

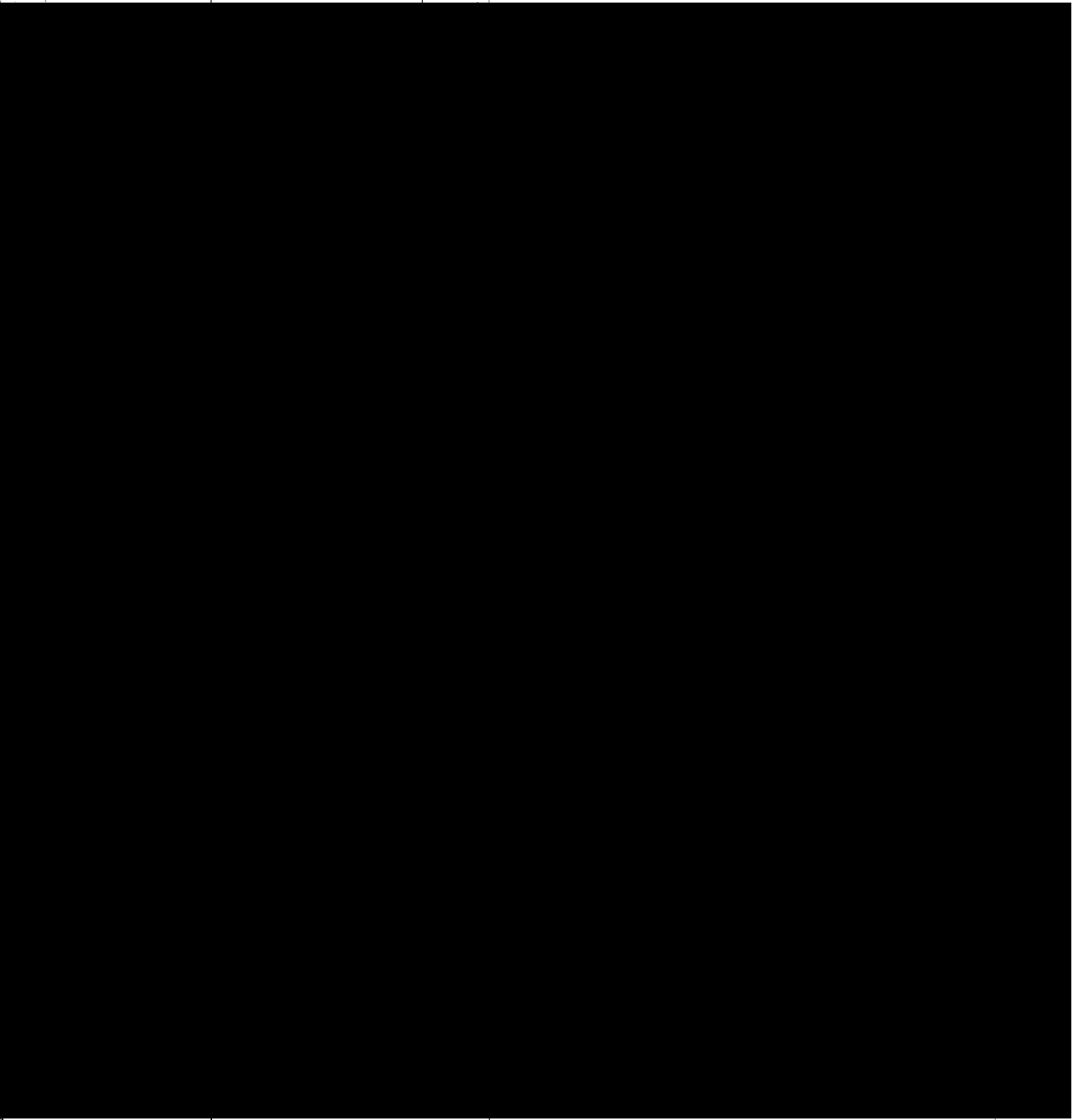
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Research Aid

*People's Republic of China:
Foreign Trade in Machinery
and Equipment Since 1952*

A (ER) 75-60
January 1975

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RESEARCH AID

*People's Republic of China:
Foreign Trade in Machinery
and Equipment Since 1952*

January 1975

People's Republic of China: Foreign Trade in Machinery and Transportation Equipment Since 1952

General Trends

1. Imports of machinery and transportation equipment¹ have played a vital role in expanding and modernizing China's industrial base. The pattern of machinery imports (see Figure 1) has followed the overall trends in the Chinese economy. Imports of machinery and equipment grew rapidly during the 1950s with the implementation of the First Five-Year Plan (1953-57) and the launching of the Great Leap Forward (1958-60). Total imports of machinery and equipment reached a peak of \$933 million in 1959 (see Table 1) and then plummeted during the early 1960s to a low of \$100 million in 1963.

Table 1

China: Trade in Machinery and Transportation Equipment¹

Year	Million US \$					
	Imports ²			Exports ²		
	Total	Communist	Non-Communist	Total	Communist	Non-Communist
1952	193	181	12	2	2	Negl.
1953	276	255	21	2	2	Negl.
1954	381	368	13	47	47	Negl.
1955	411	396	15	58	57	1
1956	545	503	42	52	50	2
1957	566	500	66	33	30	3
1958	715	645	70	40	33	7
1959	933	873	60	59	50	9
1960	840	790	50	39	33	6
1961	272	246	26	71	67	4
1962	102	86	16	70	65	5
1963	100	76	24	70	59	11
1964	162	101	61	62	52	10
1965	302	147	155	62	45	17
1966	433	205	238	71	49	22
1967	335	133	202	92	72	20
1968	235	129	106	97	74	23
1969	214	115	99	88	63	25
1970	398	149	249	91	48	43
1971	481	222	259	119	55	64
1972	524	278	246	124	63	61
1973	797	296	501	172	97	75 ³

¹ Data are in current US dollars.

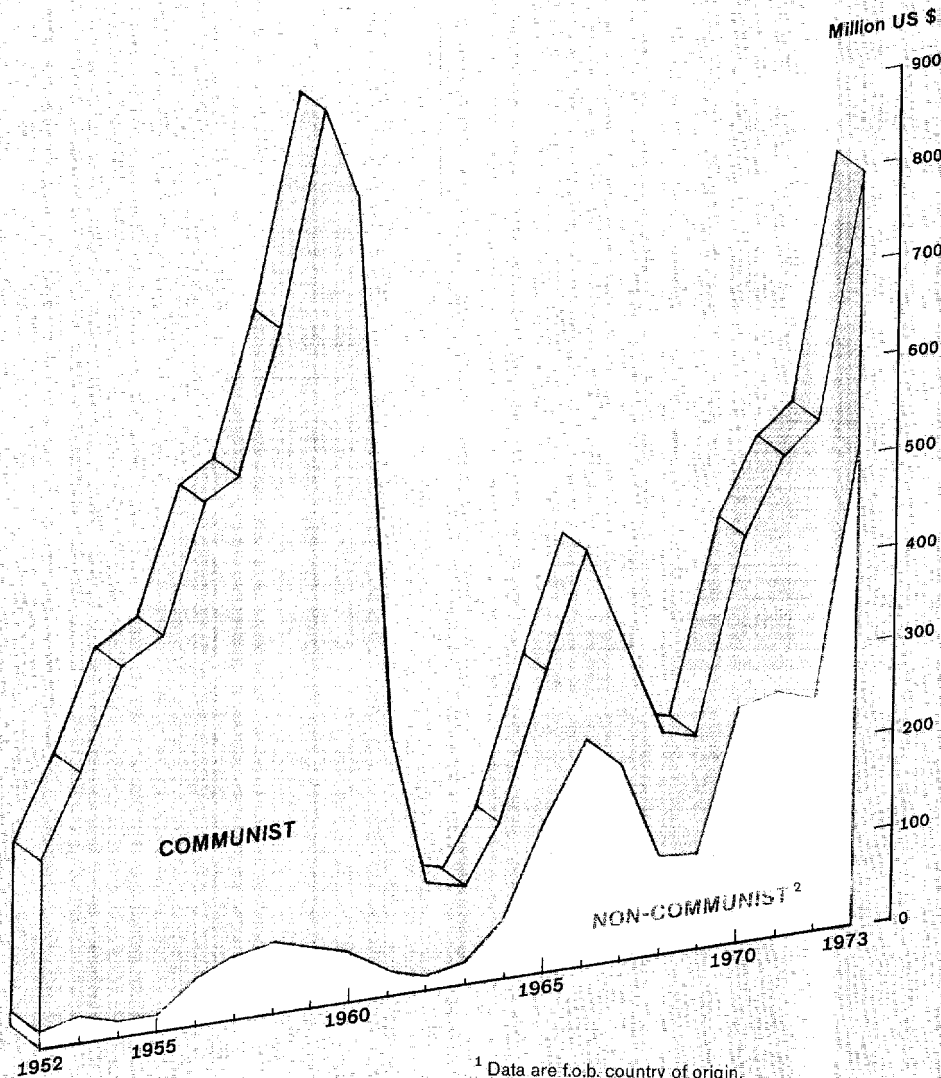
² Data are f.o.b. country of origin.

³ Estimate.

¹ The terms **machinery and transportation equipment**, **machinery and equipment**, and **machinery** are used interchangeably throughout this handbook to refer to those commodities included in Section 7 (Machinery and Transport Equipment) of the Standard International Trade Classification (SITC). Section 7 of the SITC differs slightly from the Soviet classification Machinery, Equipment, and Transportation Facilities; hence the data on non-Communist trade are not precisely comparable with the data on trade with the USSR and other Communist countries. For sources and methods for estimating China's trade in machinery and transportation equipment with Communist countries and non-Communist countries, see Appendixes A and B, respectively.

CHINA: Imports¹ of Machinery and Transportation Equipment

Figure 1



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¹ Data are f.o.b. country of origin.

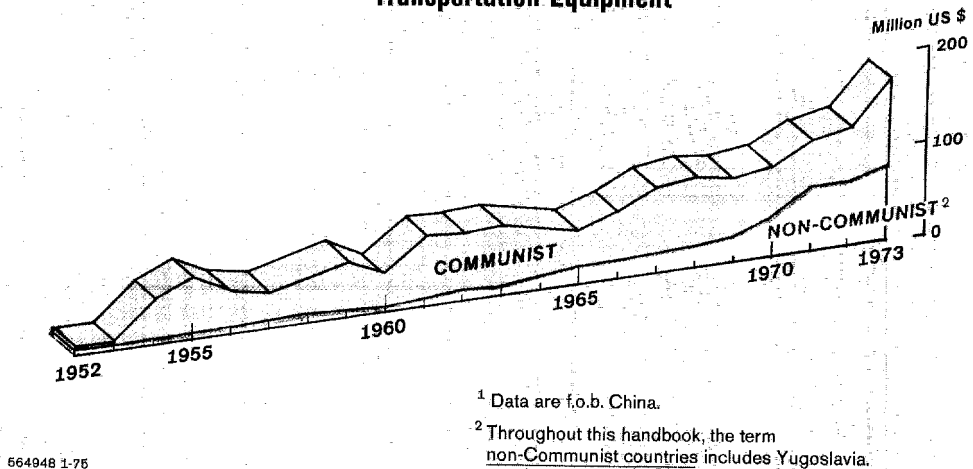
² Throughout this handbook, the term non-Communist countries includes Yugoslavia.

With economic recovery, imports of machinery and equipment rose sharply until 1967. The recovery was cut short by the disruptions of the Cultural Revolution, and machinery imports again fell in 1967-69. Chinese economic growth in the 1970s has been accompanied by a new surge in machinery imports. Total imports in 1973 were \$797 million—still below the peak level of 1959.

2. Exports of machinery and equipment (see Figure 2) have been less influenced by the trends in the domestic economy. They have constituted only 2% to 5% of China's total exports. Much of China's machinery has been exported under aid agreements. Except for the first half of the 1960s, China's machinery exports have grown steadily

CHINA: Exports¹ of Machinery and Transportation Equipment

Figure 2



as a result of increased PRC aid and expansion of trade relations with the less developed non-Communist countries

Trade with Communist Countries

3. During the 1950s, more than three-fourths of China's trade was conducted with other Communist countries, with imports of machinery and equipment rising steadily from \$181 million in 1952 to \$873 million in 1959. During 1952-59 the USSR and Eastern Europe accounted for 93% of China's total machinery imports. The machinery component of China's imports from the Communist countries jumped quickly from about one-fifth of the total in 1952 to more than three-fifths by the end of the period (see Table 2).

4. The withdrawal of Soviet technicians in mid-1960 was a serious shock to the Chinese economy, already overstrained by the Great Leap Forward. Imports of machinery from the Communist countries dropped sharply after 1960 and hit a low of \$76 million in 1963. Machinery purchases rebounded with the economic recovery in the mid-1960s. After a decline during the Cultural Revolution machinery imports from the Communist countries have been growing since 1969, but they are still well below the peak levels of the late 1950s.

5. Despite the shift in PRC trade away from the Communist countries, the USSR and Eastern Europe continue to be important sources of machinery and equipment. For 1961-73 one-half of China's machinery imports were from the Communist world. From 1952 to 1960 the USSR was the principal supplier, accounting for 60% of Communist machinery exports to the PRC. For most years since 1960, Eastern Europe has surpassed the USSR as a source of machinery and equipment, supplying more than 70% of these imports from the Communist world in 1965-73. East Germany has been China's leading source of machinery in Eastern Europe, with machinery constituting perhaps 90% of China's total imports from that country. Closer ties with Romania since 1970 have boosted China's machinery imports from that country.

6. The composition of China's machinery imports from the Communist countries has shifted somewhat over the years. For the USSR (see Table A-3) the most significant change has been in complete plant imports. Equipment for whole plants dominated Chinese machinery imports from the USSR from 1952 to 1960, then fell sharply, and

Table 2

China: Share of Machinery and Transportation Equipment in
Trade with the Communist Countries

Year	Percent					
	Imports			Exports		
	Total Communist	USSR	Eastern Europe	Total Communist	USSR	Other ¹ Communist
1952	22	28	15	Negl.	Negl.	0
1953	29	24	50	Negl.	Negl.	0
1954	20	26	70	6	2	44
1955	30	31	70	6	2	45
1956	56	42	75	5	1	41
1957	57	50	80	3	1	27
1958	59	50	80	2	Negl.	26
1959	64	63	85	3	1	23
1960	61	62	85	2	Negl.	18
1961	34	29	85	7	Negl.	25
1962	18	12	90	6	2	19
1963	18	22	70	7	2	16
1964	26	43	70	7	2	14
1965	28	40	65	7	Negl.	14
1966	40	49	85	8	Negl.	16
1967	39	50	80	15	Negl.	22
1968	38	25	80	15	Negl.	23
1969	39	79	75	13	Negl.	20
1970	39	64	70	10	Negl.	16
1971	44	70	70	9	Negl.	17
1972	52	76	70	8	Negl.	17
1973	42	74	65	10	Negl.	17

¹ Including Eastern Europe for 1963 and 1964.

has disappeared in recent years. Imports of oil drilling equipment from the USSR have also been phased out since 1960. Soviet transport equipment has remained important. China continues to purchase Soviet trucks and has imported many Soviet aircraft since 1970.

7. Commodity detail on China's machinery imports from Eastern Europe is much less complete. Available information for various years (see Table A-4, A-5, and A-6) and from trade agreements show that China imports a wide range of machinery from Eastern Europe. Whole plants were an important category during the 1950s. Other major items imported from Eastern Europe include transport equipment, mainly trucks and ships; machine tools; electric generating equipment; and construction equipment.

8. Until recently the bulk of China's machinery exports have gone to the Communist countries (see Tables 1 and A-1). They have never accounted for more than 15% of China's total exports to Communist countries (see Table 2) and most have been provided under aid programs (see Table A-1). Chinese assistance to North Korea and North Vietnam began late in the 1950s. Aid to Albania began in the early 1960s, after that country allied itself with China in the Sino-Soviet dispute. China exported machinery to Cuba during 1962 to 1965, a period when Peking competed with Moscow as an aid donor. A good part of the Chinese exports of machinery and equipment has probably been equipment for complete plants. Other machinery exports have included trucks, other transportation equipment, textile machinery, simple machine tools, and agricultural machinery.

9. The low levels of imports from 1952 to 1955 reflect the embargo on trade with the PRC and China's close economic ties with the Communist countries (see Table 1). Imports in the latter half of the 1950s picked up as Western restrictions on trade with China were relaxed. Until the early 1960s machinery imports from the West remained a small fraction of the total and consisted primarily of items that China could not obtain from the Communist countries.

10. With its economy on the upswing China turned to the West in 1964 as a source of modern machinery and technology. Purchases of whole plants boosted China's machinery imports from the West during this period. Following a decline due to the Cultural Revolution, imports of machinery from the West exceeded those from the Communist countries in every year but one after 1969.

11. Virtually all of China's imports of machinery and transportation equipment from the West have come from the developed countries. Japan has been the largest supplier since 1963 (see Table B-2). France and West Germany are the major suppliers among the West European countries, with the United Kingdom, Italy, Switzerland and Sweden also being important sources. Of the less developed countries, Morocco has sold many trucks to China in some years and Pakistan made a large one-time sale of used aircraft in 1970.

12. China imports a wide range of machinery and transportation equipment from the West (see Table B-1). The principal categories since 1963 have been metalworking machinery, pumps, bearings, and transport equipment. Imports of transport equipment shot up rapidly after 1969 as part of China's program to upgrade its transport sector.

13. China's exports of machinery and equipment to the non-Communist countries were fairly small until 1963. Since then machinery exports have been on an upward trend reflecting China's growing relations with the less developed countries (see Table 1). Most of China's machinery exports to non-Communist countries go to the Third World under aid programs. Major types of machinery exported by China (see Table B-3) have included machine tools, textile machinery, bicycles, and some whole plants. Deliveries for the Tanzam Railroad, China's largest single aid project, have increased exports of railroad equipment, trucks, and construction machinery since 1970.

Trade in Constant Prices

14. Calculating the value of China's imports of machinery and equipment in terms of 1957 US dollars (see Appendixes A and B) does not appreciably alter the overall monetary pattern of China's machinery trade. The largest changes occurred in imports from the non-Communist countries in the 1970s when inflation and devaluation of the US dollar had a strong effect on the dollar value of imports (see Table 3). The constant dollar series shows that the real value of machinery imports from the West actually declined in both 1971 and 1972 and that imports from the Communist countries in 1971-72 exceeded those from the non-Communist countries.

Table 3

China: Trade in Machinery and Transportation Equipment in
Constant 1957 US Dollars

Million US \$

Year	Imports			Exports ¹		
	Total	Communist ²	Non-Communist ³	Total	Communist	Non-Communist
1952	195	181	14	2	2	Negl.
1953	280	255	25	2	2	Negl.
1954	383	368	15	47	47	Negl.
1955	413	396	17	58	57	1
1956	547	503	44	52	50	2
1957	566	500	66	33	30	3
1958	713	645	68	40	33	7
1959	931	873	58	59	50	9
1960	836	790	46	39	33	6
1961	270	246	24	71	67	4
1962	101	86	15	70	65	5
1963	98	76	22	70	59	11
1964	159	101	58	62	52	10
1965	293	147	146	62	45	17
1966	415	205	210	71	49	22
1967	306	133	173	92	72	20
1968	219	129	90	97	74	23
1969	199	115	84	88	63	25
1970	356	149	207	91	48	43
1971	418	222	196	119	55	64
1972	431	254	177	124	63	61
1973	574	233	341	172	97	75 ⁴

¹ The series for Chinese exports are the same as the current US dollar series. For methodologies, see Appendixes A and B.

² The series for imports from the Communist countries is the same as the current value series except for 1972-73, see Appendix A.

³ Imports from the non-Communist countries have been deflated into 1957 US dollars by the method described in Appendix B.

⁴ Estimate.

Appendix A

Sources and Methods for Estimating China's Trade in Machinery and Transportation Equipment with the Communist Countries

USSR

Data on Chinese imports and exports of machinery and equipment are from the official Soviet trade handbooks and are converted into US dollars at the official commercial rate for each year. Totals for imports and exports are the values given for the Soviet trade classification category Machinery, Equipment, and Transport Facilities. Commodity detail is presented according to the Soviet trade nomenclature system. Because the commodity detail in the Soviet handbooks is not sufficiently disaggregated, it is not possible to convert these data to the Standard International Trade Classification (SITC). The Soviet trade classification includes some items such as instruments and abrasives in the machinery and equipment category which are excluded in the SITC. Although the level of commodity detail does not permit subtracting these items from USSR imports, their values have probably been small and do not affect the comparability of Soviet and SITC data significantly.

Eastern Europe

Data on China's machinery and equipment trade with Eastern Europe is much less detailed than with the USSR. Detailed commodity information on machinery exports to China are available for three countries and only for some years—Czechoslovakia, 1967–73; Hungary, 1952–59; and Poland, 1953 and 1958–68. For the other East European countries and for other years, the official trade handbooks provide totals for Chinese imports and exports and limited information on selected items of machinery often given in volume but not value terms. As with the USSR, values from the East European handbooks are converted into US dollars at the official commercial exchange rate for each year. For 1952–53, the value of China's imports of machinery from Eastern Europe is based on the statement in an official Chinese source² that in 1953 machinery accounted for about 51% of Chinese imports from Eastern Europe and that this was nearly four times the level of 1952. For 1954 on, China's imports of machinery and equipment from Eastern Europe have been estimated as a percentage of total exports from Eastern Europe to China. For Czechoslovakia, Hungary, and Poland, the data noted above were used to estimate the share of machinery in exports to China by these countries. For the other three countries, information from trade agreements and other sources indicates that machinery also makes up a large percentage of their exports to China. For example, a 1958 Soviet article on Sino-East European trade estimated that 90% of East German exports to China in the 1950s were machinery and equipment.³ The estimates of the share of machinery in China's total imports from Eastern Europe are shown in Table A-2.

Other Communist Countries

Data on China's exports of machinery and equipment to Albania, Cuba, and the Far Eastern Communist countries are lacking and even information on total Chinese exports and imports with these countries is incomplete. Estimates for China's ma-

² Hsin-hua pan yueh-kan (New China Semimonthly) No. 9, 1953, p. 167.

³ From "Economic Cooperation of the People's Republic of China With the European People's Democracies," *Vneshnaya Torgovlya*, Vol. XXVIII, No. 10, Moscow, October 1958, pp. 2-9.

achinery exports to the other Communist countries are only rough approximations. Estimates of China's machinery exports to the Far Eastern Communist countries and Cuba are based on the assumption that one-half of Chinese aid to these countries each year has consisted of deliveries of machinery and equipment. During the 1950s only the Far Eastern Communist countries were receiving Chinese aid. Chinese machinery exports in 1952-53 were probably negligible because economic reconstruction was just getting under way in China. For 1954-73, China's trade surplus with these countries is assumed to represent deliveries under aid agreements. In 1960, China extended a \$60 million credit to Cuba for the construction of complete plants and other technical aid. This credit was drawn between 1961 and 1965. Since then Chinese exports of machinery to Cuba have probably been negligible. China's economic relations with Albania only became significant after 1960. China exports a wide range of goods to Albania including foodstuffs, metals, industrial raw materials, and machinery. Machinery and transportation equipment are estimated to constitute 20% of China's total exports to Albania since 1962.

Trade in Constant Prices

As a first approximation and until further research can be done, it has been assumed that prices of machinery and equipment in trade between China and other Communist countries have been constant. The only adjustment has been for the devaluation of the US dollar since 1971; this adjustment in China's imports from Communist countries is noted in the following tabulation:

	Million US \$		
	Total	USSR	Eastern Europe
1972			
Current value	278	92	186
Constant value	254	84	170
1973			
Current value	296	101	195
Constant value	233	83	150

Table A-1

China: Trade in Machinery and Transportation Equipment with the Communist Countries

Million US \$

Year	Imports ¹			Exports ¹			
	USSR	Eastern Europe ²	Total	USSR	Eastern Europe ²	Other Communist ³	Total
1952	157	24	181	2	....	....	2
1953	161	94	255	2	....	....	2
1954	199	169	368	10	....	37	47
1955	230	166	396	10	....	47	57
1956	305	198	503	9	....	41	50
1957	272	228	500	6	....	24	30
1958	318	327	645	4	....	29	33
1959	597	276	873	12	....	38	50
1960	504	286	790	1	....	32	33
1961	108	138	246	Negl.	....	67	67
1962	27	59	86	9	....	56	65
1963	42	34	76	7	4	48	59
1964	58	43	101	6	3	43	52
1965	77	70	147	....	....	45	45
1966	86	119	205	Negl.	....	49	49
1967	25	108	133	....	....	72	72
1968	15	114	129	....	....	74	74
1969	22	93	115	....	....	63	63
1970	16	133	149	....	....	48	48
1971	55	167	222	....	....	55	55
1972	92	186	278	....	....	63	63
1973	101	195	296	....	....	97	97

¹ Data are f.o.b. country of origin.

² Includes Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

³ Includes Albania, Cuba, North Vietnam, North Korea, and Mongolia.

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Table A-2

China: Imports of Machinery and Transportation Equipment from Eastern Europe, as a Share of Total Imports¹

Value in Million US \$

		Eastern Europe ²	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland	Romania
1952	Total imports	155	1	55	55	21	24	Negl.
	Imports of machinery and transportation equipment	24	Negl.	8	8	6	2	Negl.
	Percent	15	Negl.	15	15	29	10	Negl.
1953	Total imports	189	5	61	60	30	31	2
	Imports of machinery and transportation equipment	94	1	30	42	18	6	1
	Percent	50	20	50	70	60	19	50
1954	Total imports	241	4	64	100	31	37	5
	Imports of machinery and transportation equipment	169	1	38	90	22	16	3
	Percent	70	25	60	90	71	43	50
1955	Total imports	237	5	58	97	36	35	6
	Imports of machinery and transportation equipment	166	Negl.	35	87	26	14	3
	Percent	70	10	60	90	72	40	50
1956	Total imports	264	5	65	95	31	50	18
	Imports of machinery and transportation equipment	198	1	52	86	19	27	15
	Percent	75	20	80	90	61	54	85
1957	Total imports	285	4	81	106	29	45	20
	Imports of machinery and transportation equipment	228	Negl.	73	95	20	27	19
	Percent	80	10	90	90	69	60	95
1958	Total imports	409	11	109	133	58	72	26
	Imports of machinery and transportation equipment	327	4	104	126	21	47	25
	Percent	80	36	95	95	36	65	95
1959	Total imports	325	6	100	107	40	43	29
	Imports of machinery and transportation equipment	276	3	95	102	14	26	27
	Percent	85	50	95	95	35	60	95
1960	Total imports	337	8	109	97	40	50	33
	Imports of machinery and transportation equipment	286	4	104	92	16	35	31
	Percent	85	50	95	95	40	70	95
1961	Total imports	162	8	34	55	29	27	9
	Imports of machinery and transportation equipment	138	4	32	52	17	25	8
	Percent	85	50	95	95	60	93	90
1962	Total imports	66	3	12	22	12	15	2
	Imports of machinery and transportation equipment	59	2	11	20	6	15	1
	Percent	90	50	90	90	50	100	50
1963	Total imports	48	1	9	10	3	11	14
	Imports of machinery and transportation equipment	34	Negl.	8	9	2	8	7
	Percent	70	Negl.	90	90	50	73	50

Footnotes at end of table.

China: Imports of Machinery and Transportation Equipment from Eastern Europe, as a Share of Total Imports¹

Value in Million US \$

		Eastern Europe ²	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland	Romania
1964	Total imports	62	2	9	16	4	15	16
	Imports of machinery and transportation equipment	43	1	8	14	2	7	11
	Percent	70	50	90	90	60	47	70
1965	Total imports	107	1	19	26	15	19	27
	Imports of machinery and transportation equipment	70	1	17	23	9	10	10
	Percent	65	50	90	90	60	53	37
1966	Total imports	140	2	22	36	16	30	34
	Imports of machinery and transportation equipment	119	1	20	32	11	22	27
	Percent	85	50	90	90	70	73	80
1967	Total imports	135	2	19	34	12	29	39
	Imports of machinery and transportation equipment	108	1	14	31	9	24	31
	Percent	80	50	74	90	75	83	80
1968	Total imports	143	2	24	37	14	25	41
	Imports of machinery and transportation equipment	114	1	19	33	9	19	31
	Percent	80	50	79	90	65	76	75
1969	Total imports	124	2	26	30	10	18	38
	Imports of machinery and transportation equipment	93	1	19	27	6	10	30
	Percent	75	50	73	90	60	56	80
1970	Total imports	190	1	31	42	18	26	72
	Imports of machinery and transportation equipment	133	1	26	38	11	21	30
	Percent	70	50	84	90	60	81	42
1971	Total imports	239	8	34	44	17	37	99
	Imports of machinery and transportation equipment	167	5	28	40	10	33	55
	Percent	70	60	82	90	60	89	56
1972	Total imports	265	5	29	48	33	28	122
	Imports of machinery and transportation equipment	186	3	23	43	20	23	65
	Percent	70	60	79	90	60	82	53
1973	Total imports	300	8	40	50	40	33	129
	Imports of machinery and transportation equipment	195	5	29	45	24	24	71
	Percent	65	60	72	90	60	73	55

¹ Data for total Chinese imports are from the official trade handbooks of the individual countries for most years. Percent data in boldface type has been calculated from data on China's machinery and transportation equipment imports for that year as reported by the trading partner. All other percents are estimates which were used to derive the value of machinery and transportation equipment imports.

² Because total Eastern Europe percentages have been rounded to the nearest 5 percent, machinery and transportation equipment imports for the individual countries may not add to the totals shown.

Table A-3

China: Imports of Machinery and Transportation Equipment from the USSR:

USSR Nomenclature	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Machinery, equipment, and transportation facilities	156,535	161,191	198,650	229,549	304,715	271,550	317,929	597,460	503,583	108,079	27,324	42,184	57,710	76,988	86,209	24,614	14,898	21,590	16,380	54,638	91,754	101,139
(1) Metal processing equipment (10)	...	...	...	3,010	4,923	3,454	7,025	6,606	4,488	1,631	68	258	459	5,356	7,720	771	247	1,140	1,386	3,839	5,254	1,872
Of which:	...	...	...	2,098	4,327	2,873	7,025	6,606	3,338	967	68	238	424	5,322	7,720	771	247	1,140	1,386	3,839	5,254	1,872
Power and electrical engineering equipment (11)	6,651	9,602	14,398	13,552	10,346	7,852	12,381	24,424	21,448	8,629	1,353	772	689	2,100	2,771	820	378	627	1,997	1,654	12,763	17,272
Of which:	...	...	...	1,633	2,125	3,941	9,654	18,641	5,645	2,077	523	487	333	1,508	1,109	449	177	1	657	...	9,273	16,975
Power engineering equipment (110)	5,018	7,451	6,758	5,443	3,907	3,912	2,727	5,783	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Electrical engineering equipment (111)	...	...	...	16,258	20,107	14,762	11,619	8,843	7,625	1,861	73	702	840	960	2,463	530	330	171	166	99	...	...
Mining, metallurgical, and petroleum equipment (12)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Of which:	...	...	...	13,159	19,306	12,790	10,590	7,601	6,221	689	2	113	754	863	1,697	530	330	171	166	99	...	...
Equipment for geological survey, engineering, and petroleum and gas extraction (128)	...	...	...	1,891	1,506	2,222	3,463	1,847	4,958	1,457	176	63	79	21	956	542	...	3,000	970	386	535	3
Material handling equipment (13)	...	...	...	307	127	253	207	571	147	251	...	6	22	3	4	...	...	...	...	...	...	...
Food and light industry equipment (14)	...	...	...	8,309	8,646	8,157	6,534	9,866	11,528	2,356	377	430	586	8,854	8,159	399	251	898	82	34	928	125
Equipment for chemical, paper, and construction industries (15)	...	...	...	141,456	216,925	209,004	166,144	399,721	375,806	78,901	8,844	14,368	12,428	3,303	256	1,667	308	...	...	...	...	...
Equipment for complete industrial installations (16)	40,854	49,271	93,067	141,456	216,925	209,004	166,144	399,721	375,806	78,901	8,844	14,368	12,428	3,303	256	1,667	308	...	...	...	...	...
Instrument, laboratory and medical equipment, bearings, and abrasives (17)	3,868	5,795	6,723	7,948	8,055	10,928	12,568	14,191	12,909	3,837	2,077	3,132	5,183	9,090	6,452	1,529	1,861	651	353	2,456	2,459	1,074
Of which:	1,014	2,611	3,757	2,373	1,322	1,433	1,738	5,069	3,591	1,963	728	690	1,158	210	397	347	250	208	47	1,926	2,104	824
Bearings (173)	...	...	...	10,461	9,235	2,455	19,324	8,505	9,102	1,811	1,560	7,542	7,108	12,845	14,651	2,481	2,907	3,678	2,220	3,578	3,012	3,094
Tractors and agricultural machinery and equipment (18)	...	...	...	8,725	7,042	1,802	12,468	4,333	5,682	1,061	1,087	6,787	6,875	10,344	14,275	2,072	2,786	3,193	1,960	3,216	2,491	2,630
Of which:	...	...	...	1,514	2,022	532	7,086	3,961	3,048	330	14	290	172	2,462	356	409	121	484	260	362	820	459
Tractors and spare parts (180)	...	...	...	23,353	20,572	7,142	68,684	113,278	53,526	7,334	12,289	14,173	29,539	32,716	41,483	14,549	7,849	10,725	8,588	41,378	64,498	73,092
Agricultural machinery (181)	...	...	...	411	1,583	316	5,032	74,617	5,432	332	...	47	46	...	...	...	...	...	...	...	...	...
Tractors and equipment (190)	...	...	...	22,628	16,324	5,200	61,589	33,995	44,906	6,558	10,099	11,625	9,861	18,923	27,076	3,818	5,794	5,533	3,780	7,625	10,995	16,874
Motor vehicles (191)	...	...	...	314	2,932	1,625	2,065	4,718	3,188	424	226	194	28	...	...	...	...	...	...	...	...	...
Vessels and port equipment (192)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Air transportation facilities (193)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other machinery and transportation equipment ³	105,862	96,523	84,462	2,944	3,973	5,201	8,890	9,608	4,033	481	497	538	457	1,110	1,314	1,026	737	690	608	1,214	2,395	4,607

¹ Data are from the official Soviet trade handbooks, *Vnesnyaya torgovlya, SSR* and are presented according to the Soviet trade nomenclature with category numbers in parentheses. Ruble values have been converted to US dollars at the official exchange rate for each year. Data are F.O.B. the Soviet border.

² Some items in this category are not included in machinery and equipment in the Standard International Trade Classification (SITC). However, their value is probably not large.

³ The total of machinery and transportation equipment as given in the handbook less the individual commodities reported.

Table A-4

China: Imports of Machinery and Transportation Equipment from Czechoslovakia¹

	Thousand US \$						
SITC Nomenclature	1967	1968	1969	1970	1971	1972	1973
Machinery and transport equipment (7)	13,761	18,789	18,787	26,320	27,782	22,748	28,990
Non-electric machinery (71)	3,631	6,761	7,513	8,796	15,120	9,961	9,399
Of which:							
Metalworking machinery (715)	3,631	5,856	4,669	6,212	11,898	5,697	6,571
Electric machinery (72)	1,356	2,671	2,099	6,665	4,531	4,272	8,950
Of which:							
Electric power machinery and switch-gear (722)	1,356	2,671	2,099	6,665	4,531	4,272	8,950
Transport equipment (73)	6,169	7,835	9,099	10,308	8,083	8,400	10,565
Of which:							
Road motor vehicles (732)	6,169	7,835	9,099	10,308	8,083	8,400	10,565
Other machinery and transport equipment²	2,605	1,522	76	551	48	115	76

¹ Data are from **Facts on Czechoslovak Foreign Trade**, various years, published by the Chamber of Commerce of Czechoslovakia. The source lists commodities according to SITC. SITC codes are in parentheses. Values are converted from Czechoslovak crowns to US dollars at the official commercial exchange rate for each year. Data are f.o.b. the Czechoslovak border.

² The total of machinery and transportation equipment as given in the source less the individual commodities reported.

Table A-5
China: Imports of Machinery and Transportation Equipment from Poland¹

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
USSR Nomenclature											
Machinery, equipment, and transportation facilities (17)	47,223	25,558	34,880	24,986	14,686	8,064	6,946	10,140	21,722	23,743	19,405
Metal processing machinery (10)	2,905	2,926	1,601	774	...	70	61	353	2,728	587	2,126
Of which:											
Metal cutting machine tools (100)	2,648	2,737	1,506	756	...	70	61	353	2,728	552	1,987
Power and electrical engineering equipment (11)	4,900	2,383	1,763	4,472	1,021	16	...	1,132	1,441	4,305	1,882
Of which:											
Power engineering equipment (110)	4,697	2,106	1,707	4,469	965	...	...	1,132	1,441	4,305	1,882
Mining, metallurgical, and petroleum equipment (12)	6,086	6,360	67	23	58	...	...	...	...	...	...
Material handling equipment (13)	82	71	348	25	118	...	...	...	...	...	...
Food and light industry equipment (14)	4	...	...	...	50	...	...	...	...	...	...
Equipment for chemical, paper, and construction industries (15)	2,014	1,146	1,988	569	261	...	...	178	4,814	5,609	3,960
Equipment for complete industrial installations (16)	5,090	7,404	19,670	15,667	8,522	2,762	190	389	309	3,993	9,774
Instruments, laboratory and medical equipment, bearings, and abrasives (17) ³	1,900	550	407	270	186	70	...	85	134	...	...
Of which:											
Electrical measuring instruments (170)	1,313	208	168	38	148	70	...	70	10	...	...
Tractors and agricultural machinery and equipment (18)	9,213	1,197	1,814	1,534	30	242	1,199	489	325	313	245
Of which:											
Tractors and spare parts (180)	3,685	1,193	1,814	1,434	30	242	930	489	56	...	245
Agricultural machinery (181)	5,528	...	...	100	...	...	269	...	269	...	...
Transportation facilities and auxiliary equipment (19)	15,029	3,521	7,222	1,652	4,440	4,904	5,496	7,514	11,971	8,936	1,418
Of which:											
Railroad rolling stock and equipment (190)	1,059	2,852	5,163	1,080	18	...	...	...	...	...	...
Motor vehicles (191)	5,616	512	1,924	208	60	619	1,318	3,266	3,930	877	434
Vessels and port equipment (192)	8,325	157	131	364	4,362	4,285	4,178	4,248	8,041	8,059	984

¹ Data are from official Polish trade handbooks, *Statystyka handlu zagranicznego* for 1958-63 and *Rocznicki statystyczny handlu zagranicznego* for 1964-68 and are presented according to the Soviet trade nomenclature with category numbers in parentheses. Values have been converted from Polish zlotys to US dollars at the official commercial exchange rate for each year. Data are f.o.b. the Polish border.

² Totals for machinery and equipment and for the two-digit categories are the sums of the individual commodities reported in the handbooks.

³ Some items in this category are not included in machinery and transport equipment in the Standard International Trade Classification. However, their value is probably not large.

Table A-6

China: Imports of Machinery and Transportation Equipment from Hungary¹

Thousand US \$

USSR	1952	1953	1954	1955	1956	1957	1958	1959
Machinery, equipment, and transportation facilities (1)²	6,378	18,407	22,164	25,973	18,652	19,992	21,342	14,299
Metal processing machinery (10)	2,204	3,128	802	255	901	2,090	2,993	713
Of which:								
Metal cutting machine tools (100)	2,204	3,128	802	255	901	2,090	2,993	713
Power and electrical engineering equipment (11)	....	....	....	1,235	579	2,375	6,428	3,874
Mining, metallurgical, and petroleum equipment (12)	551	637	3,096	2,880	590	....	....	....
Of which:								
Equipment for geological survey, engineering, and petroleum and gas extraction (128)	83	539	1,940	243	590	....	....	....
Material handling equipment (13)	595	503	26	573	....	....	....	....
Food and light industry equipment (14)	....	....	....	....	....	....	....	....
Equipment for chemical, paper, and construction industries (15)	185	764	1,571	3,301	3,662	2,828	2,422	3,692
Equipment for complete industrial installations (16)	....	....	....	....	....	....	....	....
Instruments, laboratory, and medical equipment, bearings, and abrasives (17)³	1,051	1,387	710	547	62	....	....	....
Tractors and agricultural machinery and equipment (18)	577	2,479	1,110	2,007	4,101	6,093	4,663	5,030
Transportation facilities and auxiliary equipment (19)	1,215	9,509	14,849	15,175	8,757	6,606	4,836	990
Of which:								
Railroad rolling stock and equipment (190)	....	....	....	1,460	....	....	....	....
Motor vehicles (191)	1,174	6,378	8,961	7,585	4,408	4,546	4,548	990
Vessels and port equipment (192)	....	....	....	1,423	714	765	....	....

¹ Data are from official Hungarian statistical handbooks, *Statisztikai evkonyv*, and are presented according to the Soviet trade nomenclature with category numbers in parentheses. Values have been converted from Hungarian forints to US dollars at the official commercial exchange rate for each year. Data are f.o.b. the Hungarian border.

² Totals for machinery and transportation equipment and for the two-digit categories are the sums of the individual commodities reported in the handbooks.

³ Some items in this category are not included in machinery and transport equipment in the Standard International Trade Classification. However, their value is probably not large.

Appendix B

Sources and Methods for Estimating China's Trade in Machinery and Transportation Equipment with the Non-Communist Countries

This Appendix contains data on China's trade in machinery and transportation equipment with the non-Communist countries and a methodology for deflating current values of this trade into constant 1957 dollar values. The data are compiled from publications of the US government, the United Nations, and the Organization for Economic Cooperation and Development, and from official statistics of China's trade partners.

Tables B-1 and B-2 present current value data on China's imports of machinery, by commodity and by country of origin, respectively. Table B-3 provides a commodity breakdown on the current values of China's machinery exports. Tables B-4 and B-5 present two methods of constructing price indexes of China's machinery imports. Table B-6 provides information on converting China's exports from c.i.f., country of destination to f.o.b., China. In Table B-7 current values of China's imports of machinery are deflated into constant 1957 dollar values.

A Paasche index of the prices China pays for machinery is used to deflate the current values of China's imports into constant 1957 dollar values. The formula for a Paasche price index normally is presented as a weighted average of price relatives or as a weighted aggregative:⁴

$$\frac{\sum \left(\frac{p_i^1}{p_i^0} \right) (p_i^0 q_i^1)}{\sum p_i^0 q_i^1} = \frac{\sum p_i^1 q_i^1}{\sum p_i^0 q_i^1}$$

where: lower case letters "p" and "q" refer to prices and quantities of the items in the sample, denoted by subscript "i," and superscripts "0" and "1" are the base (1957)- and current-years, respectively. The Paasche—rather than the Laspeyres—index of prices is used to deflate imports because dividing current values of imports by the Paasche index yields the value of current quantities imported at 1957 prices:

$$\frac{\sum p_i^1 q_i^1}{\left(\frac{\sum p_i^1 q_i^1}{\sum p_i^0 q_i^1} \right)} = \sum p_i^0 q_i^1$$

The weighted average of price relatives and the weighted aggregative are unsuitable in the above forms for construction of a Paasche price index for China. Since neither price nor quantity data—only current values—are available on China's trade in machinery and transportation equipment, it is convenient to use the following algebraically identical form of the Paasche index, which reduces to the weighted aggregative:

$$\frac{1}{\sum \left(\frac{p_i^0}{p_i^1} \right) \frac{p_i^1 q_i^1}{\sum p_i^1 q_i^1}} = \frac{1}{\sum \frac{p_i^0 q_i^1}{\sum p_i^1 q_i^1}} = \frac{\sum p_i^1 q_i^1}{\sum p_i^0 q_i^1}$$

⁴ For further details, see Bruce D. Mudgett, *Index Numbers* (New York: John Wiley & Sons, Inc., 1951) and Irving Fisher, *The Making of Index Numbers* (Boston: Houghton Mifflin Company, 1922).

In this form, the weight attached to each inverse price relative ($1/p_i$) is merely the share of each item in the total value of the sample ($p_i^1 q_i^1 / \sum p_i^1 q_i^1$). Current value data can be derived directly from trade data, but price relatives must be estimated.

Ideally, a price index for China's imports of machinery should be estimated from trading partner export price indexes and the value of China's imports on a country-by-commodity basis. If these data were available for each country from which China imports machinery, an index of the export prices of each category of machinery could be weighted by the value of China's imports in that category. Such an estimate would take account of exchange rate fluctuations and price changes for individual types of machinery in the various countries. Only one assumption would be required: that China is a price-taker. While China is not a monopsonist vis-a-vis the world, MACHIMPEX, the foreign trade corporation that handles all of China's trade in machinery, is a monopolist vis-a-vis internal consumers and probably derives some monopsonist powers from the ability to offer potentially large markets to individual firms.

Unfortunately, data are not available on a country-by-commodity basis. For that reason, two separate methods of estimating price relatives—each taking account of different factors that determine prices—are given in Tables B-4 and B-5. The first method (Index I) uses US wholesale prices for various types of machinery and transport equipment as estimates of price relatives, and it takes account of price variations between machinery commodities. The second method (Index II) uses machinery export unit value indexes of countries that are major suppliers of machinery to China (as estimates of price relatives) and takes account of variations in the rates of inflation and in the exchange rates between countries, but not of variations in prices between commodities.

For the indexes to reflect accurately the changes in the prices of machinery that China imports, the assumptions underlying each must be valid. Index I assumes that exporting nations compete perfectly in all lines of machinery production, and thus that US wholesale price indexes are representative of changes in world export prices for machinery. In addition, because of the high elasticity of substitution between competing types of machinery, price trends for similar types of machinery are correlated. Hence, even if China's imports of machinery are not of the same quality as those types of machinery produced in the United States, the price trends will be similar. Index II assumes that each exporting country is completely specialized in the production of different lines of machinery and that export price levels in different countries move independently of one another because of variations in economic cycles and in the exchange rates. Hence, China's import price index will rise or fall, depending on whether the share of imports from higher priced suppliers increases or decreases, respectively.

Neither set of assumptions is completely true, yet each has some measure of validity. Because the United States is the world's largest producer of machinery and, until recently, the largest exporter, US wholesale price indexes reflect trends in world prices. On the other hand, if exporting nations were perfectly competitive in all lines of machinery production, export price indexes would be the same for all countries (assuming other factors such as transportation costs were equal). The fact that unit value indexes for machinery exports differ substantially between countries (see Table B-5) suggests that countries specialize to some degree in producing different types of machinery.

China has allowed politics to "take command" in the choice of trade partners. For instance, as a result of the "Nagasaki flag incident" in May 1958, China cut off virtually all trade with Japan. In so doing, China eliminated for a time one of the lowest

cost suppliers of machinery. Index II is valid to the extent that China allows non-economic considerations to influence the direction of trade.

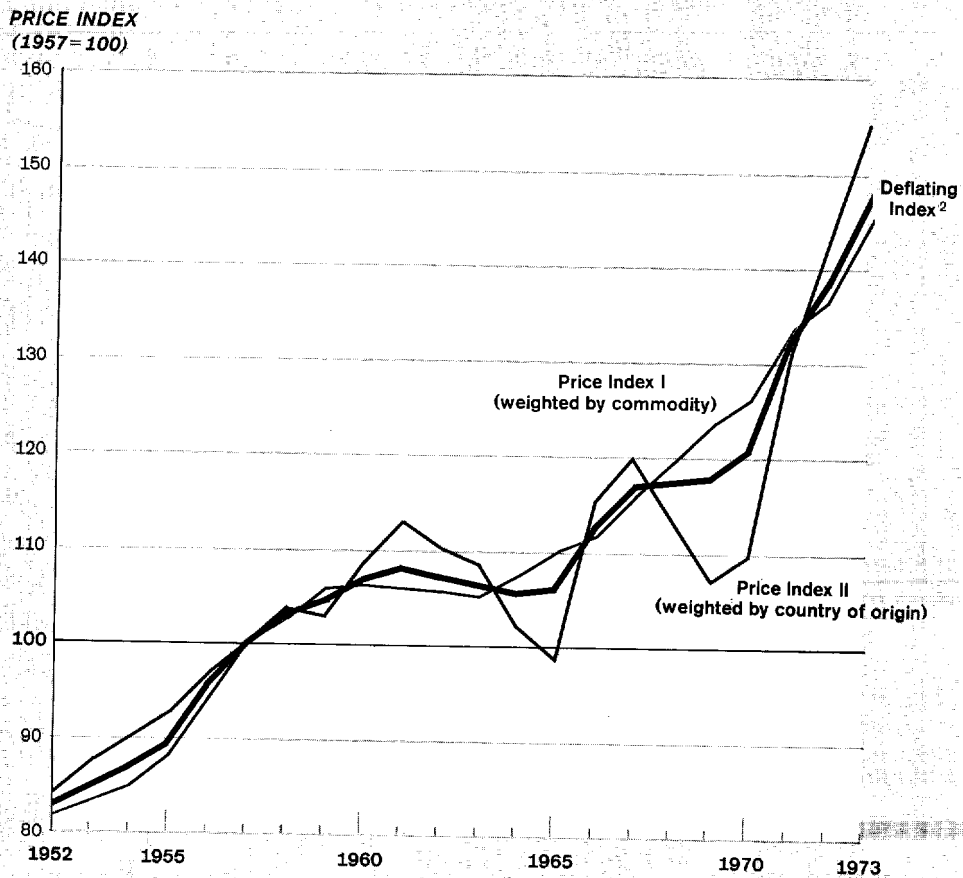
As indicators of price trends, unit value indexes generally are less reliable than true price indexes: much depends on the units used and the comparability of the commodities from which an average (unit) value is derived. Unit value indexes may be biased to the high side during periods of great technological change, since such changes may result in improved quality (and higher prices) not reflected in the units compared. This is a particular problem in the case of machinery unit value indexes, where a great variety of machines may be subsumed under a general classification, even at the most detailed level of specifications.

For these reasons the true index of China's import prices for machinery and transportation equipment probably lies somewhere between Indexes I and II. The final price index used to deflate China's imports is the result of arbitrarily assigning twice as much significance to the commodity weighted price index as to country weighted unit value index (see Figure B-1). This methodology, although somewhat subjective, is probably more reliable than obtaining sketchy price data on a small sample of machines which may or may not be comparable over time.

Unfortunately the methodology used to deflate China's imports of machinery would not be valid if extended to China's exports. US wholesale prices probably have little relationship to the prices at which China sells machinery. Machinery import unit value indexes for countries that import China's machinery reflect prices of imports from industrialized countries, not from China. In the absence of specific information on export prices for China's machinery, China's machinery export prices are assumed to have remained stable over much of the period.

Figure B-1

CHINA: Comparison of Paasche Price Indexes for Imports of Machinery and Transportation Equipment¹



¹ Data are from Table B-7.

² The Paasche price index used to deflate China's imports of machinery is a weighted average of Indexes I and II, giving twice the weight to Index I.

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Table B-4
 Index I: A Paasche Index of Prices for China's Imports of Machinery and Transportation Equipment:¹
 US Wholesale Price Indexes² for Machinery and Transportation Equipment Weighted by Current Values of China's Imports

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Machinery and transport equipment	81.9	83.1	84.8	87.7	94.5	100.0	102.6	105.4	105.8	105.5	105.2	104.4	107.1	109.8	111.9	115.6	119.4	123.3	125.7	132.7	136.3
Nonelectric machinery (SITC 71)	82.2	82.9	82.5	86.2	94.3	100.0	102.6	105.8	107.9	108.2	108.9	109.8	113.2	115.1	118.3	122.6	127.1	130.9	139.6	144.5	147.0
Agricultural (BLS 111)	91.1	91.6	91.5	92.2	95.6	100.0	104.1	107.4	109.4	111.4	113.7	115.4	117.2	119.4	123.0	127.1	132.0	137.9	143.6	148.9	155.4
Construction (BLS 112)	78.5	80.8	82.4	85.7	92.8	100.0	103.8	107.5	109.8	111.6	111.9	113.8	116.6	119.7	123.4	127.9	132.5	140.7	147.7	155.2	160.7
Metalworking (BLS 113)	79.4	80.6	81.9	86.2	94.3	100.0	102.5	104.9	108.0	109.0	110.8	111.2	113.3	116.5	121.8	126.9	132.0	136.8	144.7	148.9	152.5
General purpose (BLS 114)	77.7	79.4	81.3	84.9	93.6	100.0	101.5	104.9	105.8	105.0	105.5	106.0	108.6	107.3	112.1	116.0	119.8	124.0	131.9	138.2	142.0
Special industry (BLS 116)	79.0	80.8	82.0	85.9	93.6	100.0	103.2	106.2	108.9	109.6	111.2	113.5	115.3	117.8	122.0	127.4	131.0	140.1	147.5	154.0	157.6
Miscellaneous (BLS 119)	82.3	84.3	86.6	89.0	94.3	100.0	102.1	102.9	103.4	104.6	104.9	105.2	106.2	106.9	108.2	111.1	115.9	120.1	125.4	130.2	133.6
Electric machinery (SITC 72)	80.7	83.0	84.6	86.0	92.8	100.0	102.1	103.6	103.2	101.9	100.3	99.3	98.7	98.7	100.8	103.7	105.1	106.7	110.4	113.6	114.5
Electrical (BLS 117)	80.7	83.0	84.6	86.0	92.8	100.0	102.1	103.6	103.2	101.9	100.3	99.3	98.7	98.7	100.8	103.7	105.1	106.7	110.4	113.6	114.5
Transport equipment (SITC 73)	88.4	87.9	88.1	90.7	95.9	100.0	103.2	105.5	103.9	103.7	103.7	102.8	103.4	103.6	103.7	105.2	108.1	110.1	114.1	120.6	124.1
Motor vehicles (BLS 141)	88.3	87.9	88.1	90.7	95.9	100.0	103.2	105.5	103.9	103.7	103.7	102.8	103.4	103.6	103.7	105.2	108.1	110.1	114.1	120.6	124.1
Railroad equipment (BLS 144)	88.9	87.9	88.1	90.7	95.8	100.0	103.1	105.5	103.9	103.6	104.0	104.0	104.0	104.5	104.7	107.2	110.5	116.6	123.4	129.8	137.9

¹ The price indexes for China's imports of machinery and transportation equipment (in boldface type) are calculated by the Paasche weighting formula:

$$P^0 = \frac{1}{\sum \frac{P^0}{P^1} \cdot \frac{P^1 Q^1}{\sum P^1 Q^1}}$$

where P^0 is the Paasche index number, subscript "1" is the commodity sample, lower case letters "p" and "q" refer to prices and quantities, and superscripts "0" and "1" refer to base- and current-years, respectively. An inverse price relative (P^0/P^1) is multiplied by the current value ($P^1 Q^1$) of China's imports for each commodity in the sample divided by the sum of current values ($\sum P^1 Q^1$) for all commodities in the sample.

The US Bureau of Labor Statistics (BLS) wholesale price indexes are used as estimates of price relatives (P^0/P^1). To construct the subaggregate price indexes for nonelectric machinery, electric machinery, and transport equipment (SITC divisions 71, 72, and 73), appropriate BLS indexes are weighted by current values obtained from Table B-1 for the SITC equivalent as follows:

- Nonelectric machinery:
 - BLS 111: SITC 712
 - BLS 112: SITC 718.4
 - BLS 113: SITC 715
 - BLS 114: SITC 719.2, 719.3, 719.7, 719.92, 719.93
 - BLS 116: SITC 717, 718.2, 718.3, 719.52, 719.53
 - BLS 119: SITC 711.3, 711.4, 714
- Electric machinery: SITC 72
- Transport equipment:
 - BLS 141: SITC 732, 733
 - BLS 144: SITC 731

The subaggregate indexes are then reweighted by the current value of imports for each SITC division to form the aggregate price index for China's imports of machinery and equipment.

The aggregate price index is constructed from the subaggregate indexes for SITC divisions, rather than directly from the BLS indexes, because value data are most complete at the division level. Value data for some BLS categories are only partially available for early years. Where data are unavailable, a zero value weight is assigned. As a result, the sample size for BLS categories ranges between 33% and 95% of the total imports of machinery and transportation equipment, and it averages 71% of the total. At the division level, however, the value weights average more than 99% of the total imports of machinery and transportation equipment. Since price trends for BLS categories within each division are highly correlated, reweighting the indexes for nonelectric machinery, electric machinery, and transport equipment gives the proper emphasis to each of these in the aggregate price index.

² US wholesale price indexes are from US Department of Labor, Bureau of Labor Statistics, **Handbook of Labor Statistics 1973**, (Washington, D.C. 1973), p. 317, 319. Index numbers for "Special industry machinery and equipment" (BLS 116) and "Railroad equipment" (BLS 144) from 1952 to 1960 are estimated, using 1967-based data. Index numbers for BLS 116 are annual averages of BLS 112 and 113. For BLS 144, a factor of 0.9807 is applied to the original index for motor vehicles (BLS 141). The base year of 1967 in the source is converted to 1957 by simple division.

Table B-6

China: Exports of Machinery and Transportation Equipment to Non-Communist Countries, C.I.F. Country of Destination and F.O.B. China

Thousand US \$

	Exports, C.I.F. ¹	Exports, F.O.B. ²
1952	89	86
1953	44	43
1954	155	150
1955	1,506	1,462
1956	2,476	2,403
1957	2,843	2,760
1958	7,081	6,875
1959	9,546	9,268
1960	6,610	6,417
1961	4,170	4,049
1962	5,444	5,285
1963	11,073	10,750
1964	10,051	9,758
1965	17,839	17,319
1966	22,231	21,583
1967	20,117	19,531
1968	23,702	23,012
1969	26,197	25,434
1970	44,534	43,273
1971	65,432	63,526
1972	62,601	60,778
1973 ³	75,000	75,000

¹ Current value data, c.i.f., are from Table B-3.

² Insurance and freight charges are estimated to be 3% of the value of machinery exported based on freight charges of \$65 to \$75 per short ton of machinery (see National Council for US-China Trade, **Special Report No. 9: Sino-US Air and Sea Freight Rates**, Washington, D.C., 1974, pp. 22, 90) and an average value of \$2,500 per ton of machinery (estimated from unit values for US machinery and transportation equipment in US Bureau of Census, Report FT 455, 1972 Annual, **US Exports—World Areas, Country, Schedule B Commodity Groupings and Method of Transportation**, Washington, D.C., 1973. Insurance rate is nominal. Charges are assumed to be constant.

³ Estimated.

Table B-7

China: Imports of Machinery and Transportation Equipment from Non-Communist Countries
in Current and Constant US Dollars¹

Year	(1) Imports, f.o.b. (Thousand current US \$)	(2) Price Index I (1957 = 100)	(3) Price Index II (1957 = 100)	(4) Deflating Index (1957 = 100)	(5) Imports, f.o.b. (Thousand 1957 US \$)
1952	11,965	81.9	84.8	82.9	14,433
1953	20,893	83.1	87.4	84.5	24,725
1954	13,309	84.8	90.0	86.5	15,386
1955	15,035	87.7	92.7	89.4	16,818
1956	41,555	94.5	96.0	95.0	43,742
1957	65,757	100.0	100.0	100.0	65,757
1958	69,698	102.6	103.2	102.8	67,800
1959	60,500	105.4	102.9	104.6	57,839
1960	49,600	105.8	108.7	106.8	46,442
1961	25,577	105.5	112.9	108.0	23,682
1962	15,588	105.2	110.0	106.8	14,596
1963	23,747	104.4	108.4	105.7	22,466
1964	61,359	107.1	101.2	105.1	58,382
1965	155,047	109.8	98.7	106.1	146,133
1966	237,635	111.9	115.0	112.9	210,483
1967	201,887	115.6	119.1	116.8	172,848
1968	105,951	119.4	113.0	117.3	90,325
1969	98,642	123.3	106.6	117.7	83,808
1970	248,972	125.7	109.7	120.4	206,787
1971	259,247	132.7	131.3	132.2	196,102
1972	245,769	136.3	143.5	138.7	177,195
1973	501,192	143.1	154.8	147.0	340,947

¹ Data for each column are derived as follows:

- (1) Current value data are from Table B-1.
- (2) Price Index I is from Table B-4. Index number for 1973 is estimated.
- (3) Price Index II is from Table B-5. Index numbers for 1952 to 1954 are estimated.
- (4) The actual Paasche price index used to deflate China's imports of machinery is a weighted average of Indexes I and II, giving twice the weight to Index I (see preface to Appendix B).
- (5) Import values in constant 1957 dollars are equal to column (1) divided by column (4) times 100.