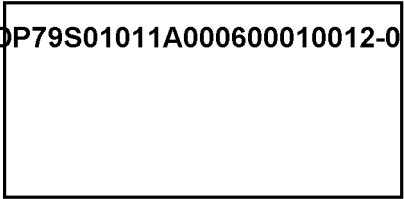


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CENTRAL INTELLIGENCE AGENCY  
BOARD OF NATIONAL ESTIMATES

29 December 1951

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

SUBJECT: Supplement to TAB "A" of SE-20

1. The attached text, approved by the Board pursuant to a consideration of it by the IAC representatives on 29 December, is urgently required for delivery to the NSC first thing Wednesday, 2 January.

2. Your cooperation in telephoning your concurrence by 10:00 Monday, 31 December will be greatly appreciated. (Please call )

3. If concurrences have not been received by all members of the IAC by 11:00, it is planned to convene the IAC at 2:30 in order to discuss divergent points of view.



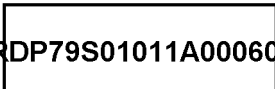
Executive Secretary

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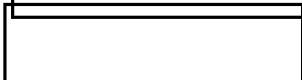
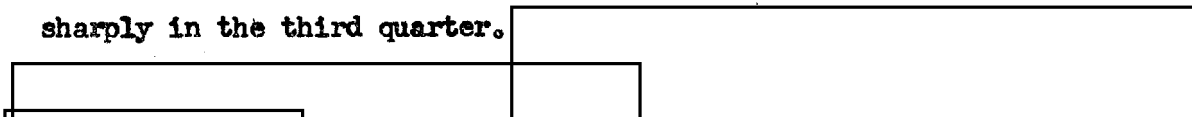
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SUPPLEMENT TO TAB "A" OF SE-20

I. Communist China's Seaborne Trade during 1951.

1. Estimates based on the recorded exports of non-Communist countries to Communist China indicate that Communist China's seaborne imports from non-Communist countries reached a record high of US \$360 million in the first half of 1951 and then fell sharply in the third quarter.

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An increasing amount of non-Communist exports was

transshipped to Communist China through Communist bloc ports or through non-Communist ports that did not report such shipments. This conclusion is supported by figures on shipping in the China trade. Total merchant ship traffic in trade with Communist China generally increased during the first seven months of 1951 and then declined only slightly. Factors which enter into the decline of the seaborne trade of Communist China with non-Communist countries are: Western export controls, increased imports from the Soviet Bloc, institution of a system of selective buying by the Chinese Communists, a shortage of foreign exchange resulting from heavy imports in 1950 and the first half of 1951, and the sharp fall in Chinese Communist exports to non-Communist countries in 1951.

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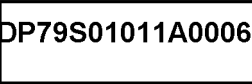
2. Most of the goods imported by Communist China from non-Communist countries are commodities important to war-making capabilities. Rubber, chemicals (including pharmaceuticals), and minerals and metals and their manufactures, accounted for two-thirds of total imports through Hong Kong (including Hong Kong-Macao trade) both in the second half of 1950 and the first half of 1951. Hong Kong's trade pattern is significant because during the first half of 1951 Hong Kong handled two-thirds to three-fourths of China's trade with the West. Although Macao and other ports have assumed increasing importance as transshipment points for goods destined to Communist China since expanded trade controls were introduced in Hong Kong in June 1951, Hong Kong continues as the single most important source of Communist China's total seaborne imports.

3. Most of the goods imported into Communist China from non-Communist states originate in Western Europe and are transported in ships of Western European registry. India and Pakistan are important secondary sources of supply and transshipment points. Malaya has reduced its trade with China considerably since further controls were added in May 1951.

4. Communist China's exports of raw materials of animal and vegetable origin -- such as soybeans, rice, wheat, oils accounted

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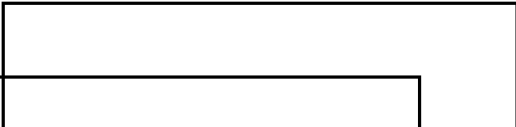
for two-thirds of its total exports to non-Communist countries in the first half of 1951. Textiles accounted for 10% more. Communist China prohibited exports of strategic items such as tungsten and tin to the West in 1950. Communist China's exports to non-Communist countries in the first half of 1951 fell nearly 50% from the high reached in the preceding period.

5. A large portion, probably 40% by value, of Communist China's trade with the Soviet Bloc is seaborne. Most of the military equipment for Korea is transported overland.

6. Of the total foreign trade of Communist China, probably two-thirds by value is seaborne. In terms of tonnage, approximately 80% of the total trade is seaborne. Nearly all of Communist China's seaborne trade is carried in Western-registered ships. Probably less than 10% by tonnage is carried in Soviet and Polish vessels. This amount is now increasing due to augmentation of Soviet Bloc shipping by purchases from the West.

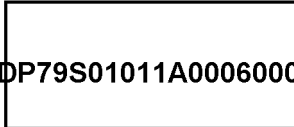
II. Communist China's Trade with the USSR

7. Communist China's trade with the USSR has increased steadily since the spring of 1950 with the sharpest rise in the second and third quarters of 1951.



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kerosene, etc.) Petroleum shipments to Communist China rose sharply during the summer of 1951 and apparently continued at a high level to the end of the year.

### III. Communist China's Overland Trade

10. Communist China's overland trade is at present almost entirely with or through the USSR. [REDACTED]

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[REDACTED] the Burma Road has been used by Communist China during 1951 for the transport of strategic commodities but the volume of trade moving by this route is small and transport is costly.

11. About 80% by value of Soviet exports to Communist China is carried on the Trans-Siberian RR and passes through the border transshipment points at Otpor-Manchouli (NW corner Manchuria) and Grodekovo-Suifenho (Manchurian border north of Vladivostok). A relatively small volume of Soviet exports to Communist China moves via the Amur and Sungari rivers or by truck and caravan through Mongolia and Sinkiang. While most Satellite exports to Communist China move by sea, some shipments are made overland via the Trans-Siberian Railroad.

### IV. Communist Ability to Circumvent an Embargo on Shipping or Exports or a Naval Blockade.

12. The Chinese Communist ability to continue seaborne trade in the face of an embargo on shipping and exports would vary with

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the extent of enforcement. As indicated in section I most of Communist China's seaborne imports originate in non-Communist states and are carried in non-Communist shipping. It is doubtful if the Communist bloc could from its own resources replace more than a fraction of the goods and shipping now supplied to the Communist China trade by non-Communist states. However, it is probable that a substantial quantity of goods originating in the west would be available for purchase by the Chinese Communists in non-cooperating countries and that non-cooperating states would be able to buy or charter ships for use in trade with Communist China.

13. It is estimated that Communist China imported a minimum of 20,000 tons a day by ship during 1951. If shipping were interdicted it would be impossible for Communist China to import more than a very small part of this tonnage by overland routes. The major overland route into China from the west is the Trans-Siberian railroad, with an estimated daily eastbound capacity of 22,500 tons. The paralleling BAM railroad is not yet completed. The Trans-Siberian railroad is already operating near capacity. It is unlikely that traffic to Communist China on this railway could be increased by more than a few thousand tons daily. The railroad lines in Manchuria leading to Harbin from Suifenho and Manchouli have a combined capacity of about 14,000 tons a day.

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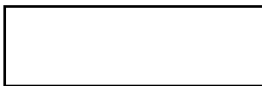
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These lines might be able to absorb the few thousand tons of additional traffic which the Trans-Siberian might be able to deliver to them daily, although only at the expense of the civilian economy of the region. Truck and caravan routes through Mongolia could probably handle about 200 tons a day. Truck and caravan routes from Russian Turkestan through the Kansu corridor have an estimated capacity of about 300 tons a day. The Burma road could not carry over 500 tons per day and probably would carry much less. Routes from Indo-China could probably not be utilized.

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NON-COMMUNIST SHIPPING IN THE EAST-WEST  
TRADE WITH CHINA (1951)

	<u>JANUARY</u>		<u>FEBRUARY</u>		<u>MARCH</u>		<u>APRIL</u>		<u>MAY</u>	
	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr. Ton.</u>
TOTAL KNOWN NON-COMMUNIST SHIPPING IN CHINA TRADE	133	719,130	147	639,335	206	931,999	195	910,570	241	1,281,131
PLUS EST. CORRECTION FOR UNKNOWN TONNAGES (4)		80,000		60,000		105,000		80,000		50,000
EST. TOTAL NON-COMMUNIST SHIPPING IN CHINA TRADE	(133)	799,130	(147)	699,335	(206)	1,036,999	(195)	990,570	(241)	1,331,131
LESS SHIPPING INVOLVED IN CHINESE COASTAL TRADE	62	195,385	59	186,269	55	170,130	50	152,312	46	133,760
TOTAL SHIPPING INVOLVED IN EAST-WEST TRADE WITH CHINA	71	603,745	88	513,066	151	866,869	145	838,258	195	1,197,371

NOTES:

1. Hong Kong, Macao, Dairen and Port Arthur are considered Chinese ports.
2. Only ships of 1,000 tons and greater are considered.
3. Estimated increases are based on average gross tonnage of 5,000 tons.
4. Ships identified but actual tonnage not published in shipping manuals. This is the best estimate available.

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NON-COMMUNIST SHIPPING IN THE EAST-WEST  
TRADE WITH CHINA (1951)

	<u>JUNE</u>		<u>JULY</u>		<u>AUGUST</u>		<u>SEPTEMBER</u>	
	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>	<u>Ships</u>	<u>Gr.Ton.</u>
TOTAL KNOWN NON-COMMUNIST SHIPPING IN CHINA TRADE	256	1,274,124	266	1,312,425	233	1,211,070	259	1,243,273
PLUS EST. CORRECTION FOR UNKNOWN TONNAGES (4)		100,000		120,000		90,000		130,000
EST. TOTAL NON-COMMUNIST SHIPPING IN CHINA TRADE	(256)	1,374,124	(266)	1,432,425	(233)	1,301,070	(259)	1,373,273
LESS SHIPPING INVOLVED IN CHINESE COASTAL TRADE	42	122,694	37	108,293	35	110,884	40	126,073
TOTAL SHIPPING INVOLVED IN EAST-WEST TRADE WITH CHINA	214	1,251,430	229	1,324,132	198	1,190,186	219	1,247,200

NOTES:

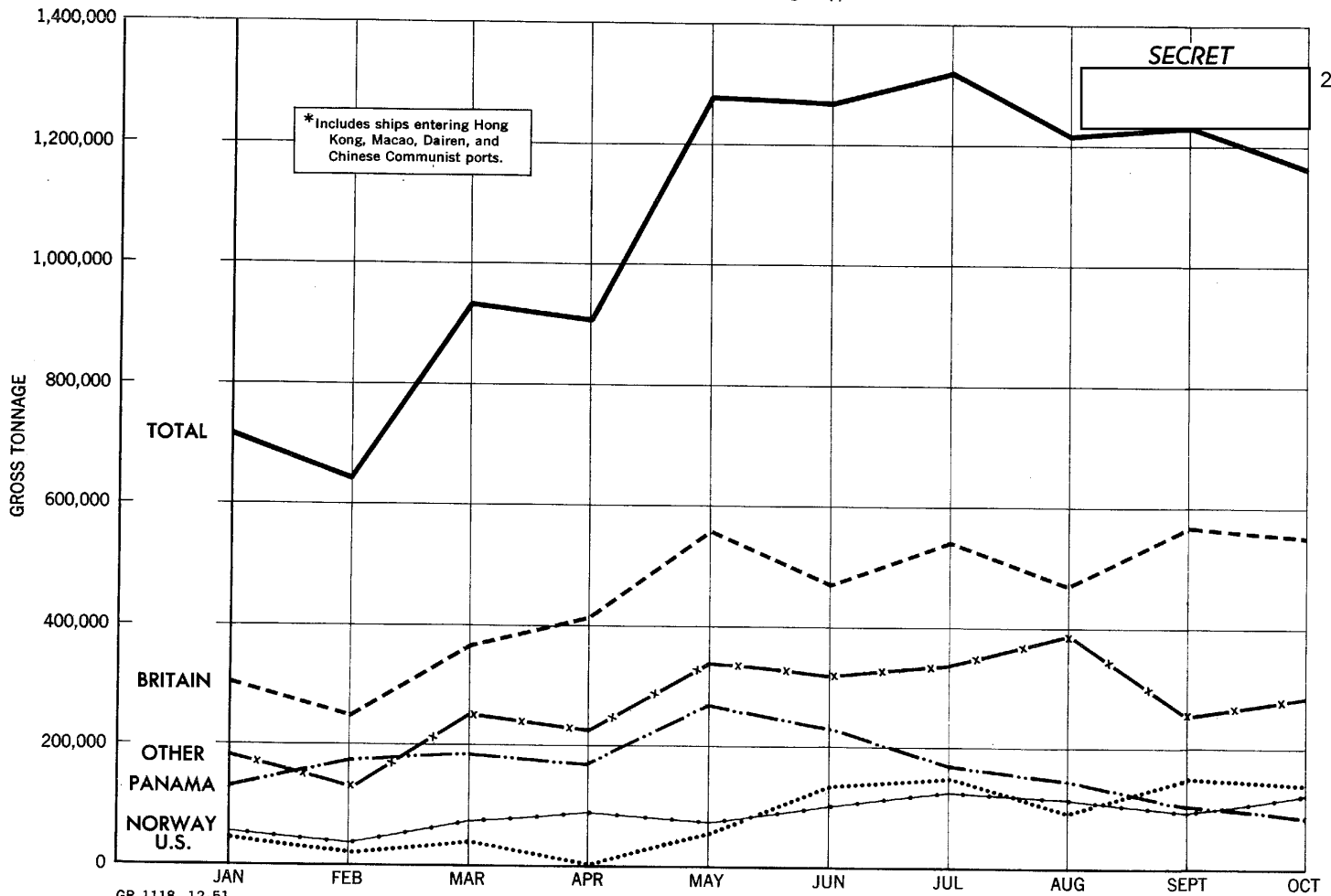
1. Hong Kong, Macao, Dairen and Port Arthur are considered Chinese ports.
2. Only ships of 1,000 tons and greater are considered.
3. Estimated increases are based on average gross tonnage of 5,000 tons.
4. Ships identified but actual tonnage not published in shipping manuals. This is the best estimate available.

(2nd page of chart)

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### GROSS TONNAGE OF NON-COMMUNIST MERCHANT VESSELS IN CHINESE WATERS \* (1951) (By Nationality of Registry)



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