above. For instance, A. Nove argues that since Sino-Soviet trade was supposed to be based on world market prices, the exchange rate was irrelevant, "unless it can be shown that trade was conducted at prices which were affected in one way or the other by the official rouble-yuan rate."⁹⁵ In his

opinion, " it was quite impossible to use the exchange rate as a basis for economic calculations " in Soviet foreign trade as a whole.⁹⁶ Thus, the only effect of the overvaluation of the rouble in Sino-Soviet economic relations which can be known for certain was that the Soviet diplomats and experts who worked in China would be able to purchase more Chinese goods and services with less roubles. M.A. Klochko, a Soviet expert worked in China in the late 1950's, reported: " At the official exchange rate, one yuan was worth two old roubles, but in purchasing power, it was worth more... It was at the unofficial rate of ten roubles to a yuan that we bought Chinese money from one another."⁹⁷

In essence, the above discussions of the joint-stock companies, the unit value differential and the rouble-yuan rate all suggest that the question of "Soviet exploitation" is a highly complex one. It is not possible to form a reliable judgment at this stage of my study. But there is little doubt that it requires lengthy research in order to arrive at a tentative conclusion.

As for the Soviet Union, the benefits and costs of the Sino-Soviet economic relations are also controversial and difficult to investigate. One striking feature of the Western literature on the Sino-Soviet relations is the imbalance of the attention paid to the two parties. In most cases, the Chinese side had been more thoroughly studied than the Soviet side. The

Soviet sources naturally avoided the discussion of benefits their country had drawn from Sino-Soviet economic cooperation and emphasized or even exaggerated their sacrifices for the sake of "proletarian internationalism."

Hence, the economic benefits for the Soviet Union have been depicted only by Chinese sources in some detail. In an often quoted letter of the CCP, the Chinese stated:

Soviet aid to China was rendered mainly in the form of trade and it was certainly not a one way affair...the prices of many of the goods we imported from the Soviet Union were much higher than those on the world market...No one can say that China's aid to the Soviet Union has been insignificant and not worthy of mention. ... Up to the end of 1962 China had furnished the Soviet Union with 2,100 million new roubles' worth of grain, edible oils, and other foodstuffs. ...and 1,400 million new roubles' worth of mineral products and metals. ...Many of these mineral products are raw materials which are indispensable for the development of the most advanced branches of science and for the manufacture of rockets and nuclear weapons.⁹⁸

Naturally, such a claim is not particularly impressive as most of these foodstuffs and mineral products could have been obtained elsewhere. More importantly, the endowments of the Soviet Union were capable of producing virtually all the essential commodities. Therefore, from the point of view of the Soviet economy alone, Chinese imports were relatively unimportant.

In fact, it can well be argued that the Soviet imports of Chinese goods were mainly out of political consideration. Or, as the Soviets claimed, out of "proletarian internationalism." One Soviet source states:

...the Soviet Union received a considerable amount of produce that would probably have failed to find a market in the capitalist world. ...They were not essential to the USSR and could have been easily manufactured by Soviet industry. The Soviet Union purchased these goods from China because it was sincerely eager to improve China's economic situation.⁹⁹

On the other hand, since at the height of Sino-Soviet commercial relations, China supplied two thirds of the USSR's food imports and three-quarters of her textile imports, the benefits to Soviet economy from large-scale trade with China should not be underestimated.¹⁰⁰ For instance, the "1400 million new roubles worth of mineral products and metals" mentioned in the Chinese documents included molybdenum and tungsten--both were embargoed by the West, and the Soviet Union obtained all of its imported tin from China.¹⁰¹ The imported Chinese foodstuff and other consumer goods, particularly textiles, were largely consumed in the Far Eastern provinces of the Soviet Union. As an editorial in the March 1958 Vneshnyaya Torgovlya stated:

The coal, cement and pig iron supplied to the USSR by China assures the needs of the Far Eastern sections of our country. For the satisfaction of the needs of our population, particularly in the Far East, the USSR purchases from China in large quantities citrus fruits, apples and a number of foodstuffs.¹⁰²

Considering that the Soviet Far Eastern sectors have historically experienced many difficulties in producing enough food and consumer goods, and that transportation costs were reduced by importing such goods from neighboring China instead of ship-

ping them thousands of miles from European Russia, the benefits of trading with China might not be as unimportant as the Soviets tried to imply in later years.¹⁰³

In reciting their "Proletarian Internationalism", the Soviet commentators often mentioned that despite the "tremendous difficulties " of its postwar rehabilitation, the Soviet Union made effective efforts to consolidate the CCP's political, military, and economic power.¹⁰⁴ In all fairness, this is not a groundless "Soviet exaggeration", because even a quick survey of the USSR's postwar economy would be sufficient to convince anyone that the "tremendous difficulties" were not entirely a rhetoric.

The Soviet state emerged in triumph from the war with an economy seriously damaged by war and a population mentally and physically exhausted. It was reported that at the end of the war, the Soviets had requested a large postwar credit from the United States, which W.A. Harriman, the U.S. ambassador to the Soviet Union at the time, estimated would amount to six billion dollars.¹⁰⁵ The western half of European Russia and virtually all the Ukraine and Belorussia were wrecked. According to Soviet official figures, "1710 towns and cities had been partially or totally destroyed, as were approximately 70,000 villages, 32,000 industrial enterprises, and 65,000 kilometers of railroad. In addition, some 25 million people had lost their homes."¹⁰⁶ Millions of soldiers returned to the task of rebuilding their homes with their own hands. Millions, of course, never came back at

all, and great numbers of widows and orphans, especially in villages, had to rebuild their lives alone as best as they could. Even as late as 1950, the population of the USSR(178.5 million) was 15.6 million less than that before the war.¹⁰⁷

The level of industrial output, consisting very largely of war equipment and munitions, in 1945 was officially stated to have been 8% below the level of 1940; while in the previously occupied regions it was 70% below. In 1946, as military output was curtailed, total output declined to 23% below the level of 1940. Agricultural output in 1945 was 40% below the 1940 level.¹⁰⁸ After 1946, however, the industrial output increased by a very high percentage. The prewar standards were largely reached in three years¹⁰⁹ The main credit for such achievement clearly belonged to the hard work and incredibly harsh privations of the Soviet people. In fact, by the end of the war, living standards had fallen to a very low level. According to A.N. Malafeyev, a Soviet economist, state and cooperative retail trade(all trade except for the collective farm markets) declined from 175.1 milliard roubles in 1940 to 73.5 milliards in 1945, a reduction of 48%.¹¹⁰ Therefore living standards of the urban population may have been cut by as much as half between 1940 and 1945. It was reported by M. Heller and A.M. Nekrich, two Soviet historians now living in the West, that in 1946, while the minimum monthly

salary was only 300 roubles and the average salary 475 roubles, one kilogram of meat, sugar and butter cost 30 roubles, 15 roubles and 66 roubles respectively.¹¹¹

Indeed, the task of postwar rehabilitation for the Soviets was tremendous. Under such circumstances, any foreign aid program would certainly be competitive with domestic needs and intensify the privations of the common people. It was in this sense that the \$300 million credit to China in 1950 should be considered as substantial, because it entailed an involuntary sacrifice by the Soviet people.

Some studies in the 1950's, have suggested that in general, Soviet commitments to export capital goods to China were directly competitive with domestic demands in the Soviet Union, since during 1953 and 1954, the Soviet Union was still a net importer of capital equipment. Meanwhile, the bulk of Chinese exports which consisted of consumer goods and raw materials for light industries, stood low on the Soviet planners scale of preference. Therefore, on purely economic grounds, a high level of trade between these two countries would have been disadvantageous for the Soviet Union.¹¹²

On the other hand, it is also possible to argue that since Soviet machinery exports to China, even at their peak during 1959, were only 2.5% of Soviet machinery production¹¹³, it does not appear that this kind of trade would entail a sacrifice of Soviet growth for China's industrialization. Even the import of Chinese

consumer goods did not necessarily represent an involuntary reallocation of resources from the standpoint of the Soviet planner since the total Soviet import of Chinese consumer goods constituted only about 0.1 to 0.3% of total Soviet consumption.¹¹⁴ In fact, the increase in consumption was rooted in a policy decision of the Soviet leadership rather than in the necessities imposed by trade with China.¹¹⁵

Notes

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1. O. Borisov, Sovetskii Soiuz i Man'chzhurskaya Revoliutsionnaya Baza, 1945-1949 (The Soviet Union and the Manchurian Revolutionary Base, 1945-1949, Moscow: Mysl' Press, 1975), p.178.
 2. Levine, Anvil of Victory, pp.33, 242.
 3. Ibid., p.239.
 4. Ibid., p.240.
 5. Chong-Sik Lee, Revolutionary Struggle in Manchuria (Berkeley : University of California Press, 1983), p.268.
 6. Wang Jing and Jin Yuzhong, "An Overview of the Development of the CCP's Organization in Heilongjiang Province, 1921-1945," Zhong-gong Dangshi Ziliao, (Source Materials of CCP's Party History), 1983, Vol.7, p.284.
 7. Chong-Sik Lee, Revolutionary Struggle, pp.306, 294.
 8. Wang Jing and Jin Yuzhong, "CCP in Heilongjiang", pp.285-286.
 9. A.M.Dubinsky, "The Mission of the Soviet Union to Liberate the Far East (1945)", Voprosy Istorii 1965, No.8 p.58.
 10. Shen Shangwen, Zhong Su Guanxi Jianshi (A Brief History of the Sino-Soviet Relations, Hong Kong : Zhiyou Publisher, 1951), p.85.
 11. See Forward to Borisov and Koloskov, Soviet-Chinese Rela-

tions, p.25.

12. Zhang Yufa, Zhongguo Jindai Xiandaishi (The Modern and Contemporary History of China Taizhong: Donghua Shuju, 1978), p.428.

13. O.Borisov, Man'chzhurskaya Baza, p.181. These figures are probably inflated; the Guomindang's source estimated that the total amount of captured Japanese arms and equipment included 925 aircraft, 369 tanks, 2662 of various types of guns and 13825 machine-guns, etc., and "approximately a quarter of these arms and equipment were given to the CCP by the end of 1945." Zhang Yufa Zhongguo Jindai pp.427-428.

14. Roy Medvedev, China and the Superpowers (New York: Basil Blackwell, 1986), p.18.

15. Guo Tingyi, Jindai Zhongguo Shigang (An Outline of the Contemporary History of China, Hong Kong : The Chinese University Press, 1986), p.740.

16. Lloyd Eastman, Seeds of Destruction: Nationalist China in War and Revolution (Stanford, California: Stanford University Press, 1984), p.224.

17. O. Borisov, Man'chzhurskaya Baza, p.182. Levine Anvil of Victory, pp.176,182.

18. Sladkovsky, Istoriya, pp.165-167, 176-177.

19. Borisov and Koloskov, A Brief History, p.30.

20. Sladkovsky, Istoriya, pp.178-179.

21. Ibid., p.180.

22. Borisov and Koloskov, A Brief History, pp.34-35.

23. Ibid., pp. 36-38.

24. Levine, Anvil of Victory, p.149.

25. Ibid., p.240.

26. C.M.Li, Economic Development of China, pp. 10-11, 171. Also Barnett, China and the Major Powers, p.26.

27. Huang Chen-ming, Chong Zhongsu Jingji Hezuo Kan Zhongsu Renmin Weida Youyi (Looking at the Great Sino-Soviet Friendship through Sino-Soviet Economic Cooperation, Beijing: 1956), pp.10-11, as quoted in C.M. Li Economic Development of China, p.10.

28. Yu.V. Vladimirov, " On the Question of Sino-Soviet Economic Relations", Voprosy Istorii, 1969, No.6, p.48.
29. Pravda, November 3, 1966, as quoted in John Gittings ed., Survey of the Sino-Soviet Dispute, (London: Oxford University Press, 1968), p.131.
30. According to Sladkovsky, the total value of these documents (not including military ones) was two billion U.S. dollars-- "equal to the total value of Soviet credits." Istoriya, p.218.
31. Robert L. Price, "International Trade of Communist China, 1950-1965,". In An Economic Profile of Mainland China (Joint Economic Committee of the U.S. Congress, New York: Praeger, 1968), p.593.
32. Gittings, Survey of the Dispute, p.132.
33. Eckstein, Foreign Trade, p.155.
34. Gittings, Survey of the Dispute, p.132.
35. Sladkovsky, Istoriya, p. 277
36. Liu and Wu, Socialist Economy, p.125
37. Borisov and Koloskov, A Brief History, pp.32-34.
38. Filatov, Economicheskaya Otsenka, p.8.
39. Rozman, The Modernization, p.433.
40. C.Y. Cheng, Scientific and Engineering Manpower, p.1.
41. Liu Nian Lai Zhongsu Youhao Hezuo De Gonggu He Fazhan (The Consolidation and Development of Sino-Soviet Friendly Cooperation in Six Years ed. by The Propaganda Office for the Exhibition of Soviet Achievement in Economic and Cultural Development. Guangzhou, 1955), p.32.
42. C.Y.Cheng, Scientific and Engineering Manpower, p.206.
43. As quoted in C. Y. Cheng, Scientific and Engineering Manpower, p.210.
44. Li Xiannian, "The Great Achievement in Finance of the CPR during the Past 10 Years," quoted from C.Y.Cheng, Economic Relations, p.86.
45. Choh-ming Li, "Economic Development," China Quarterly no.1 (

January 1960), p.36.

46. Mikhail Heller and Aleksandr M. Nekrich, Utopia in Power (New York :Summit Books 1986), p.566. It was believed that "Soviet credit assistance to the East European satellites had been considerable higher than that offered to China." See Leonard Schapiro, "The Chinese Ally from the Soviet Point of Views," in Kurt London, ed., Unity and Contradiction (New York: Praeger, 1962), p.357.

47. C. Y. Cheng, Scientific and Engineering Manpower, p.208.

48. Zhongguo Youhao (Sino-Soviet Friendship) August 10, 1951, p.9. See Henry Wei, Mao Tse-tung's "Lean-to-One-Side" Policy (Lackland Air Force Base, Texas: Air Force Personnel and Training Research Center, 1955), p.50.

49. Xuexi (Study), 1957, No.5, p.13. As quoted in C. Y. Cheng, Scientific and Engineering Manpower, p.209.

50. Edward Friedman, "On Maoist Conceptualizations of the Capitalist World System," China Quarterly no.80 (December 1979), p.816.

51. H. Wei, Lean-to-One-side, p.38.

52. Khrushchev Remembers: The Last Testament (Boston: Little Brown, 1974) p. 274

53. As quoted in Gittings, Survey of the Dispute, p.57.

54. Zhang Yufa, Zhongguo Jindai, p.429. Guo Tingyi, Jindai Zhongguo, pp.730-731. Levine Anvil of Victory, pp.49, 70-71.

55. Eckstein, Foreign Trade, pp.138-139.

56. Andrei Gromyko, Memories (London : Hutchinson, 1989), p.249.

57. Eckstein, Foreign Trade, p.138. Borisov and Koloskov, A Brief History, pp.45-46.

58. M.I.Sladkovsky, ed., Leninskaya Politika SSSR v Otnoshenii Kitaya(Leninist Policy of the USSR Towards China, Moscow: Nayka Press, 1968), pp.139-140.

59. Borisov and Koloskov, A Brief History, p.45 note.

60. Eckstein, Foreign Trade, p.139.

61. Ibid., pp.45-46. Also, Jia Wenhua, Sulian, p.245.

62. Sladkovsky, Leninskaya Politika, p.167.
63. Renmin Ribao, October 13, 1954.
64. Wu Xiuquan, the director of the USSR and East European Affairs Dept. (1949-1952) and Vice-Minister of Foreign Affairs (Jan. 1951-March 1955), Wo Zai Waijiaobu Ba Nian De Jingli (My Eight Years in the Ministry of Foreign Affairs), Beijing: Shijie Zhishi Publisher, 1983), p.7.
65. Jia Wenhua, Sulian, p.215.
66. Wu Xiuquan, Waijiaobu, pp.22-23.
67. Borisov and Koloskov, A Brief History, p.63.
68. Eckstein, Foreign Trade, p.139.
69. Wu Xiuquan, Waijiaobu, p.17.
70. See Wu Xiuquan, "Memoirs--Eight Years in the Department of Foreign Liaison of the Central Committee of the CCP (Oct.1958--Dec.1966)," Zhonggong Dangshi Ziliao, 1983, Vol.7.
71. In a very interesting article "Mao's role in the Sino-Soviet conflict," (Pacific Affairs, 1974 Summer) D. S. Zagoria argues that "at different periods the CCP has been divided on basic questions...affecting its relationship with Moscow...at all or most of these crucial turning points, Mao has opted for a more independent policy. There has been in short, an impressive consistency in Mao's 'Titoism'." (p.140).
72. Feng-hwa Mah, "The Terms of Sino-Soviet Trade," China Quarterly no.17 (January 1964), pp.182-183.
73. Ibid., p.184.
74. Ibid. p.187.
75. Eckstein, Foreign Trade, p.172.
76. Ibid. p.189.
77. Ibid. p.189 note.
78. Jia Wenhua, Sulian, p.246.
79. Xin Hua Ban Yue Kan, 1957, no.16, p.90.
80. Ivanov, Soviet-Chinese Relations, p.22.

81. Peking Review, May 8, 1964, p.13 : "...the prices of many of the goods we imported from the soviet Union were much higher than those on the world market."
82. Ivanov, Soviet-Chinese Relations, p.22.
83. Wu Xiuquan Waijiaobu, p.8.
84. Ibid. p.17.
85. Ivanov, Soviet-Chinese Relations, p.23.
86. Eckstein, Foreign Trade, p.173.
87. F.H.Holzman, "Soviet Foreign Trade, Pricing and the Question of Discrimination," The Review of Economics and Statistics, v.44 no.2 (May 1962), pp.134-147.
88. Eckstein, Foreign Trade, p.173.
89. Kang Chao and Feng-hwa Mah, " A Study of the Rouble-Yuan Exchange Rate," China Quarterly no.17 (January 1964), pp.193-194.
90. Ibid., p.199.
91. Ibid., p.200.
92. C.Y.Cheng, Economic Relations, p.93.
93. Chao and Mah, "Exchange Rate," p.193. This speculation is now confirmed by Wu Xiuquan who wrote in his memoirs: "All of us who participated in the negotiation (of the rouble-yuan exchange rate) were very unhappy. However, under the circumstances of the time, to expose the dispute was also not in our interest...Eventually, we had to give in and made some compromise." See Waijiaobu, p.17.
94. Jia Wenhua, Sulian, p.246.
95. Alec Nove, Book Review on C.Y.Cheng's Economic Relations, China Quarterly no.22 (April 1965), p.191.
96. Alec Nove, An Economic History of the U.S.S.R. (Middlesex, England: Penguin Books, 1969), p.315.
97. Mikhail A. Klochko, Soviet Scientist in Red China (New York: Praeger, 1964), p.62.
98. "Letter of the Central Committee of the C.P.C. of February 29, 1964, to the Central Committee of the C.P.S.U.," Peking

Review, 8 May, 1964, pp.13-14.

99. Ivanov, Who Is To Blame?, pp.27-28. According to a study in the West, the textile manufactures and clothing exported by China "in all likelihood would (be) difficult to sell at reasonable price in...other world market." See China Quarterly no.17 (January 1964), p.34.

100. Price, "International Trade", p.593.

101. Vneshnyaya Torgovlya SSSR 1918-1966 (Foreign Trade of the USSR, 1918-1966), Moscow: Mezhdunarodnye Otnosheniya, 1967), p.105.

102. Vneshnyaya Torgovlya, 1958, no.3, p.5

103. See, for instance, Yu.Vladimirov's "On the Question of Soviet-Chinese Economic Relations," which implies that the Soviet Union did the Chinese a favor by accepting their goods (pp.52-53.).

104. See, for instance, Borisov and Koloskov, A Brief History, p.28.

105. Gar Alperovitz, Atomic Diplomacy, Expanded edition, (New York: Fifton Books, 1985), p.71. Lloyd C. Gardner, Arthur Schlesinger, Jr. and Hans J. Morgenthau, The Origins of the Cold War (Waltham, Massachusetts: Ginn and Company, 1970), p.67.

106. Heller and Nekrich, Utopia in Power, p.463

107. Ibid., p.462

108. Raymond Hutchings, Soviet Economic Development second edition, (Oxford: Basil Blackwell, 1982), p.71.

109. J.N. Westwood, Endurance and Endeavour, Russian History 1812--1986, third edition, (New York: Oxford University Press, 1987), p.354.

110. A.N. Malafeyev, Istoriya Tsenoobrazovaniya v SSSR (1917-1963), (The History of Pricing in USSR (1917-1963)), Moscow: Mysl' Press, 1964), p.407.

111. Heller and Nekrich, Utopia in Power, p.463.

112. Alexander Eckstein, "Moscow-Peking Axis: the Economic Pattern," in Howard L.Boorman, ed., Moscow-Peking Axis, Strength and Strains (New York: Harper & Brothers, 1957), pp.80-84.

113. Eckstein, Foreign Trade, p.176.

114. Ibid., p.179.

115. Under Stalin, the top priority of heavy industry was ruthlessly enforced. But under his successors, this was no longer so. "Housing, agriculture, consumers' goods, trade, all became matter of importance, even of priority." (See A.Nove Economic History p.356) For instance, in 1953, consumers' goods production increased faster than that of producers' goods. In 1957, an ambitious campaign to catch up the United States in production of meat, milk and butter began. (Ibid pp.326,335.)

Chapter IV - A Cohesive or Divisive Factor in The Alliance

What role did economic relations between China and the Soviet Union play in shaping their alliance? Were they a major factor in producing the tensions in the alliance or did they tie the two partners together?

There is no question that in the 1950's, China had more extensive economic links with the Soviet Union than it ever had with any foreign country. It is generally assumed that this economic intimacy reinforced the military and political alliance between the two countries. In fact, during the 1950's, the ties between the two countries seemed so close, the advantages of cooperation so great, that there was every reason to expect leaders of both sides to do everything possible to maintain the alliance.¹

To China, the Soviet Union had provided support and assistance that would be difficult to obtain elsewhere. When the Soviet model was applied to China during the First Five Year Plan period, the appeal as well as the applicability of the model was more or less taken for granted by the Chinese. In effect, what China applied was a Stalinist model which concentrated all of the country's energies on mobilization: resource mobilization for industrialization and military mobilization for defense. And until 1953, the "revisionist" tendencies in Soviet society were more or

less suppressed and had not yet become a dominant way of life. As such, the Soviet model had a high degree of congruence for the CCP leadership.

In all fairness, the Soviet model seemed to have served China's economy, especially her industrialization, rather well. According to China's Socialist Economy, by 1957, the First Five Year Plan had been overfulfilled and "tremendous success had been achieved in the socialist transformation and socialist construction."² The total industrial output was 78.39 billion yuan, which represented a 128.3% increase over 1952, or an average annual growth of 18%, with, for instance, an annual increase of 31.7% in steel production and 4.5-fold increase over 1949 in electricity output.³ The average annual increase of agricultural output was 4.5%.⁴ And the 1957 consumption level was 38.5% higher than in 1952 for workers and staff members, and 27.4% for peasants.⁵

Of all the available measures of China's economic growth, the data for foreign trade are subject to smaller margins of error because they are mostly derived from the trading partner's side and thus are not dependent on Chinese statistical practice. Measured against this indicator, the pace of China's economic development also appears in quite favorable light in comparison with India and other developing countries. Up to 1959, China's

trade grew much more rapidly than either the total world trade, the trade of all underdeveloped countries, or the trade of all Asian countries as a group except Japan.⁶ In 1953, India's foreign trade turnover was just about the same as that of China, i.e. about 2.3 billion U.S. dollars. By 1959, China had attained a level of \$4.3 billion as compared to \$3.3 billion for India.⁷

In summing up the various factors contributing to the good economic results achieved in the First Five Year Plan period, the authors of China's Socialist Economy point out:

First, economic decisions were taken in line with the actual conditions, with due consideration for the country's capabilities, and work proceeded in a steady manner and under careful and circumspect guidance.

Second, attention was paid to achieving overall balance in the national economy....

Third, great attention was paid to the cost of production, labour and financial administration of the enterprises, and their economic accounting was strengthened....

Finally, great efforts were made to implement the policy of building up the country through thrift and hard work.⁸

Since China's First Five Year Plan was drafted with Soviet advice and implemented with close Soviet cooperation, such an enthusiastic evaluation of the Plan's achievement by Chinese economists through hindsight is a living proof that Sino-Soviet economic cooperation must also have been appreciated by the Chinese at the time and had certainly strengthened the Alliance.

Another factor which most likely tied China to the Soviet Union was Soviet influence on China's educational system, especially in higher education and the training of skilled workers, technicians and managerial personnel. In 1949, the absence of coordination and planning was a major problem in China's higher educational system. As a consequence, there was a severe shortage of students in science and engineering and other new fields of knowledge of which the national economy was in great need. With extensive Soviet assistance, China's system of higher education underwent some fundamental changes. From 1950 to 1952, institutions of higher education supported by foreigners or run by missionaries were eliminated. At the same time, the Soviet system was copied through eliminating most of the comprehensive universities (daxue) and combining departments such as engineering, medicine, agriculture, teacher training, and fine arts from different universities into specialized colleges or technical institutions (xueyuan). The intention was to strengthen specialized education in important fields by concentrating the most competent faculty members, the best equipment and research facilities, and to speed up the process of training through an even higher degree of specialization.⁹ Following the Soviet model, the primary authority for tertiary education was placed under the Ministry of Higher Education, which introduced uniform curricula in all institutions of higher education and unified their teaching plans.

Such a basic reorganization of higher education naturally led to an acute shortage of teachers. To resolve this problem, Soviet specialists had by early 1957 trained 8285 Chinese graduate students and teachers for employment in China.¹⁰ In the field of political theory, for instance, 700 young teachers were trained for Renmin University and a further 2,000 for other schools. Altogether, it was reported that two-thirds of all political theory teachers in Chinese universities in the mid-fifties were Soviet-trained.¹¹ Many Chinese colleges and universities each employed at least 10 Soviet specialists on their faculties. For instance, 57 Soviet specialists had lectured at Qinghua University between 1952 and 1960. Harbin Polytechnic University employed 49 Soviet teachers from 1951 to 1956. Beijing University listed 30 Soviet specialists on its faculty in 1957 alone.¹² It was reported that between 1950 and 1958, 583 Soviet teachers had taught in Chinese universities and colleges.¹³ In many cases, Soviet experts were employed as presidential or departmental consultants. To a great extent, they had the authority to make decisions in academic affairs.

The attempt at unifying teaching process as well as the introduction of new courses through the help of Soviet specialists naturally required a large amount of new textbooks and other teaching materials. Consequently, a major program of translating

Soviet teaching materials was launched in 1952. From 1952 to 1956, 1,400 textbook titles were translated from Russian and published.¹⁴ According to Guangming Ribao, in 1954, 2,700 university faculty members were capable of translating from Russian and more than 3,000 volumes of Soviet titles were collected and assigned to them for translation.¹⁵ The Soviets also made an effort to supply the Chinese with Russian textbooks and other educational materials. For instance, as early as in 1951, China had already received 32,000 copies of books and journals published by Soviet scientific academies and educational institutions.¹⁶ Between 1949 and 1955 over 20 million copies of 3000 Soviet books on science and technology were published in China.¹⁷ Such efforts to provide Chinese universities with new educational materials was probably unsurpassed in history.

The participation of Soviet specialists in all these reform efforts was both extensive and intensive. In order to maximize the value of Soviet specialists, their lectures were attended by faculties from other universities as well as by specialists from the industry. Many Soviet lecturers were periodically rotated from city to city. And the young Chinese scientists and technicians, as recalled by Mikhail Klochko, expected Soviet specialists "to be a sort of magician, capable of giving them the one current answer to all sorts of complex problems in pure and applied science in a few minutes."¹⁸ In reality, however, the

Soviet specialists sent to China --as Klochko concludes, were of uneven quality. Some of them were "highly qualified, others of debatable competence."¹⁹ According to C.Y. Cheng's study, only about 8 percent of Soviet-aid personnel sent to China could be qualified as senior scientists.²⁰

To China's students, young scientists and party cadres, however, the high regard for Soviet specialists was dictated by a belief that the Soviets had digested the experience of the technically advanced countries of the world and made it suitable for adaptation in socialist construction. As Chen Boda, a member of the Central Committee of the CCP at the time, said in a speech to the Chinese Academy of Sciences, "generally speaking, the good British and American science had already been absorbed by the Soviet scientists; hence, the quickest and best way is to learn from the Soviet Union."²¹

The behavior of Soviet specialists seemed on the whole to have impressed the Chinese favorably. Speaking of the total 11,000 Soviet experts, Yan Jici, Director of the Technical Science Department of the Academy of Science, said in February 1960: "Through our close contacts with Soviet scientists, their noble qualities as communists, their habits of enduring hardships, living a plain life, and studying persistently have given every one of us a very deep impression and a great lesson."²²

Another aspect of Soviet influence in the field of education was the training of Chinese students and teachers in Soviet universities and research organizations. As mentioned on p.17, in the period between 1951 and 1962, over 11 000 Chinese students and post-graduates were enrolled in Soviet colleges and universities. Throughout the 1950s, Chinese students formed the majority of all foreign students in the USSR. Some of them were trained in various branches of the prestigious Soviet Academy of Science (SAS). During the 1957-58 period, for instance, 750 Chinese students were sent to receive advanced training in the SAS' 4-year programs. In 1961-62, 76 of them had successfully defended their dissertations and earned candidate degrees.²³ Most of the Chinese students in the USSR, however, were undergraduates whose caliber, as C.Y.Cheng has noted in his study, "remains a subject of controversy."²⁴ Regardless of their academic achievement while in the Soviet Union, they were always placed in important teaching, research, managerial, and production jobs immediately upon their return to China. Hence, their influence, at least in academic affairs and administration of productions were considerable.

In discussing Soviet influences on China's education, it is important to recognize that they went far beyond a matter of schooling. As R. F. Price points out, "they involve much wider social structures and learning processes which occur when teaching and even conscious and intentional learning is absent."²⁵

Soviet influences in the 1950's were intimately connected with the shaping of moral-political behavior in Chinese society. For instance, the structure, symbols and the kinds of activities in China's Youth League (Gongqingtuan) and Young Pioneers (Xiaoxiandui) were very similar to those of the Soviet youth organizations. And Soviet literature was regarded as textbooks for Chinese builders of socialism. For example, Chao Jing-hua, a famous translator of Russian literature and critic, wrote in 1954 that M. Sholokhov's Virgin Soil Upland had become a standard textbook for those participating in land reform in China.²⁶ Soviet literature about the New Hero who had unwavering faith in Communism which forged his mentality, ruled his actions and dictated his attitudes was hailed by Chinese critics and widely read by the younger generation. Novels such as N. Ostrovsky's The Tempering of Steel (1934), B. Polevoy's The Story of a Real Man (1947), and A. Fadeyev's The Young Guard (1951) were favorites among Chinese youth and recognized by the party as powerful vehicles of mass education. From 1949 to 1955, for instance, more than 42 million works of classical Russian and Soviet fiction were published in China.²⁷

In the economic field, some appreciation of the extent of Soviet influence over China's industrialization may be deduced from data reported in both the Chinese and Soviet press. The majority of Soviet specialists were engaged in industries, fac-

tories, mining projects and communications. It was reported that more than 300 Soviet experts directed the reconstruction of the Anshan steel complex²⁸ and up to 500 Soviet specialists had contributed to the development of Xinjiang oil fields.²⁹ Several hundred Soviet experts participated in the construction of China's first automobile factory in Changchun.³⁰ Soviet experts supervised all phases of development of Soviet-aid projects, beginning with the selection of building sites, the furnishing of designs and machinery, through the construction and installation of plants, to their operating procedures and the final product. For projects initiated by China, Soviet experts undertook specifications, selected construction sites and offered consultative services relating to the installation and utilization of equipment.³¹

In the sciences, Soviet specialists participated in almost every major field of research. Beginning in 1955, Soviet experts attended most of China's scientific conferences. According to the vice president of the Chinese Academy of Science, Soviet scientists participated in most of the organization's expeditions. In 1958 alone, Soviet personnel joined more than 100 of them.³²

From 1950 to 1960, approximately 1300 Chinese scientists had received advanced training in the USSR, most of them engaged in the new areas of modern science and technology. About 20 top-level Chinese nuclear physicists, for example, were active in

advanced research at the Joint Institute of Nuclear Research in Dunba, near Moscow. Despite the deterioration of Sino-Soviet relations since 1960, Chinese scientists continued to stay there until 1964.³³

The bulk of Chinese trained in the Soviet Union were "practicing students." Included in this category were technicians, skilled and semiskilled workers, and managerial personnel. It was estimated that from 1950 to 1960, 28 000 practicing students had worked as apprentices in Soviet establishments.³⁴ According to Soviet sources, the personnel of each Soviet-aid project -- from the director and chief engineer down to the skilled workers -- all received some training in Soviet factories.³⁵ In the Changchun automobile factory, some 500 persons were trained in the Moscow--Likhachev motor-vehicle plant.³⁶ The Lanzhou refinery sent 130 of its technicians and administrative staff to the Soviet Union for training.³⁷ During the Five-Year Plan, 10 chemical plants were built with Soviet aid, and 400 Chinese workers in these plants were trained in the Soviet Union.³⁸

To some outside observers, the result of these many facets of Soviet assistance in China's industrialization, scientific research, training and education was an almost complete Soviet dominance in many areas of China's economy, education and science in the 1950's.³⁹ Yet, many Chinese leaders as well as scientists had appreciated the cooperation and assistance of the Soviet

Union. The director of the Chinese Academy's Department of Technical Science, Yen Chi-tzu, for instance, testified in 1960 that all the latest achievements in China's modern sciences, such as the peaceful uses of atomic energy, semiconductors , and computers, were accomplished through Soviet assistance. Furthermore, he concluded that "without doubt, Sino-Soviet scientific and technical cooperation has played an extremely important role in quickly reversing our scientific and technical backwardness."⁴⁰

In short, it is safe to assume that Soviet influences in the 1950's were a powerful factor that had strengthened the Sino-Soviet Alliance--especially among the younger generation. This can easily be seen from the fact that, in the field of higher education, even though the Soviet model had been partially criticized in 1957, largely abandoned during the Great Leap Forward and violently attacked during the Cultural Revolution, it still had a lasting influence. In future years, whenever the trend was to reinstate academic values(moving away from "redness" toward "expertness"), it was a move toward the Soviet model. During the 1960's and 1970's, the Chinese students continued to profit from Soviet textbooks.⁴¹ It was not until Deng Xiaoping's reform began to replace the Soviet model with the United States model that the legacy of Soviet education was retired. However, it is worth noting that many Chinese who had studied in the Soviet Union in the 1950's "recalled their time with warmth."⁴² Moreover, one should not neglect the rise to

positions of power of those trained in the USSR: Among the members of the CCP's 12th Central Committee, one out of eight members of the Politburo and Secretariat (Li Peng) had studied in the Soviet Union. And 6 out of 56 members of the Central Committee were reported to have studied in the USSR.⁴³In the 4th Plenary Session of the 13th Central Committee(June 1989),Jiang Zemin, who had been in the USSR from 1950-56 for practice and further training, was elected the new general secretary. Li Tieying, a graduate of Charles University in Czechoslovakia,became a member of the Politburo. Obviously, in China's leadership, the " returned students" who, to use Medvedev's description, "had grown up with an attitude of respect for the Soviet Union and the tradition of Sino-Soviet friendship"⁴⁴ are increasing . This may affect official thinking in the future.

On the other hand, the apparently successful implementation of the Soviet model in the First Five Year Plan period, as well as the resultant strong Soviet influence on China's economic planning, strategy of industrial development and educational system, might also have had some divisive effect upon the Alliance.

The first question that comes to mind is whether the Soviets made use of their overwhelming influence on China's economic planning system to secure some economic advantages in return for their assistance. For instance, since China's industrialization was concentrated in the North, one wonders whether this regional

distribution represents a reflection of Soviet strategic interest or a preference on the part of the Soviets in developing important trade between Northern China and the USSR?

The industry of pre-Communist China was concentrated mainly in the coastal areas. When the First Five Year Plan was initiated in 1953, 77% of the gross value of industrial output originated in the areas which include the cities of Beijing, Tianjin, Shanghai and the provinces of Hebei, Liaoning, Shandong, Jiangsu, Zhejiang, Fujian and Guangdong.⁴⁵ This pattern of location was considered highly undesirable by the Chinese planners. Hence, the First Five Year Plan had sought to shift industry inland from the coastal areas by committing 55% of all industrial investment--and about three-quarters of the investment in new plant construction--to inland regions.⁴⁶ For instance, two major iron and steel complexes similar to the one at Anshan were built at Baotou (Inner Mongolia) and Wuhan (central China) from the ground up to Soviet specifications.⁴⁷ A new tractor plant was built at Loyang, and a new oil refinery at Lanzhou, both with Soviet aid.⁴⁸ However, by the end of the First Five Year Plan, this spread of industrialization to the interior was still moderate. Over half of the modern sector in industry was still concentrated in the Jiangsu, Hebei and Liaoning provinces.⁴⁹ Liaoning still had the greatest concentration of heavy industry with 23% of China's total output in iron and steel and 20% of machinery.⁵⁰ And the Northeast as a whole remained the most in-

dustrialized part of the country, with Harbin and Shenyang as the centers of the nation's machine tool industry, and Jilin the most important producer of chemicals.⁵¹

Yet, this lack of success in relocating the industry does not necessarily reflect Soviet preference or strategic interest in these areas even though they are close to the Soviet borders and thus vulnerable to Soviet military attack. In the first place, a war with the USSR was too remote to be considered and too heretic to be mentioned in the mid-1950's. Hence, Lanzhou and Baotou were not more vulnerable than Wuhan and Loyang. Secondly, what the Chinese planners originally desired was the spread of industry to the interior or westward, but not from the North (especially Manchuria) to the Southwest which would be less vulnerable to a Soviet military attack. Thirdly, the lack of success in relocation was most likely due to the unwillingness of the planning authorities to develop new industrial centers at the expense of the general rate of economic expansion. Since Manchuria was the pre-Communist base of China's industry,⁵² it was only natural for it to remain so during the First Five Year Plan because expansion would be easier and faster there. Fourthly, to a lesser degree, the habit as well as the reluctance of the "bourgeois experts and intellectuals" to leave the coastal centers might also have contributed to this lack of success in

relocation. In short, no evidence so far has been found to prove that the concentration of China's industrialization in the North was wholly or partly due to Soviet influence.

However, in the political arena, Soviet influence, especially the way Soviet aid was given, might have weakened the Alliance.⁵³ China was clearly the junior partner in the Alliance while Stalin lived. The Chinese, especially Mao, resented such a role but were not in a position to reject assistance from Moscow at a time when Soviet aid was so crucial in their struggle for power consolidation and rapid industrialization. Under such circumstances, frictions and strains were unavoidable. Many observers have noted that almost every economic agreement was preceded by protracted negotiations and was nearly always signed in Moscow, not Beijing. For instance, in order to secure Soviet aid for their First Five Year Plan, the Chinese sent a delegation of sixteen top level officials, headed by Zhou Enlai, to Moscow in August 1952. The negotiations were completed only in May 1953 when the level of Soviet aid was decided upon. Hence, some observers believe that Stalin and other top Soviet leaders did not desire to underwrite an ambitious Chinese industrialization program, but showed more interest in China's participation in the Korean War which was also brought to an end almost immediately following Stalin's death on March 5, 1953. It also seems likely that the fundamental decisions concerning the First Five Year

Plan were made in Moscow, because they were first announced in Pravda while the same information was only published in China ten days later.⁵⁴ Thus, there seems to be a fairly solid basis for Khrushchev's assertion that the Sino-Soviet relationship might have deteriorated even earlier than it did if Stalin had not died in 1953.⁵⁵

Beginning in 1954, the new Soviet leaders made obvious efforts to move toward a more equal relationship with China and to remove past causes of friction. However, these efforts were not entirely successful. That the mutual suspicions still rankled is evident from the fact that from 1950 onwards, the Sino-Soviet trade agreement was signed on an annual basis, even though long-term planning in socialist construction is always favored in theory. According to an article in Vneshnyaya Torgovlya, China had by 1958 concluded long term trade agreements with all the socialist countries in Europe -- with Poland, Hungary, Rumania, and Bulgaria (1959-62), with East Germany, Czechoslovakia(1960-62, and with Albania(1961-65)--except with the Soviet Union.⁵⁶ The conspicuous fact, however, was that although the Sino-Soviet trade was the biggest bilateral flow among the socialist countries, China remained the only nation outside the long-term trade agreement system which linked all the rest of the countries within the Soviet bloc.

In 1956, the Soviet Union invited China to join the Council of Mutual Economic Assistance (CMEA). China declined the invitation and merely sent observers to the meetings. In a 1978 interview with a U.S. delegation of civic and world leaders in Beijing, Keng Piao (China's deputy prime minister) said that the reason for China's declination was that, in the Soviet version of "international division of labour", China was to have played its role in a coordinated CMEA by developing its agriculture, not its industry. China could then efficiently supply food grain to the industrialized Soviet Union and Eastern European nations which would in turn supply machineries to China. Such a relationship was certainly unacceptable to China's leaders. To them, to remain an agricultural nation was to have remained backward, and to have accepted a permanent role of a subordinate in the Soviet bloc. According to Keng, this and other unacceptable "Soviet demands" soured the relation between Beijing and Moscow.⁵⁷

However, if the "Soviet version" of "international division of labour" was indeed as simple as Keng Piao had the Americans to believe, why did the Soviets give so much industrial aid to China which was supposed to have developed agriculture in the future, and continue to do so until 1960? In truth, it is more likely that "Soviet demands" were interpreted as "unacceptable" after Sino-Soviet relations had already gone sour, since the year 1956 also witnessed the de-Stalinization raised in the Twentieth

Congress of the CPSU, a sharp decline of Soviet loans and a Sino-Soviet competition for political favor in the developing countries through foreign aid programs

Z.K. Brzezinski had suggested that China's dissatisfaction with the extent of Soviet economic assistance was a major factor in the Sino-Soviet dispute.⁵⁸ A.Eckstein also noted that "the Soviet Union's failure to extend economic assistance to China in the late 1950s must have been at least an irritant ,if not one of the most important factors contributing to the tensions in Sino-Soviet relations"⁵⁹ While it is beyond any doubt that Beijing had never received the amount of aid it hoped for, it is also clear that, as W.E. Griffith pointed out, the amount of economic aid required to give China anywhere near what she needed was in any case out of the question for the Soviet Union.⁶⁰ According to Roy Medvedev, China requested in 1950 aid to the tune of 3 billion U.S. dollars, "while the Soviet Union's capacity was strictly limited."⁶¹ Thus , even on purely economic grounds, the dispute seemed inevitable.

But why did Soviet financial aid slow down after 1955 and virtually end in 1957? An article published in 1961 advanced an argument that the Soviet economy was too stretched at the time to provide more financial aid to China. Coping with the aftermath of the upheaval in Eastern Europe, the Soviets were believed to

have been forced to divert some \$1,000 million in short-term credits to countries like Hungary and Poland. As a result, even the 6th Five-Year Plan was abandoned in September 1957.⁶² However, this contention has not been confirmed by other researches and thus remains as a supposition only.⁶³

Based on the available evidence, two tentative explanations can be advanced here. First, when Soviet leaders increasingly committed themselves to the policy of peaceful coexistence, i.e. economic competition with capitalism, resources had to be concentrated on continuous domestic economic expansion as well as to be allocated to those developing countries where they had some likelihood of falling on fertile ground. In 1956, the Soviet Union began to implement a strategy for winning political sympathy and support through a broad program of trade and aid directed to some carefully selected developing countries. As a result, in countries like Cuba, the United Arab Republic, Iraq, and Guinea, Soviet influence advanced perceptibly. Soviet political presence could also be felt in India, Afghanistan, Burma, and Indonesia. According to C. B. McLane's calculation, India received Soviet credits totaling \$250 million in 1956, and \$395 million in 1959. Indonesia received \$100 million in 1956, Afghanistan received \$234 million from 1956 to 1959.⁶⁴ However, if the same amount of resources were used in China, it would only strengthen a questionable ally that had already begun to refuse accepting a subordinate position.

Secondly, even before the Chinese started repaying their debts to the Soviets in 1956, they had launched their own active foreign aid program. On terms that were usually more favorable than those of the Soviets, the Chinese promised several hundred million dollars of aid to some carefully selected Communist and neutralist countries. In some instances, there were clear signs of competition between the Chinese and the Soviets as to which of these two countries would emerge as the most unselfish and generous friend. For example, in September 1953, North Korea received a U.S. \$250 million Soviet grant for rehabilitation. Then in November, Kim Il-sung received China's commitment to forego Pyongyang's repayment of costs of all materials supplied to North Korea during the course of the Korean war and a Chinese grant of U.S. \$200 million to be extended over three years. As O.E. Clubb has pointed out, "since China was currently going into debt to the Soviet Union in the process of striving for its own modernization, the political nature of the Sino-Korean deal was as clear to Moscow as it was to Pyongyang."⁶⁵ According to C.Y. Cheng's calculation, from 1953 to 1956, Beijing's total foreign aid amounted to \$1283.2 million, only \$42 million less than the assistance China had received from the Soviet Union.⁶⁶ This calculation was closely confirmed by China's Foreign Minister Chen Yi, who in an interview with Japanese journalists (November 1961) said, "Soviet aid extended to China was roughly equivalent to China's aid extended to Southeast Asian nations."⁶⁷

However high the living standards in any country, foreign aid always means a degree of sacrifice because it could be used to improve domestic living conditions. The fact that Chinese leaders were exporting badly needed skills and commodities from their own poor country which was barely able to feed itself pointed to an overwhelmingly political purpose behind these foreign aid programs. From the Soviet point of view, no justification could be found for providing financial aid to China, while China itself was playing the role of generous benefactor.

On the other hand, it must have been distressing for the Chinese to see their Communist ally granting, for instance, \$375 million for India's 3rd Five-Year Plan on 13 September--only a week after they told the Soviet charge d'affaires that New Delhi had provoked the border dispute with China;⁶⁸ or to see Khrushchev providing a \$250 million credit to Indonesia in February 1960,⁶⁹ when its government was in dispute with the Chinese government over the issue of overseas Chinese. It was reported that by 1961, India alone had already received Soviet aid totaling \$800 million⁷⁰ while in this most difficult year, China only received a credit of 500,000 tons of sugar.

From 1954 to 1960, the total credits granted by the Soviet Union to developing countries amounted to \$2.55 billion.⁷¹ All these resources could have been used in China. Therefore, when

the Albanians attacked the Soviets for "aiding non-socialist underdeveloped countries before the socialist states have become showcases of prosperity" in 1961,⁷² it was widely believed that the Albanians were expressing the sentiment of their mentors in Beijing.

In short, if Soviet influence proved both as cohesive and divisive factors in the Alliance, Soviet aid might have been producing tensions since the Alliance was established--because while the desire for Soviet aid did not limit China's effort in pursuing parity within the Soviet bloc, the decline of aid did intensify Beijing's anti-Soviet attitude. If a donor-recipient relationship did not necessarily assure friendship, economic pressure, such as the withdrawal of experts and curtailment of Soviet exports, was even more damaging. In fact, this crude and self-defeating Soviet strategy only intensified China's determination to become economically "self-reliant." It also convinced Chinese leaders that henceforth the Soviets could not be trusted as an ally. In a detailed study of Soviet economic pressure against Yugoslavia, Albania and China, R.O. Freedman convincingly demonstrates that such pressure has hardly ever succeeded in forcing a government to change its policies.⁷³ Thus, conflicting economic interest can in fact be regarded as a "decisive factor" underlying the ideological dispute.⁷⁴

To the Soviet Union, the Alliance certainly also provided support and assistance that would have been difficult to obtain elsewhere. As an ally, China helped shield the Soviet frontier from the Pacific to the heart of Asia in the Cold War, and rendered considerable assistance in extending Soviet influence into the developing countries. In general, the people in these countries were very impatient for industrialization within the shortest possible time. Any quick success in China's implementation of the Soviet model would serve as a good precedent to follow, because China started with an economic and social structure similar to that of many Asian countries. Hence, as long as China accepted the role of a junior partner in the Soviet bloc, it would serve the purpose of making the Soviet brand of Communism ultimately acceptable in the developing countries.

However, the binding effect of Sino-Soviet economic cooperation was not so strong as far as the Soviet side was concerned. It was sometimes argued that China had provided the Soviet Union with food and raw materials that enabled the Russians to concentrate their resources elsewhere. Yet, as already mentioned on p.60, since the total Soviet import of Chinese consumer goods constituted only about 0.1% to 0.3% of total Soviet consumption, such benefit was probably negligible.

On some other occasions, it was noted that Mao pulled Stalin's chestnuts out of the fire of the Korean War; but as long as the origin of the Korean War, and especially the motivations

of Stalin and Kim Il-sung remain obscure, it is difficult to decide whose chestnuts they were. Moreover, the Chinese were in effect also acting in their own defense.

Some observers further suggested that China's influence on Soviet politics might be beneficial to certain factions within the Soviet leadership in their power struggle, as well as to the maintenance of the Soviet leading position within the Communist bloc. For instance, H. Schwartz asserts that "the evidence of a Molotov-Mao alliance is compelling."⁷⁵ R. MacFarquhar also argues that in the autumn of 1957, "Khrushchev must have been anxious for Mao's support: for himself in the aftermath of the purge of the 'anti-party group', and for the Soviet Union against the Poles and the Yugoslavs at the forthcoming Communist summit."⁷⁶ And Liu Xiao, China's ambassador to the Soviet Union (1955-62) in his memoirs states that "in the struggle within the Soviet party, both sides had been seeking the Chinese party's support and tried to clarify China's position."⁷⁷ Liu also affirms that after the June Plenary session of the Soviet party in 1957, Khrushchev was very uncertain about China's attitude towards him. Hence , Mikoyan was sent to China in July to enlist Mao's and other Chinese leaders' support.⁷⁸ Even though it is difficult to establish such arguments or assertions, they seem to suggest that to the Soviets, the benefits of the Alliance were mainly political and military.

While it is not entirely clear how the Soviets perceived their economic benefits in cooperating with China, they evidently saw that the initial sacrifices involved in supporting China's First Five Year Plan were worthwhile only if the payoff was to be sufficient on economic grounds. This might include China's acceptance of its assigned role in a Soviet version of "socialist division of labor" and a long term trade agreement. According to O.Hoeffding, a specialist in economic relations of the Sino-Soviet bloc, the Soviets had been making effort "to place bilateral Sino-Soviet economic relations on a more orderly and predictable footing by negotiating a long-term trade agreement"⁷⁹ since the Sino-Soviet Treaty for Alliance was signed. As time went on, the declination of the Chinese had made the Soviet planners quite frustrated and "a distinctly critical and impatient note appeared in some Soviet comments."⁸⁰ From the Chinese standpoint, however, the debts still outstanding to the Soviet Union, combined with the apparent Soviet refusal to extend credits since 1954 had made it highly undesirable for China to accept its present financial status as a basis for a long term trade agreement with USSR. As a result, early in 1960, the subject was quietly dropped. And as discussed on p.85, China also declined the invitation to join the CMEA in 1956. In short , all the economic payoffs that the Soviets had been expecting failed to materialize. When China declined to accept the role of junior

partner in the Alliance and thus made the political and military benefits of the Alliance dubious to the Soviets, their economic relations with China became largely a burden.

Notes

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1. Up to mid-1960, many Western observers still believed that despite the existence of "real divergences of national interest," an open split was "improbable" and "unlikely in the near future", because the cohesive elements in the alliance, as compared to the divisive factors, were by far dominant, (See D.S. Zagoria "Strains in the Sino-Soviet Alliance," Problems of Communism, May 1960, p.11.) while an article on China by Stuart Kirby, the Head of the Department of Economics and Political Science in the University of Hong Kong, was titled "Russia's Largest Satellite", and published in The China Quarterly no.1 (January 1960).
 2. Liu and Wu, Socialist Economy, p.186
 3. Ibid., pp.190-191.
 4. Ibid., p.193.
 5. Ibid., p.198.
 6. A. Eckstein, "Economic Growth and Change in China: A Twenty-year Perspective," China Quarterly no.52 (September 1972), p.229
 7. Ibid., p.230. These figures are now confirmed by Chinese source. According to The 1985 Almanac of China's Foreign Economic Relations and Trade (Beijing: Water Resources and Electric Power Press, October 1985), China's Foreign trade turnover of 1953 was 2.836 billion U.S. dollars; and 4.381 billion U.S. dollars for 1959. p.348.
 8. Liu and Wu, Socialist Economy, pp.211-212.
 9. Leo A. Orleans, "Soviet Influence on China's Higher Education," in Ruth Hayhoe and Marianne Bastid, ed., China's Education and the Industrialized World (Armonk: M.E. Sharpe, Inc.1987), pp.186-187.
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52. For instance, in 1945, the iron and steel complex at Anshan had a capacity of 1.96 million tons of pig iron and 1.3 million tons of steel, representing respectively 68 and 65 per cent of the entire national capacity. See N.R.Chen and W.Galenson, Chinese Economy, p.85.
53. Soviet influence as a divisive factor will be discussed in

more detail in Chapter V, p.101, The abandonment of the Soviet model.

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61. Medvedev, China and Superpowers, pp.22-23. The figure of \$3 billion was also mentioned by P.K.I. Quested in his Sino-Soviet Relations (Sydney: George Allen & Unwin, 1984), p.115.

62. Werner Klatt, "Sino-Soviet Economic Relations," in G.F. Hudson, Richard Lowenthal, and Roderick MacFarquhar, The Sino-Soviet Dispute (New York: Praeger, 1961), p.37. And according to J. Wszelaski's study (1959), the sum total of Soviet credits granted to the European Communist-ruled states in 1956-1957 was \$1.3 billion. See Brzezinski, The Soviet Bloc, p.286, note.

63. In discussing the abandonment of the Soviet 6th Five-Year Plan, other scholars have proposed different contributing factors, such as power struggle within the Soviet leadership or an alternate Seven Year Plan which aiming at more striking increases in production, rather than the \$1,000 million short-term credits. See, for instance, Hutchings, Soviet Economic Development, pp.75-76; Heller and Nekrich, Utopia in Power, p.552.

64. Charles B. McLane, Soviet-Asian Relations (London: Central Asian Research Centre, 1973), pp.63,65,84. Also see Clubb, China and Russia, p.437.

65. Clubb, China and Russia, p.402.

66. C.Y. Cheng, Economic Relations, pp.87-88.
67. As quoted in Harry Schwartz, Tsars, Mandarins and Commissars (New York: J.P.Lippincott Co.,1968), p.182.
68. Allen S. Whiting, "The Sino-Soviet Split," in Denis Twitchett and John S. Fairbank, ed., The Cambridge History of China Vol.14 (New York: Cambridge University Press, 1987), pp.511-512.
69. Ibid., p.509.
70. Marshall I. Goldman, "Sino-Soviet Trade:A Barometer," Problems of Communism, 1962,no.6, p.49.
71. Leonard Schapiro, "The Chinese Ally from the Soviet Point of View," p.357.
72. Pravda(Bratislava), October 28,1961, as cited in M.I.Goldman, "Sino-Soviet Trade," p.49.
73. Robert O. Freedman, Economic Warfare in the Communist Bloc (New York: A. Praeger ,1970). It is interesting to note that in conducting economic pressure on Cuba and some NATO countries , the Americans were not more successful than the Soviets, as R. Freedman points out in the conclusions of his study. See p.168
74. C.Y.Chen, Economic Relations, p.1.
75. H. Schwartz, Tsars, Mandarins and Commissars, p.187.
76. Roderick MacFarquhar, The Origins Of The Cultural Revolution, 2 The Great Leap Forward 1958-1960 (London: Oxford University Press, 1983), p.12.
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78. Ibid., p.49.
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Chapter V - The Influence on China's Policy-Making

What effect, if any, did the development of Sino-Soviet economic relations have upon China's policy making?

It is generally assumed that economic dependence leads to political dependence. Indeed, there is little doubt that far-reaching dependence upon the Soviet Union had characterized China's economic relationship with her ally during the First Five Year Plan period (1953-1957). Did this economic dependence place any constraint on China's ambition and action at any specific time and place?

Certain political events in China seem to suggest that the development of Sino-Soviet economic relations might have had some weight on the Chinese leaders' decision making. An attempt to discern Soviet influence on China's decision making (1949-1964) will be made in the following pages through the discussion of three major issues

1. The issue of "Mao's Road".

As early as spring of 1946, Liu Shaoqi told Anna Louise Strong in an interview that Mao's great accomplishment had been to change Marxism from a European to an Asiatic form, and since "there are similar conditions in other lands of Southeast Asia, the courses chosen by China will influence them all."¹

In early 1950, Chinese propaganda attempted to elevate the position of Mao to that of Communist theorist and leader by holding up "Mao's Road" as the model for other Asian revolutions. Soviet domestic propaganda, on the other hand, said nothing about the relevance of China's revolution to other Asian revolutions. In June 1951, Indian Communists made an overt denial of the China-model line in their manifesto, presumably with Soviet approval. The Indian manifesto was published in China only in November 1951.² This five-month delay suggests that the Chinese were reluctant to change their line, or could not decide how to respond. Later, a new general formula for Asian revolutions was formulated at the Moscow Scientific Conference which stated that the Asian revolutions were to follow the teachings of Lenin and Stalin without any reference at all to Mao.

China's acceptance of this formula is regarded by some observers as evidence of Soviet influence over the Chinese Communists--probably because China's eagerness to consolidate her economy and industrialize had placed the Soviet Union in a favorable position. It was believed that China's economic and military dependence on the Soviet Union left Mao with no alternative but to act with greater caution and modesty.³

2. The abandonment of the Soviet model

The wholesale borrowing by the Chinese Communists from the Soviet model of industrialization during the First Five Year Plan period was obvious to any outside observer. At the time, they

had only the Soviet Union to turn to for examples, assistance, and advice. The Soviets' success in building a large heavy industrial base from a very backward country had certainly impressed them. Besides, copying Soviet models was simpler and quicker than working out new forms and methods all at once.

However, the Soviet model never had a clear field in China. Almost from the outset, China rebelled against some of the features of the Soviet model. In this respect, the halfhearted adoption of the Soviet system of industrial management, the "one-man management" (Yi Zhang Zhi) and its final abandonment in the mid-1950s may serve as striking examples.

In the Rehabilitation period (1949-52), two major types of industrial management were practiced in China's state-owned enterprises: the "Shanghai", or "East China" system and the Soviet system. The Shanghai system was widely adopted in the older industrial centers of the east coast. Stressing collective responsibility for plant management and encouraging worker and staff participation via "factory administrative committees",⁴ this system was obviously more in accord with the ideal of the Yanan period which strove to inspire workers' performance by developing their political consciousness and group identity.

The Soviet system of one-man management was first introduced to the railroad network in "liberated" Manchuria, since the Soviets controlled the Changchun Railroad and ran plants and shops connected with the railroad. The essence of this Soviet

system, as Franz Schurmann puts it, is "a highly technical organization of production, based on product specialization. Central planning gives the manager a complex of targets to achieve; and one-man management gives him power to mobilize resources to achieve his targets... managers and workers are held individually responsible for work performance."⁵

This new method was certainly consistent with Stalinist industrialization because massive, capital-intensive projects called for highly centralized control, an exalted role for scarce experts and technicians, and unambiguous lines of command. It also had a certain relevance to China's most acute needs. After decades of internal chaos, the establishment of a powerful, centralized authority was her national imperative. Besides, since the Soviet-aid industrial projects were key elements in China's First Five Year Plan, and the Soviets were to set up these plants down to the smallest operational details, the methods of management introduced were and had to be Soviet. Consequently, the system of one-man management radiated first from the railroads and other joint Sino-Soviet companies, was then used in the Soviet-aid industrial enterprises, and finally reached China's industry as a whole.

Although the new method had been hailed as a basic principle of socialist industrial management,⁶ and some positive responses to one-man management did come from newspapers in the Northeastern Provinces and Eastern China, the spread of the new system

was "widely resisted... and did not gain predominance in the thousands of smaller establishments" outside the orbit of direct Soviet influence.⁷ In the course of 1954, fewer references were made to one-man management. By the middle of 1955, this system was clearly declining. In September 1956, the official abolition of the one-man management system was announced in a report to the Eighth Party Congress by Li Xuefeng, Director of the Industrial Bureau of the Central Committee of the CCP. The new system of industrial management, henceforth to become the norm of all industries, was called "factory-manager (Changzhang) responsibility under the leadership of the Party Committee" which would combine Party collective leadership with individual responsibility. Thus, as F. Schurmann puts it: "the extensive authority conferred on the factory managers by one-man management was now withdrawn, [though] full individual responsibility for performance was to remain with them."⁸

One-man management thus lost favor even before the completion of the First Five Year Plan because, as C. Riskin pointed out, it was identified with the discredited Gao Gang, and also because it violated ideological principles favored by Mao, such as that of the supremacy of Party and politics.⁹ The deeper trouble in maximizing the authority of the managers however, lay in the fact that under the Communist regime, political and economic power cannot be separated. If the Party committee's role was to be limited to that of ideological (or moral) leader-

ship, while the right to select and train personnel as well as the full power of reward and punishment were to be placed in the hands of the managers, a profound shift of power would have occurred. At the centre, it would not only have greatly increased the power of the ministries, but also that of the State Planning Commission, a group that had been headed by Gao Gang until 1954 and dominated by pro-Soviet professionals. At the local level, down to the individual factories, most of the Party cadres would have increasingly lost their influence, since few of them had any hope of understanding the intricacies of management. In short, Soviet "advanced experiences" , even when backed by Lenin's teaching,¹⁰ had to stop at the doorstep of Party privilege.

Despite the rejection of certain features of the Soviet Model, the First Five Year Plan (1953-1957) proved to be on the whole a great success. Thus, the Soviet model seemed to have served China's economy, especially its industrialization, rather well. In September 1956, when Zhou Enlai presented the proposals for the basic tasks of the Second Five Year Plan (1958-1962) to the Eighth Congress of the CCP, the fundamental assumptions were basically in accord with the Soviet model which had guided the First Five Year Plan. Certain modifications, such as the elimination of one-man management, the partial decentralization of governmental apparatus and more emphasis on the development of light industry were introduced. As a whole, however, it

was evident that the Chinese leadership anticipated being able to proceed in a straight line of development through three Five Year Plans, as originally contemplated, to lay down the foundation of China's socialist construction. By 1959, however, when the Great Leap Forward (GLF) and Commune program took shape, the Soviet model was apparently abandoned. This was, beyond any doubt, one of the most fatal changes of direction in the the PRC's history. To what extent did the development of Sino-Soviet economic relations contribute to this radical transformation of the CCP's domestic policy?

According to R. MacFarquhar's analysis,¹¹ this astonishing change of direction took place between June and September 1957. During this period, there appeared to have been a struggle between two opposing "lines" or "ways of carrying on socialist transformation and construction" within the CCP. The Pragmatists were government officials including Zhou Enlai, Chen Yun (Deputy Premier), Li Fuchun (Chairman of the State Planning Commission), Li Xiannian (Minister of Finance), Bo Yibo (Chairman of the State Economic Commission) and Deng Zihui. They stood for a "reasonable, sound and balanced approach" to economic development. While recognizing that the Soviet model had proved not entirely applicable to China's situation, they believed that the solution lay in some modifications of the model, including a slower pace of industrialization, some limited decentralization

of the economy and a partial restoration of the free market--in short, a model somewhat similar to the Soviet New Economic Policy in 1921.

The "Left Wing" or the sloganeers were full-time Party officials such as Liu Shaoqi and Deng Xiaoping (the Party's general secretary). They believed that China could actually pull itself up by its own effort if proper policies were adopted.¹² If the Soviet model proved inadequate for China's distinctive problems, this model must be abandoned and replaced by the Party's general line which Liu Shaoqi defined as "to build socialism by exerting our utmost efforts, and pressing ahead consistently to achieve greater, faster, better and more economical results."¹³

By September, the ascendancy of the left wing was quite clear. In May 1958, when Liu's general line was formally adopted at the Second Session of Eighth Congress, the GLF was launched in full scale. And the "'left' ideas characterized by impatience for success, " as Liu And Wu put it, "grew to an appalling proportion."¹⁴ Three major factors-- Mao's role, the inapplicability of the Soviet model and the lack of Soviet economic aid--might have contributed significantly to such a change of direction.

During the First Five Year Plan period, the adoption of the Soviet model had produced certain social, political and ideological consequences that Mao found profoundly distasteful. For instance, the centralized planning system generated a huge

bureaucratic apparatus which would not easily bend to the will of one man and could breed elitism and privilege. The priority of heavy industry and the Soviet model's utilization of material incentives were creating an increasingly stratified urban society. The high proportion of capital investment had robbed the countryside of the resources it would need to grow, as well as the political power from the peasant cadres who had contributed overwhelmingly to the victory of the revolution. As K. Lieberthal has correctly pointed out, "Mao's anti-bureaucratic, egalitarian, and somewhat anti-intellectual and anti-urban sensitivities were deeply offended."¹⁵ In addition, the centralized and specialized bureaucracies so important to the Soviet model might have robbed Mao of some of his personal political power.¹⁶

In April 1956, Mao offered an alternative proposal to the Politburo. His now famous speech "On the Ten Great Relationships" (the text was revealed only during the Cultural Revolution) called for a gradual abandonment of the Soviet model and outlined a radically different strategy. However, his ideas were largely ignored in the proposals for the Second Five Year Plan adopted in the Eighth National Congress, even though many of them were much more rational in the abstract as well as in terms of China's conditions in 1956.

How Mao eventually managed to put his ideas through might never be known in full. However, it did take some extraordinary maneuvers such as using a non-Party forum to announce policy initiatives,¹⁷ and decentralizing the economic departments of the central government but not the Party,¹⁸ before Mao could put forward his general line in March 1958 at the Chengdu Conference.

Besides Mao's political maneuvers and personal prestige, the general realization-- at least among the leaders-- that the Soviet model was not entirely applicable to China's actual condition as well as the lack of Soviet financial aid might also have contributed to the "Left-turn" to the GLF.

According to China's Socialist Economy, the probing of new ways of building socialism began in early 1956 when:

the experience gained in implementing the First Five Year plan showed that while there were many useful things for us to learn from Soviet economic construction, there were also serious defects and many things not suited to China's conditions.These included lopsided development of heavy industry to the neglect of agriculture and light industry, excessive increase of accumulation and neglect of the people's well-being, and an overly centralized and rigid system of economic management. All these exposed the limitation of the Soviet experience in economic construction.¹⁹

In reality, by 1957, not only was the "limitation of the Soviet experience" exposed, but some serious problems in China's "economic construction" indeed occurred. The foremost among them were agricultural stagnation, unemployment and social unrest due to the economic hardship of the masses.

As far as the pattern of investment was concerned, China's First Five Year Plan was even more Stalinist than its Soviet model. The first Soviet Five Year Plan allocated 40.9% of investment to the industrial sector and 19.2% to agriculture. The Chinese, as if determined to outdo the Soviets, allocated 47.9% of their investment to industry and only 14.9% to agriculture.²⁰ With such meager investment and a major collectivization, stagnation in agricultural production would be the best one could hope for. The fact that agricultural output per head did not decrease was truly a significant achievement of the Communist government. According to Xue Muqiao, between 1952 and 1957, the annual per capita grain production rose from 288 to 306 kilograms, while the per capita production of oil-bearing crops and the number of hogs fell.²¹ However, a direct result of such stagnation in agriculture was that, in 1956-1957, the State procurement of grain and taxation in kind actually fell below the 1953-1954 level.²² Without steadily growing surpluses in agriculture, not only were there problems in supplying food to urban areas, but the financial backing for industrialization was also lacking.

In short, the Stalinist strategy for industrialization at the expense of agriculture was not viable amidst the resource endowments of China. Because of its large population and poor economic foundation, a maximum attention to agriculture was imperative--if only to keep the people alive at the barest subsistence level.

The completion of the First Five Year Plan also failed to resolve the pressing problem of unemployment. According to Ta-Chung Liu and Kung-Chia Yeh's study (1965), the estimated number of unemployed males in 1952 was 25 million, of whom seven million were in urban areas.²³ From 1952 to 1957, industrial employment grew from 6.15 million to 10.19 million, an increase of 4.04 million, but the population expanded by 71.71 million in the same period. Such a growth rate of population certainly "threatened to overwhelm the employment possibility that even a successful industrialization program would be able to create."²⁴ Although quantitative information about the extent of urban unemployment at the end of the plan period is scarce and contradictory, it is believed that its number reached 7.8 million in 1957, or 8.5% of the urban population and about 20% of the urban labour force.²⁵ Fed by a continuing flow of rural migrants escaping poverty and natural disasters as well as seeking secure and better-paid jobs, urban unemployment undoubtedly remained a serious social problem in 1957.²⁶ In retrospect, it is clear that China's basic demographics demanded that more attention be paid to creating

employment, but neither the capital-intensive strategy of the Soviet model nor the administrative capacity of the government was capable of responding adequately to this problem.

As mentioned on p.14, 1957 was a poor crop year which brought about some severe economic difficulties. There were appeals to coal miners to give up part of their Chinese New Year holiday in order to ensure that operations of factories, railway, and ships would not have to be halted. There were reports of cuts in the cloth and pork rations.²⁷ Most serious of all, the economic hardship of the masses and the turmoil of collectivization had caused intense dissatisfaction among the peasants and workers.

Some recent publications in China seem to confirm the existence of such social tension. For instance, in an article recalling his interview with Mao in 1957, Wang Ruoshui, a writer now famous for his democratic inclination, records that Mao said: "in 1953, the grain procurement made the relation between Party and the peasants very tense."²⁸ If the level of procurement was as high as 28% of the total grain output²⁹ and per capita grain production was only around 300 kilograms (see p.110), the relations could have been even worse than "tense".

In fact, it is now admitted by the Chinese press that in 1956 and 1957, "some peasants... had demanded to withdraw from or to divide up their collectives."³⁰ And the growing unrest among the workers and students was expressed in strikes. According to

the same sources, "from September 1956 to the Spring of 1957, there were more than ten thousand workers in different places who went on strike; in eleven provinces and two cities, more than ten thousand students went on strike and demonstration."³¹

In short, despite the overall successful performance of the First Five Year Plan, the agricultural stagnation, continuing urban unemployment and social unrest clearly indicated that the Soviet model the Plan embodied could not be maintained. In D. S. Zagoria's opinion, "the only alternative to a radical institutional response to China's economic problem would seem to be a massive dose of Soviet aid."³²

Yet, several key statements made by China's economic planners during this period seemed to indicate that Soviet financial assistance was not expected in resolving China's economic difficulties. In May 1957, Li Fuchun warned, "we should rely on our own strength as far as possible."³³ In July, Bo Yibo told the National People's Congress that China must reduce its "reliance upon foreign countries."³⁴ Such statements may reflect in part China's unwillingness to mortgage itself to a Soviet aid program, and in part its awareness that more Soviet long-term credits were not likely to come. Almost at the same time (July to October 1957) some articles published in the Soviet press also seemed to imply the need for China to depend on its own resources. For instance, an article in the October 1957 issue of Voprosy Ekonomiki (Problems of the Economy) stated:

Of the states of the Socialist Camp, apart from the Soviet Union, only a land so rich in immense human and natural resources as the Peoples Republic of China can assume the comparable task of creating a completely developed economy which will fully satisfy all the needs of the country.³⁵

By this stage, however, the CCP leaders might still have retained some hopes for the continuation of Soviet economic assistance as a means of achieving industrialization. According to F. Schurmann's analysis, the strategy of economic development advocated by Mao in 1957 "required heavy dependence on the Soviet Union." It was more so than the economic strategy of self-reliance envisaged by Chen Yun with balanced relationship between heavy industry, light industry and agriculture--because Mao had called not just for simultaneous development of industry and agriculture, but had added: "on a basis of preferentially developing heavy industry." Moreover, it was hoped that Mao's political influence with Khrushchev late in 1957 might possibly secure a Soviet promise for stepped-up trade.³⁶

1957 was a good year for the Soviet Union: Moscow celebrated the fortieth anniversary of the October Revolution with a "sputnik" and a largely stabilized socialist Eastern Europe. Heading the Chinese delegation, Mao paid his second visit to Moscow. In a speech to the Chinese students in Moscow, he fully ex-

pressed his conciliatory attitude by asserting that the head of the socialist camp was the Soviet Union and the head of all Communist parties and workers' parties was the CPSU.³⁷ It is believed that such statements indicated that Beijing saw the ceremony as an opportunity for endeavoring to obtain Soviet aid for China in its time of difficulties.³⁸ For instance, Le Monde (December 19, 1957) reported that Gomulka, the Polish leader, reproached Mao with advocating Soviet leadership in exchange for Soviet economic and military aid.³⁹ And according to O.E. Clubb, the CCP delegation in Moscow proposed that the socialist camp's economic aid to nationalist bourgeois governments should cease and all available aid be channeled to the needy members of the socialist camp.⁴⁰

Despite all these efforts, however, Mao returned to Beijing empty-handed, and no Soviet financial aid was available for bridging the widening gap between China's agricultural productivity and its growing needs for industrial raw materials, supplies and agricultural export products. When the slogan "Great Leap Forward" was set forth in January 1958, radical departures from the Soviet model began to take place. Even the timing of the decision seemed to suggest that insufficient Soviet help was an important factor contributing to this fatal change of direction.

3. Soviet economic pressure

Economic pressure had been used by the Soviet Union as a means of disciplining and controlling other countries within the Communist bloc since 1947. Stalin, the first Soviet leader to employ economic pressure against a fellow Communist country, imposed an economic embargo on Yugoslavia in 1949, and canceled economic assistance agreements with that nation as well. In 1961, Khrushchev utilized the same type of economic pressure against Albania, including the severance of diplomatic and economic relations, and the exclusion from the membership of CMEA.

Soviet economic pressure against China was more gradual than in the cases of Yugoslavia and Albania, and was not followed by a trade embargo, since China was considerably less vulnerable to such pressure: China was not dependent on Soviet loans and its exports to the Soviet Union were of greater value to the USSR than those of Yugoslavia and Albania. Nonetheless, in the 1950's and early 1960's, China was vulnerable to Soviet economic pressure in two aspects: its inability to acquire large amounts of machinery from countries other than the USSR and its severe shortage of trained technicians. Not surprisingly, the major aspects of Soviet economic pressure against China involved the withdrawal of technical assistance and the curtailment of trade.

The most drastic application of Soviet economic pressure took place in July 1960. As the Chinese described it:

In July the Soviet Government suddenly unilaterally decided to recall all the Soviet experts in China within one month, thereby tearing up... 343 contracts and supplementary contracts on the employment of experts...to cancel 257 items of scientific and technical cooperation, and pursued a restrictive and discriminatory trade policy against China. ...Apparently, the leaders of the CPSU imagined that once they...applied immense political and economic pressure they could force the Chinese Communist Party to abandon its Marxist-Leninist and proletarian stand and submit to their revisionist and great power behests.⁴¹

However, such a change of policy did not occur. If the Soviet strategy was to give China a foretaste of the unpleasant consequences of challenging Soviet supremacy and thus soften the Chinese position before the Moscow conference which was planned to take place in November 1960, the result were exactly the opposite. The withdrawal of Soviet experts only intensified China's determination to become economically "self-reliant" and convinced the Chinese leadership that henceforth the Soviet Union could not be trusted as an ally.

Soviet economic pressure might even have enhanced a defiant enthusiasm and solidarity within the Chinese leadership. For instance, before the withdrawal of experts there was some evidence that some members of the Chinese leadership were in favor of a retreat. On March 30, 1960, Tao Zhu, the influential Guangdong provincial first secretary, said in a published speech that the USSR had given China

" an enormous amount of material and spiritual assistance....Mutual assistance... must be strengthened before the building of socialism can be carried out by us at a faster rate...Because of this, our basic interest lies in strengthening the solidarity of the socialist camp headed by

the Soviet Union and the international solidarity of the proletariat. We must make our utterances and action beneficial to international solidarity."⁴²

Yet, after the withdrawal of experts, in a revised version of the speech published in the August 5 Renmin Ribao, Tao's original stress on the need for Soviet aid was watered down, and the theme of "self-reliance" was emphasized.⁴³ Obviously, conciliatory views were overcome and a decision was made to stand firm in the face of Soviet economic pressure.

If such massive pressure failed to produce the results desired by the Soviet leaders, the curtailment of Soviet exports was even less likely to be successful.

Total Soviet exports to China declined from \$815 million in 1960 to \$365 million in 1961, and continued to decrease until they reached their lowest level of \$135 million in 1964.⁴⁴ In a letter to the CPSU in 1964, the Chinese complained about the Soviet curtailment of trade as "an instrument for bringing political pressure to bear on China":

Since 1960, you have deliberately placed obstacles in the way of economic and trade relations between our two countries and held up or refused supplies of important goods which China needs. You have insisted on providing large amounts of goods which we do not really need or which we do not need at all, while holding back or supplying very few of the goods which we need badly.⁴⁵

However, statements with such strong polemic flavor should not be accepted at face value, even though the Chinese grievances must have been genuine and important. At least partially, the

decrease in Soviet exports must have been the decision of the Chinese leaders: partly due to their determination to end China's economic dependency and vulnerability to Soviet pressures, and partly due to China's domestic economic difficulties caused by the failure of the GLF as well as the poor weather of 1960. In fact, the Soviets did complain that for political considerations rather than economic difficulties, the Chinese, in June 1961, requested Soviet deliveries of complete plants and equipment to be reduced to one-fifth of the 1960 volume, "regardless of the fact that the bulk of it (to the value of tens of millions of rubles) was in the process of manufacturing or had been ordered from third countries and could not be used in the Soviet national economy."⁴⁶ On August 15, the Chinese announced another reduction; early in December, "the Chinese side declared its complete refusal to import Soviet complete plants and equipment in 1962-1963."⁴⁷ Since the deliveries of complete plants and equipment had constituted the bulk of Soviet exports in the 1950s, their termination certainly caused a sharp decline in Soviet exports.

China's domestic policy change, as well as her acute economic difficulties, also dictated the reduction of imports from the Soviet Union. A new policy of "readjusting, consolidating, filling out and raising the standards" (Tiaozheng gonggu chongshi tigao) of the national economy was adopted at the Ninth Plenary Session of the Eighth Party Central Committee in January

1961. The total investment in capital construction was reduced from 38.4 billion yuan in 1960 to 12.34 billion yuan in 1961; in 1962 it was further reduced to 6.76 billion yuan--the lowest figure for capital construction since 1953.⁴⁸ The new policy also drastically reduced the speed of growth of industrial production and re-adjusted its internal structure. The planned targets set for 1962 were much lower than the actual figures of 1960. For instance, total industrial output value was reduced by 47%, total heavy industrial output was slashed by 57%, and steel output was cut by 68%.⁴⁹ Among the industrial enterprises which were reduced or amalgamated in great number were those in metallurgical, chemical, building materials and machine-building industries, whose numbers were to be cut by 70.5%, 42.2%, 50.7% and 31.6%, respectively.⁵⁰

The structure of imported goods was also changed radically because of domestic economic difficulties. During the 1950s, 91.7% of imported goods were producer goods, but in the first five years of the 1960s, consumer goods such as grain, edible oil and sugar counted for 40.9% of the total imported goods.⁵¹

Such a change in policy and structure of imported goods would naturally have dramatically reduced China's imports from the Soviet Union--with or without the curtailment from the Soviet side.

In short, Soviet economic pressure against China proved ineffective or even counterproductive for the USSR. Just as in the cases of Yugoslavia and Albania, it only hardened the resolve of the leaders of the "target countries" to remain independent and united. It might also have helped the Chinese leaders rally popular support by appealing to national pride and integrity, while the pro-Soviet factions found themselves isolated and silenced.

Notes

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1. Donald S. Zagoria, The Sino-Soviet Conflict (Princeton, New Jersey: Princeton University Press, 1962), p.15.
 2. P. Bridgham, A. Kohen, and L. Jaffe, "Mao's Road and Sino-Soviet Relations," China Quarterly no.52 (September 1972), p.694.
 3. Zagoria, Sino-Soviet Conflict, pp.14-15. And Bridgham, "Mao's Road and Sino-Soviet Relations," pp.694-695.
 4. Riskin, China's Political Economy, p.63.
 5. Franz Schurmann, Ideology and Organization in Communist China (Berkeley: University of California Press, 1968), p.242.
 6. Takungpao (Da Gong Bao), Tianjin, Dec.31, 1953. As quoted in F. Schurmann Ideology, p.255.
 7. Riskin, China's Political Economy, p.60.
 8. Schurmann, Ideology, p.285. As a whole Schurmann's study on the one-man management system (the Chapter IV,) is both informative and insightful.
 9. Riskin, China's Political Economy, p.64.
 10. "Any large-scale industry--which is the material source and foundation of production in socialism--unconditionally must have a rigorous, unified will to direct the collective work of hundreds, thousands, and even millions of men. But how can the rigorous unity of wills be assured? Only by the wills of the thousands and millions submitting to the will of a single individual." Lenin, Selected Works (Moscow, 1952) II:398.
 11. In his excellent article "Communist China's Intra-Party Dispute," (Pacific Affairs December 1958), Roderick MacFarquhar describes the change in economic policy which took place between June and September 1957. Later, in his book The Origins of the Cultural Revolution, 1 Contradictions Among the People 1956-1957 (London: Oxford University Press, 1974), the process of policy change was discussed in greater detail. Some arguments in the following section are based on his article as well as his book.
 12. MacFarquhar, The Origins of the Cultural revolution 1, pp.88-89. It is interesting to note that such division between the Pragmatists and "Left Wing" sloganeers is largely "confirmed" in Liu and Wu's description of the Eighth Congress of the CCP in

September 1956 and its Second Session in May 1958--certainly with the exception of Deng's role. See Socialist Economy, pp.216-221 and pp.224-225.

13. Liu Shaoqi, "Political Report to the Second Session of the Eighth National Congress of the CCP," (May 1958). As quoted in Liu and Wu, Socialist Economy, p.224.

14. Liu and Wu, Socialist Economy, p.228. The most striking illustration of such "impatience for success" was Mao's call, in the Second Session of the Eighth Congress (May 1958), for surpassing the industrial output of Great Britain in seven years, and to overtake the United States in another eight to ten years. See Kuo Binwei, ed., Zhonghua Renmin Gongheguo Jianshi (A Short History of the People's Republic of China, Jilin: Jilin Wenshi Chubanshe, 1988), p.173. Zhang Jian, ed., Dangdai Zhongguo Jingji Gaishu (An Overview of China's Contemporary Economy, Guangdong: Guangdong Renmin Chubanshe, 1989), p.70.

15. Kenneth Lieberthal, "Domestic Politics and Foreign Policy," in Harry Harding, ed., China's Foreign Relations in 1980's (New Haven: Yale University Press, 1984), p.49.

16. It is interesting to note that Wang Xizhe, a famous activist of China's democratic movement (1979-1981), charged that Mao was not really an enemy of the bureaucratic system: "It was not the bureaucratic system that he hated, but the existence in the party of an opposition force that prevented him from disposing of the people's fate as he wished." See Andrew J. Nathan, Chinese Democracy (New York: Alfred Knopf, 1985), p.9.

17. Meisner, Mao's China, p.228.

18. Ibid., p.332.

19. Liu and Wu, Socialist Economy, p.217.

20. N.R. Chen and W. Galenson, Chinese Economy, pp.38-39. According to Wheelwright and McFarlane, agriculture received only 6.2% of the total investment allocated by the State budget. See Chinese Road, p.39.

21. Xue Muqiao, ed., Almanac of China's Economy, 1981 (Hong Kong: Modern Cultural Co. Compiled by the Economic Research Center, State Council of the People's Republic of China, and the State Statistical Bureau, 1982), p.111.

22. Wheelwright and McFarlane, Chinese Road, p.40.

23. Ta-Chung Liu and Kung-Chia Yeh, The Economy of the Chinese

Mainland: National Income and Economic Development, 1933-1959 (Princeton, New Jersey: Princeton University Press, 1965), p.102.

24. Lippit Economic Development, p.110.

25. Riskin, China's Political Economy, p.111.

26. Here is a striking contrast between the situation of employment in China and that of the Soviet Union in their respective First Five Year Plan. The Soviets found it necessary to move millions of people from country to city during the 1930s. Their urban population rose by 18 million from 1929 to 1937. The Chinese government, on the other hand, had to make an effort to arrest the cityward flow of rural migrants; and the total non-agricultural employment grew by less than 5 million between 1952-1957. See N. R. Chen and W. Galenson, Chinese Economy, p.37.

27. MacFarquhar, "Communist China's Intra-Party Dispute," p.326.

28. Wang Ruoshui, Zhihui Di Tongku (Sorrow from Wisdom, Hong Kong: Shan Lian Shudian, 1989), p.323.

29. Kenneth Walker, Food Grain Procurement and Consumption in China (New York: Cambridge University Press, 1984), p.45.

30. Hao Mengbi, ed., Zhongguo Gongchandang Liushi Nian (Sixty Years of the Chinese Communist Party, Beijing: Jiefangjun Chubanshe, 1984), p.483.

31. Ibid.

32. Zagoria, Sino-Soviet Conflict, p.86.

33. New China News Agency (NCNA) May 17, 1957, as quoted in Ibid., p.68.

34. NCNA July 1, 1957. Ibid., p.68.

35. As cited in Freedman, Economic Warfare, p.112.

36. Schurmann, Ideology, pp. 204-205.

37. Renmin Shouce 1958, (Beijing: Da Gong Bao Press, 1959), p.296.

38. See Clubb, China and Russia, p.420; C. Y. Cheng Economic Relations, p.4.

39. See Gittings, Survey of the Dispute, p.74.

40. Clubb, China and Russia, p.422.
41. Peking Review, September 13, 1963, p.14; and February 7, 1964, p.9.
42. Nanfang Ribao, May 13, 1960, as quoted in Zagoria, Sino-Soviet Conflict, p.334.
43. Ibid., p.334 and p.444 note no.57.
44. Riskin, China's Political Economy, p.76.
45. Peking Review, May 8, 1964, pp.14-15.
46. Borisov and Koloskov, A Brief History, p.213.
47. Ibid., p.215.
48. Zhang Jian, Zhongguo Jingji, p.83. Also Liu and Wu, Socialist Economy, pp.285-286. Liu and Wu's figures are: 1960--38.4 billion yuan, 1961--12.33 billion yuan and 1962--5.66 billion yuan.
49. Liu and Wu, Socialist Economy, p.287.
50. Ibid., p.289.
51. Song Tao, ed., Xiandai Zhongguo Duiwai Jingji Guanxi Lilun yu Shijian (Theory and Practice in Contemporary China's Foreign Economic Relations, Beijing: Zhongguo Huanjing Kexue Chubanshe 1989), p.64.

Chapter VI - Conclusions

From this analysis of the Sino-Soviet economic relationship during the 1950's and early 1960's, what conclusions can we draw about its effect on shaping the Alliance? How did it influence China's policy-making? Did it strengthen or weaken the alliance? And finally, what was the balance between benefits and costs to the two partners?

Certain political events in China seem to suggest that the development of Sino-Soviet relations might have had some weight on China's decision making.

In the early 1950's, China's economic and military dependence on the Soviet Union made China exercise greater caution in their claim of "Mao's road" as the model for other Asian countries. This Soviet influence on China's decision-making need not presuppose direct coercion: economic and military assistance, as well as the common ideological goal were probably very effective. As China gained strength, however, Soviet influence on its policy-making declined. The lack of Soviet financial aid was certainly an important factor contributing to China's decision to abandon the Soviet model in 1958. But other factors, such as Mao's thought, the power struggle within the CCP, the inapplicability of the Soviet model, China's domestic economic condition and even the weather conditions of 1957 all had their share

of influence. Besides, the diversification of Soviet aid to other countries probably should not be regarded as economic pressure intentionally applied by the USSR, since China was not the Soviet Union's only concern. Moreover, China's own foreign aid program was in many occasions competing with the Soviet program. When real economic pressure was applied by Khrushchev with the hope of changing China's policy, however, it proved ineffective and counterproductive.

The Sino-Soviet economic relationship had both unifying and divisive effects on the Alliance. On the one hand, it was a unifying factor because the Soviet Union had provided China with support and assistance that would have been difficult to obtain elsewhere--especially in the fields of education and industrialization during the First Five Year Plan period.

In the long run, the Soviet influence in the above two areas may prove stronger than the political hostility of the 1960's. Not only because the rise to positions of power of those trained under Soviet influence may affect official thinking in the future, but also because the irrationalities of the Cultural Revolution and the difficulties encountered in Deng's reforms could lead the Chinese to think more positively about the Soviet phase of their economic development. In fact, the impetus for the current normalization of Sino-Soviet relations comes not only from Chinese leaders who desire more freedom of maneuver between the two superpowers, but also has come from China's "think

tanks", Party members and intellectuals who were educated during the 1950's. Even Deng's political reforms, it may be argued, testify to certain Soviet influences, since they obviously aim at changing China from a terror-based, totalitarian dictatorship to a "mature", administered dictatorship of the post Stalinist Soviet or Eastern European type.

On the other hand, Sino-Soviet economic relations also proved to be a divisive factor in the Alliance. Different economic interests created tensions and frictions. China's first generation of revolutionary leaders resented the role of junior partner in the Alliance. Their independence of mind, as well as suspicions towards Soviet intentions prevented them from adapting the Soviet system of industrial management, entering long-term trade agreements with the USSR or joining the CMEA. In addition, China's dissatisfaction with the extent of Soviet economic assistance proved to be a major divisive factor in the Alliance: while the Chinese might think their Soviet partner niggardly, the Soviets might regard the Chinese as unreasonable in their expectations and demands.

In their open debate during the 1960's, both the Soviet and Chinese statements concerning their economic relations tended to be one-sided and extreme. While the Soviets tried to emphasize their high-minded "proletarian internationalism", the Chinese, in their polemical documents, attempted to portray themselves as

"the Humiliated and Insulted"--though of course also the dignified ones. As time passes, a more balanced view should be reached through a more objective and detached study of their relationship.

Soviet and Chinese economic interests overlapped in some areas and diverged in others. Given the fact that China was "poor and blank", the benefits coming from its economic cooperation with the USSR were more than obvious. The Soviet Union made a decisive contribution to China's industrialization during the First Five Year Plan Period--an eminently Soviet phase of China's economic development, regarded by many as the "modernizing" phase as opposed to the irrationalities of subsequent phases. And it is believed that "much that China was able to accomplish later, when priorities and strategy had changed, rested on the heavy industrial achievements of the 'Stalinist period'."¹ Soviet financial aid, though modest in figure, was provided in a timely way to China when alternative sources of aid were politically out of the question. Together with the provision of scientific and technological knowledge through cooperation in education and other direct technical assistance, the value of Soviet aid, though difficult to be quantified with precision, must be regarded as fairly considerable. To the Soviet Union, the benefits resulting from trade with China were less impressive due to the fact that the USSR was a far more developed country, and its endowments were capable of producing almost all the essential

commodities. However, considering the fact that imported Chinese consumer goods were largely consumed in the Soviet Far East, that in every year between 1956 and 1965 there was a net flow of resources from China to the Soviet Union in the form of repayments on outstanding debts, the benefits should not be underestimated.

The cost of Sino-Soviet economic cooperation remains obscure. For the Soviet Union, the sheer size of its economy must have rendered the cost insignificant in comparison to China's. However, the question of "Soviet exploitation" will remain debatable until more direct evidence is revealed and more research carried out. Perhaps, the chief cost to China was the dependence the Sino-Soviet economic cooperation created. But it is not unreasonable to assume that, as a whole, the cost to China could have been easily offset by the benefits from such cooperation.

The fact that Sino-Soviet trade was to mutual advantage is evident from the rapid increase of their trade in recent years. According to the Sino-Soviet trade agreement signed in 1985, the total value of trade from 1986 to 1990 would reach \$1.32 billion.² And it was reported by the New York Times (December 4, 1988) that, at the end of 1988, with a four-fold increase of the 1987 trade level, the Soviet Union became China's fifth largest trading partner. The trade level of these two countries was to increase by 17% in 1989 to reach 4.3 billion in Swiss francs.³

It is likely that Sino-Soviet economic relations will eventually be based on equality and mutual respect. With the establishment of this new type of relations, "the 1950's style of Chinese-Soviet relationship, built on 'comradeship' and 'alliance'," as Deng Xiaoping puts it, " is a thing of the past."⁴

Notes

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1. Riskin, China's Political Economy, p.60.
 2. Song Tao, Xiandai Zhongguo, p.68.
 3. Tao Kung Pao (Da Gong Bao), American Edition, March 31, 1989.
 4. As quoted in the New York Times, December 4, 1988.

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