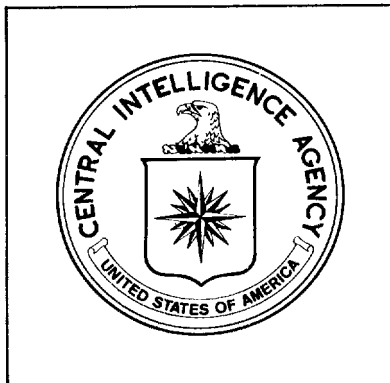


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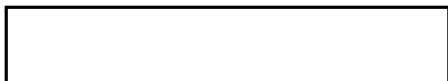
Chinese Affairs

STAFF NOTES

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104

December 22, 1975



State Department review completed

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Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

CHINESE AFFAIRS



CONTENTS


December 22, 1975

The Ford Trip. 1

Another Death in the Party's Family. 4



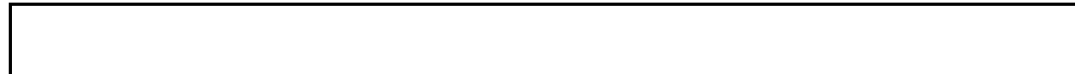
Expanding Civil Aviation 10

China and India: Dialogue of
the Deaf  12

Recent PRC Claims for
China's Foreign Trade. 15

Grain Output 18

Economic Notes:



Shanghai Transport Booms 20

CHRONOLOGY 21

ANNEX: Education: Back on the Front Burner . . 23

The Ford Trip

Chinese diplomats abroad and other officials with access to thinking in Peking have depicted President Ford's trip to China in positive, almost glowing terms.

Clearly under instructions from Peking, these well-informed officials have told US diplomats

--Peking is satisfied with Sino-US relations and that the Shanghai communique remains the framework for more substantial improvement in relations in the future;

--Peking and Washington hold common views regarding many international issues, particularly with respect to "hegemony," and this could result in a common approach to other problems;

--the visit strengthened Washington's hand in future dealings with Moscow.

Peking seems anxious to dispel speculation that the absence of a communique meant the trip produced no important results or that the two sides failed to

December 22, 1975

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agree on any significant matters.

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[Redacted]

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Peking has taken the line that the talks on international issues

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[Redacted] constituted the most important part of the Ford visit. "Hegemony" to the Chinese obviously means opposition to an expansion of Soviet influence, and Vice Premier Teng Hsiao-ping indicated at a farewell lunch for Ambassador Bush in Peking on December 6 that the visit produced results "greater than we expected."

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[Redacted]

President Ford's speech in Honolulu following his China visit has also been well received in Peking.

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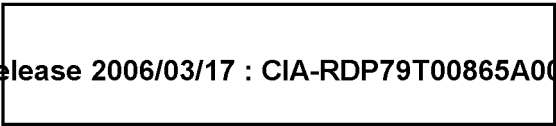
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December 22, 1975

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[Redacted]

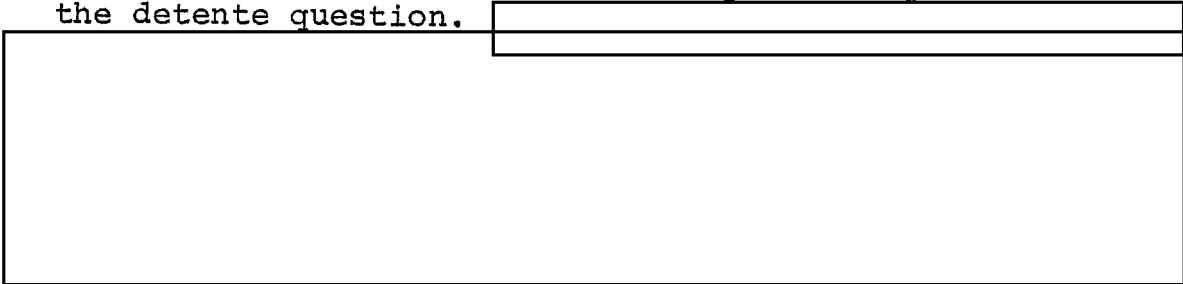


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[Redacted] Lengthy excerpts from the speech were carried in the PRC-press in Hong Kong, and one of the newspapers commented that whereas the Nixon Doctrine meant a limited US withdrawal from Asia, the Ford Doctrine means holding the line. This, the paper claimed, is a spearhead directed against Moscow.

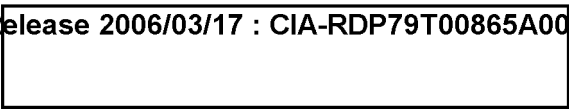
Peking's apparent view that the visit produced a clearer definition of mutual Sino-US interests whose object is the containment of Soviet influence is reflected in Chinese treatment of the detente issue. Whereas major Chinese public statements during the visit by Secretary Kissinger in November contained pointedly anti-detente formulations, similar statements during President Ford's visit were more specifically anti-Soviet, virtually brushing aside the detente question.

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December 22, 1975



Another Death in the Party's Family

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The death of party vice-chairman Kang Sheng on December 16 should have little effect on Chinese policy-making. Kang had been inactive for several years, although he appeared at the party congress in 1973, at National Day ceremonies in 1974, and at the National People's Congress this year. Kang was rumored to be ill at least since 1971, and he was in a wheelchair for the National Day celebrations in 1974. He was aligned with the party's left wing and reputedly recruited Chiang Ching into the party in the 1930s. Although his supposed illness may not have prevented him entirely from advocating leftist causes in higher party councils, the actual extent of his influence in recent years is impossible to determine.

The memorial service held for Kang on December 21 brought out all active Peking-based Politburo members. The namelist, given in order of party rank, revealed no changes. Chiang Ching, for example, despite the many setbacks she has suffered this year, remains the highest ranking member of the Politburo, following the elite Standing Committee. Another highlight of the service was the reappearance of young party vice-chairman Wang Hung-wen, who presided over the ceremony. Wang's appearance was his first in Peking since last May and was virtually mandatory under the circumstances. He reputedly had returned to Shanghai earlier this year for further "seasoning" as a result of his less than glowing performance as a member of the hierarchy in Peking.

Party vice-chairman Yeh Chien-ying, who himself has been ailing, delivered a rather warm eulogy, claiming that Kang was "beloved by the people of the whole country." Kang, whose career was spent mainly in security and internal intelligence work, was in

December 22, 1975

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fact probably more feared than loved, and his role in support of party leftists during the Cultural Revolution undoubtedly did not endear him to the moderates.

Mao, the ailing Chou En-lai, and 90-year-old Chu Te, who has made several public appearances despite his age, did not attend the ceremony but did send wreaths. The same was true of aging Politburo member Liu Po-cheng.

There are signs that the party's most prominent intellectual, the octogenarian Kuo Mo-jo, is ill. Kuo has not appeared publicly since October. He sent a wreath to the Kang Sheng ceremony and has missed several events hosted by the Chinese Academy of Sciences, of which he is president. On some occasions, these events have been held in Kuo's name, a formulation used for Premier Chou En-lai.

Whether or not Kang's death means that the left has lost yet another voice, it does point up the age of the current leadership. At 77, Kang was the same age as Chou En-lai and Yeh Chien-ying, both of whom are ailing to some degree, and was younger than Mao, Chu Te, and Liu Po-cheng. Earlier this year, Politburo member and co-founder of the party Tung Pi-wu died at the age of 90. Despite remarkable longevity, the old guard is slowly passing from the scene.

December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

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Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

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Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

Expanding Civil Aviation

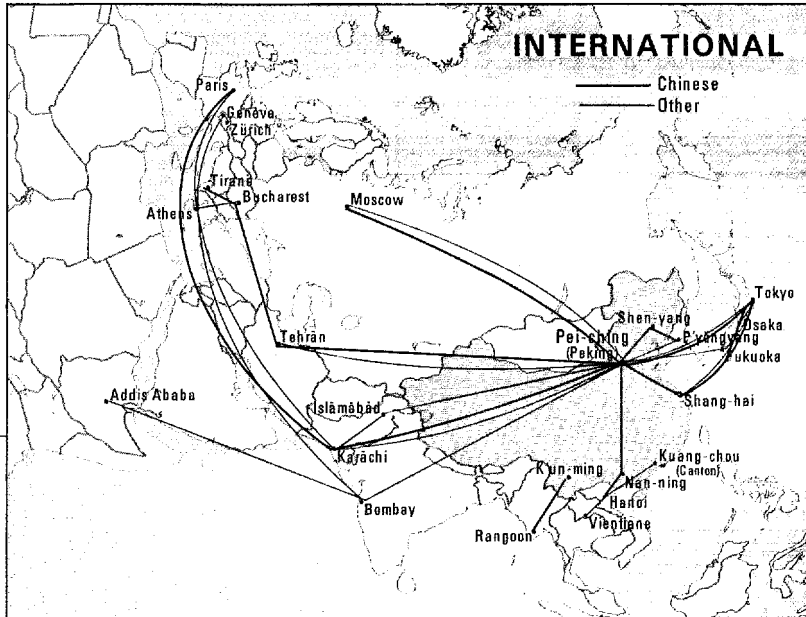
Peking has added 21 new routes and 58 new flights per week to domestic air operations since April, bringing total routes to 115 and total flights to 344. Airports and aircraft inventories are also being expanded.

International air operations are plagued by low traffic demand and continuing losses on existing routes, although China continues to seek new international air agreements. China now offers flights to only 10 foreign countries and is served by 10 foreign airlines. Peking has reciprocal air agreements with more than 30 countries, however. The most recent agreements were signed this fall with Finland and West Germany. The surge of new foreign flights to China that occurred in the last few years has stopped, probably reflecting high fuel prices, Peking's stringent visa policy, and the general economic slump.

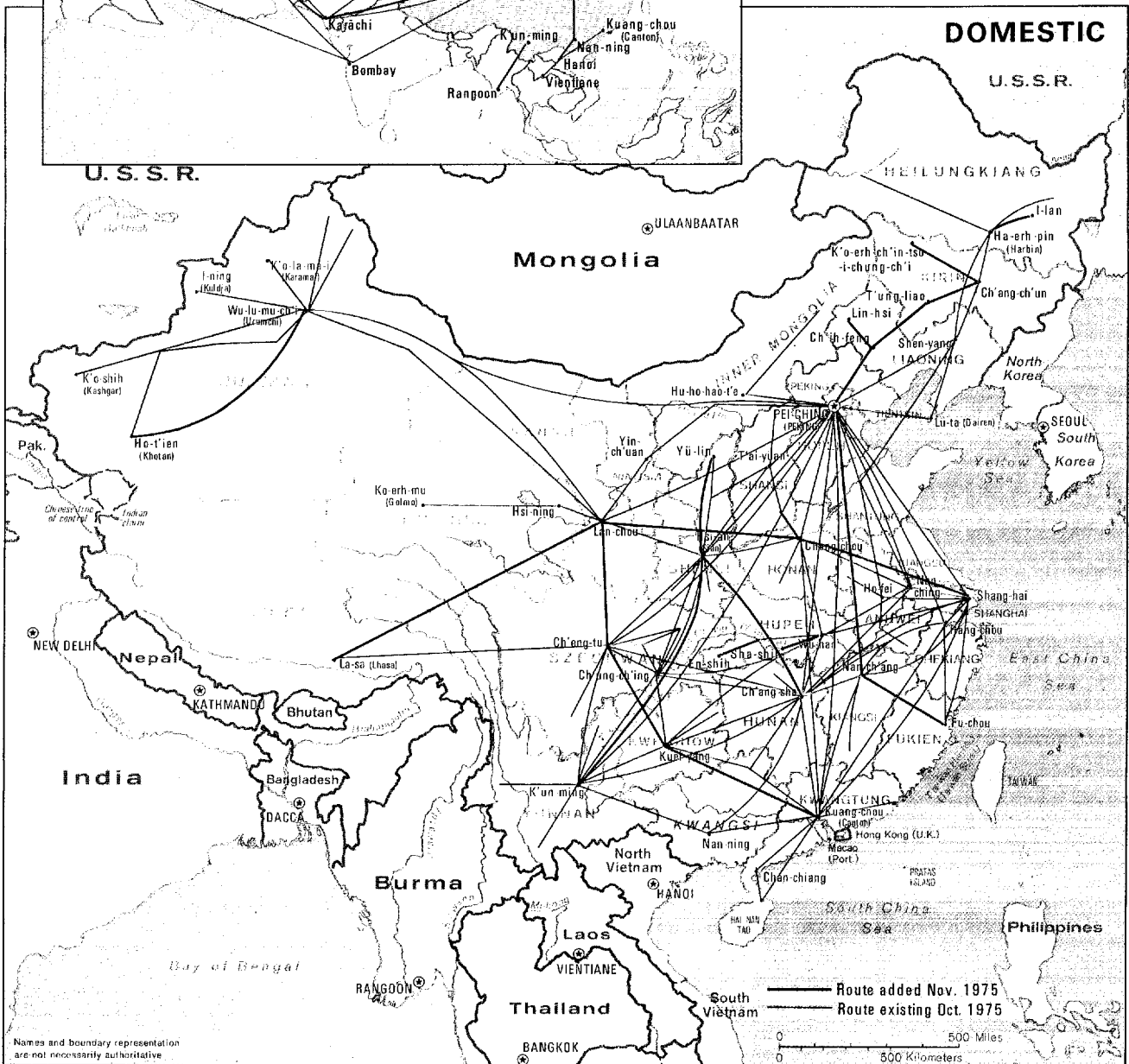
Chinese aircraft inventories continue to grow despite serious under-utilization of the recently added 10 Boeing 707s and 8 British Tridents. Originally bought to augment the 5 Soviet IL-62s on international routes, several of these medium and long range aircraft are being flown on domestic flights along with 31 Soviet AN-24s and 45 IL-14s.

December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9



Peoples Republic of China Civil Air Routes



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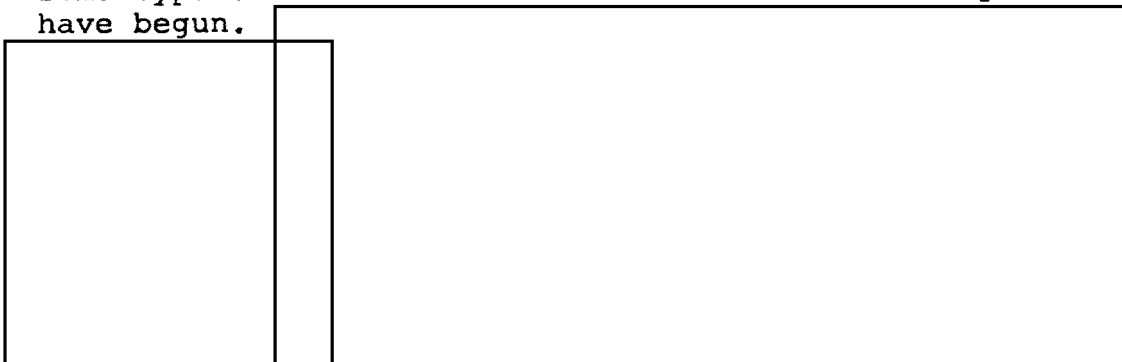
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China and India: Dialogue of the Deaf

In the last few months, India has taken the initiative in the long inconclusive dialogue with Peking designed to lead to the normalization of relations. This is a turnabout from the exchanges of last year and early this year, when the Chinese took the lead. The results, however, have been no different--there has been no real progress. Indeed, Peking appears distinctly uninterested in resuming discussions for the time being, although the Chinese have been careful not to close the door on negotiations at some future time.

According to the Indian Foreign Secretary, the Indian feelers were initiated in August. The foreign secretary said that he called in the Chinese charge in New Delhi and favorably reviewed past Chinese statements relating to normalization. The Indian observed that the two countries should try and build on this and asked the charge how this might be accomplished. The foreign secretary said that he got no substantive reply.

Although this is our first knowledge of the alleged Indian demarche, it is consistent with a pattern of Indian intentions toward China since September, when a movement to prepare Indian public opinion for some type of movement in Sino-Indian relations may have begun.



December 22, 1975

[REDACTED]

[REDACTED] Gandhi went public in October in an interview with the central news service, saying India's policy toward China was to improve relations even though there were differences between the two countries, but the Chinese had not responded to Indian efforts. Gandhi made those remarks shortly after a border clash in which four Indian soldiers were killed. Both sides played down the incident, and it does not seem to have altered the state of relations.

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[REDACTED]

The Indian position has not been as unambiguous as their diplomats would make it seem. Gandhi, for example, coupled her overtures to Peking with some stiff language. In an interview with the *London Sunday Telegraph* that was broadcast by New Delhi domestic radio on October 12, she accused Peking of instigating Indians along the border to make trouble, supplying them with arms and books, and training guerrillas.

[REDACTED]

Individually, New Delhi's feelers may have seemed lukewarm to Peking. But taken in toto, the signals were clear enough, and it was Peking that was uninterested in picking up the thread. The Chinese may have

December 22, 1975

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Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

calculated that Gandhi is not serious, given Delhi's continued ties with Moscow and what the Chinese saw as deliberate stalling in the face of unmistakable Chinese overtures in early 1975. Peking might also believe that a Chinese-Indian dialogue would have a negative impact on the hard pressed regime in Bangladesh. If this is Peking's concern, it presumably will defer a response to New Delhi until Dacca increases its internal control and the danger of Indian intervention further recedes.

There is another possible factor in China's current disinterest--the contempt that China's current de facto premier holds for India. In an early December conversation with the departing USLO chief, ranking vice-premier Teng Hsiao-ping dismissed India as a country where "cows are more important than state sovereignty." While it is in Peking's long term interest to normalize relations with New Delhi, Teng at least is probably in no hurry.

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December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

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Recent PRC Claims for China's
Foreign Trade

Estimates of the value of Chinese trade based on recently available official statistics compare favorably with CIA estimates based on trading partner data.

Although Peking has not published data on the value of China's foreign trade since 1959, for the past three years it has released fragmentary statistics on the percentage increases in China's foreign trade.

Dollar values estimated from the sporadic Chinese statements and from trading partner statistics are as follows:

	<u>Chinese Statements*</u>	<u>From Trade Partner Data*</u>
1952	1,890	1,830
1965	4,130	3,880
1972	6,130	5,920
1973	10,700	10,090
1974	14,175	14,005

**Million US Dollars*

The CIA estimates based on trading partner statistics are lower than those derived from official Chinese statements, but differ at most by 6 percent.

The differences may be due to dissimilarities in the CIA and Chinese accounting procedures as well

December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

as to difficulties in making estimates from trading partner data. Actual Chinese procedures for recording trade may differ from ours, for example, with respect to the accounting currency and the treatment of aid goods and freight and insurance charges.

Some of the discrepancies in the valuation of trade undoubtedly stem from differing exchange rates used to convert trade into a common currency. In 1959 China reported total trade in 1952 as 6,460 million yuan, of which trade with Communist countries accounted for 5,252 million yuan. If the Chinese indexes are based on yuan values, the Chinese must have since scaled down the yuan value assigned to trade with the Communist countries for 1952. Otherwise the recent Chinese statement in *Chung Kuo Tui Wai Mao I*, that trade in 1974 was 7.5 times the level of trade in 1952, would mean 1974 trade amounted to 48,450 million yuan (approximately US \$24 billion at current exchange rates), a total which is patently absurd. On the other hand, if China computes the index in US dollars, small differences in the exchange rates used to convert Chinese trade to US dollars could account for a large part of the differences between the dollar estimates. For example, if the actual dollar value of trade in 1952 were \$1,857 million, the estimate derived from the official statement for 1974 would be \$14,005 million, the same as the estimate based on trading partner statistics. Floating exchange rates have complicated the making of US dollar estimates from trade partner statistics since 1971.

Some of the discrepancies result from errors in estimating Chinese trade with trade partners that do not publish complete statistics. The CIA estimates of China's trade with Albania, the Asian Communist countries, and many developing countries are based on fragmentary information from trade agreements and other indicators. Pitfalls abound in placing dollar values on these items.

December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

Several other factors may also help explain the differences between the CIA estimates and the figures derived from the Chinese claims.

--Adjusting trade partner data to a Chinese exports f.o.b. and imports c.i.f. basis involves the use of flat percentage rates based on distance, which may not reflect actual shipping and insurance costs.

--Shipping leads and lags are ignored in the use of trading partner data.

--Goods re-exported into China and to third countries through Hong Kong may not be fully reported in the statistics of the supplier and recipient countries.

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December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

Grain Output

The Chinese have released a new figure for grain output in 1974 that is far larger than output claimed for any previous year--because soybean production has been included.

For each year from 1970 through 1973, the Chinese announced an absolute figure for the output of grain, which included rice, wheat, coarse grains, and potatoes. In 1974 the Chinese reported only that output for that year was 2.4 times that of 1949. The derived output figure based on this increase would be 260 million tons. CIA, however, believes that this total is a bit high. Weather in 1974 was generally unfavorable, and output was probably closer to 255 million tons.

The new total for 1974 (announced at a UN FAO conference in Rome in mid-November by the vice-minister of agriculture and forestry, Yang Li-kung) is 274.9 million tons. Minister Yang also repeated the claim that 1974 output was 2.4 times that of 1949, and the coupling of this increase with an absolute figure makes it clear that the 1974 official output figure (2.428 times the 1949 grain and soybean output) includes soybeans--and is consistent with our estimates.

Official Chinese Grain Claims
(Million Metric Tons)

YEAR	1949	1957	1973	1974	CIA
					Estimates
					1974
TOTAL	113.2	195.0	--	274.9	275.0
GRAIN	108.1	185.0	250.0	--	255-260
SOYBEANS	5.1	10.0	--	--	15-20

December 22, 1975

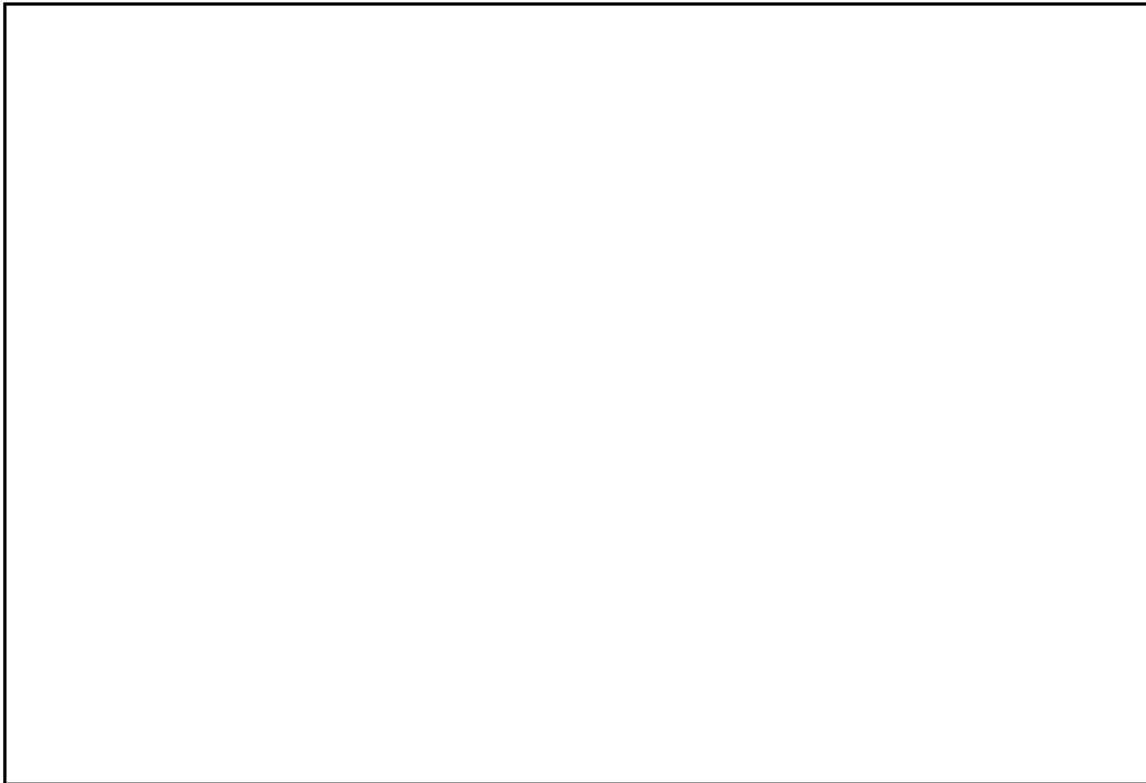
Peking announced recently that the 1975 harvest was "even higher than 1974, itself a high production year." This statement downgrades previous claims that the 1974 harvest was a record one and suggests that any increase in this year will be small.

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December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9

ECONOMIC NOTES



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Shanghai Transport Booms

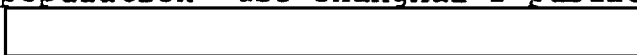


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A major bridge across the Huang-pu River connecting Shanghai with a major petrochemical combine is nearly completed. The rail section of the double-deck structure was completed in late August; the road will be done soon.

This bridge and other transport developments continue to spur industrial growth in Shanghai, China's largest city. Public transport has been one of the vital ingredients in Shanghai's industrial growth rate, which has averaged over 9 percent between 1966 and 1974. Nearly 6 million people--half the city's population--use Shanghai's public transport daily.

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December 22, 1975

Approved For Release 2006/03/17 : CIA-RDP79T00865A002400070001-9



CHRONOLOGY

- December 3-10 Chinese People's Association for Friendship with foreign countries delegation visits Afghanistan. [redacted] 25X1
- December 4 *People's Daily* replays *Red Flag* article attacking education policy. [redacted] 25X1
- December 5 Chinese trade and economic exhibit opens in Mali. [redacted] 25X1
- Trade agreement with Finland for 1976 signed in Peking. [redacted] 25X1
- [redacted] 25X1
- December 8 Visiting Minister of Information from Benin (formerly Dahomey) meets with party central committee member Yao Wen-yuan; departs for home December 9. [redacted] 25X1
25X1
- December 8,9, Various Romanian Delegations visiting & 13 China meet with Chen Hsi-lien, Hua Kuo-feng, and Chiao Kuan-hua. [redacted]
- December 8-17 Chinese trade delegation led by Wang Yao-ting, Chief of the China Council for the Promotion of International Trade, visits Thailand; meets Prime Minister Khukrit on December 9. [redacted] 25X1
- December 9 1976 Sino-Czech trade agreement signed in Peking by Foreign Trade Minister Li Chiang and Czech Vice minister. [redacted] 25X1

December 22, 1975

- December 11 Peking's first ambassador to the
Phillipines, Ko Hua, arrives in
Manila. [redacted] 25X1
Chinese industry and trade delegation
concludes two-week visit to Singapore. [redacted] 25X1
- December 11- Former Italian prime minister and 25X1
21 Christian Democrat party leader
Fanfani visits China; meets with
Teng Hsiao-ping and Chiao Kuan-hua. [redacted]
- December 14 Former Shantung Military District
commander Tung Kuo-kuei identified as
commander of the Hunan Military
District. [redacted] 25X1
25X1
- December 16 Party vice-chairman Kang Sheng dies. [redacted]
[redacted] 25X1
25X1
- December 18 Delayed announcement of visit to Peking
by delegation from the Marxist-Leninist
Revolutionary Party of Salvador. [redacted] 25X1
- December 19 Chao Tzu-yang identified as first 25X1
secretary of Szechwan Province. [redacted]
- December 21 Memorial ceremony for Kang Sheng,
presided over by Wang Hung-wen,
his first appearance in Peking
since May. [redacted] 25X1
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President Manuel Pinto Da Costa of the
Democratic Republic of Sao Tome and
Principe begins official state visit. [redacted]

December 22, 1975

ANNEX

Education: Back on the Front Burner

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The radical changes in education introduced five years ago as a result of the Cultural Revolution are again being defended, but chances are still good that they will undergo some, if not considerable, modification over the next year or so. Since the first of the month, *Red Flag*, *People's Daily* and the provincial media have all carried adamant defenses of the Cultural Revolution reforms while attacking advocates of the more traditional approach to education. *Red Flag's* verbal assault on "bad elements in education circles" is almost certainly aimed at Minister of Education Chou Jung-hsin, a leading advocate of a return to the more conventional, pre-Cultural Revolution practices in the schools.

The current debate, which seems to have been going on below the surface for several months, may have been forced into the open by several speeches Chou made in September and October. In his October speech, Chou criticized the reforms of the Cultural Revolution and claimed that there had been an over-emphasis on practical application at the expense of theoretical training. He also deprecated a model curriculum that the radical faction was then promoting. Chou's speech was circulated as a centrally-originated document, indicating that his views commanded considerable support at the upper levels of the regime.

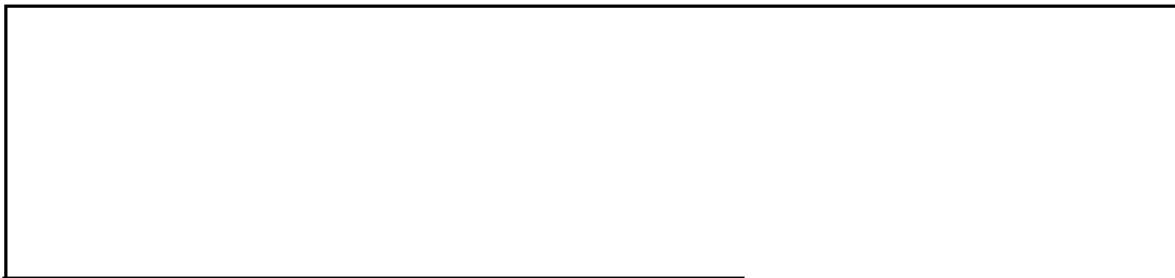
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Mao's position in the current infighting is critical and, on most major points, his sympathies appear to be with the moderates.

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December 22, 1975



On the question of admissions, the Chairman also appears to have sided with Chou Jung-hsin. Last year Mao recommended that high school graduates should go directly to the universities without first doing a stint on a farm or in a factory.

It is probable that Mao has not given wholesale endorsement to the moderate position however. Having fathered many of the radical educational reforms himself, he may well have a problem in backing away too fast and too unequivocally. The leftists seem to be aware of the Chairman's vulnerability and have made liberal use of his quotations from an earlier period when he was more radical on this issue.

In any case, Mao's tilt toward the moderates has undoubtedly left the radical faction, led by Chiang Ch'ing, further isolated. This latest blow comes on the heels of leftist setbacks in the cultural realm--also at the hand of Mao--and a steady decline in recent months of Chiang Ching's political stature. In all probability, it was this erosion of radical clout that emboldened moderate elements to step up their criticism of the educational system, the last remaining edifice to the Cultural Revolution. Likewise, the leftists probably realized that if their educational reforms were overturned, they would be left with little defense for the high cost of the Cultural Revolution. It may have been this sense of the high stakes that led the radicals to seek support in the public domain.



December 22, 1975

Even before the initial salvo was fired on December 4 with the broadcast of the lead article in *Red Flag*, the leftists had apparently appealed to students at Tsinghua and Peking universities. These two institutions have traditionally been centers of political activism as well as models that other schools in the country watch closely for signs of new educational trends. Peking University, moreover, was specifically criticized in the speeches of Chou Jung-hsin. There are signs that since September there has been considerable activity--all of it peaceful--at these campuses on behalf of the Cultural Revolution reforms. It is not surprising that the students, most of whom are from working class backgrounds and are the direct beneficiaries of the reforms, would be quite sympathetic to the leftists, who undoubtedly were well aware of this reservoir of support. It is no accident that the December 4 *Red Flag* article was written by persons from Peking and Tsinghua universities.

There are a number of other hints that the leftists feel themselves on the defensive in this political contest. The detailed, point-by-point refutation of the moderate position, characteristic of the December 4 *Red Flag* article and much of the subsequent media play, reflects this defensiveness. In particular, the articles go to unusual lengths to refute the notion that the current educational system is turning out graduates who lack professionalism. They cite numerous examples of student contributions to economic progress, emphasizing scientific achievements. A few articles plainly admit that there are "defects," but hasten to add that any new system requires time to prove itself and that the educational reforms brought about by the Cultural Revolution are no exception.

Finally, the leftists have displayed a certain amount of caution in trying to pin labels on their

December 22, 1975

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opposition. Unlike numerous political battles in the past, the mudslinging seems muted. The opposition is portrayed as misguided, but the insinuation that it is in some way anti-socialist is for the most part avoided.

At the same time, in an attempt to sustain their reforms, the leftists have not hesitated to play on the insecurities of the large number of cadres in the universities who were purged during the Cultural Revolution and later returned to positions of influence. An important *Red Flag* article broadcast on December 11 singles out these cadres and admonishes them to pay attention to seeing things from a proletarian outlook.

The parameters of this educational debate are familiar, and the issues have been bandied about from time to time within the leadership during the past few years. The last major outbreak of polemics on the education issue occurred in the spring of 1973, when university entrance examinations were briefly made a primary criterion for admission. A counter-attack that summer forced the moderates to retreat on this issue.

The outcome of the current round is likely to be quite different. Unlike 1973, the moderates today are far stronger, while the political stock of the left has precipitously declined during the past year and a half. There can be little doubt, judging from the ambitious economic goals set by the coalition of moderates around Vice-Premier Teng Hsiao-ping, that economic growth is their chief and overriding concern. An educational system that places a priority on quality and relies more heavily on proven methods probably has a great deal of appeal to these men-- and provides the additional political dividend of further circumscribing the left. Finally, and perhaps of decisive importance, unlike 1973 Chairman Mao has added his own political weight to the moderate side. All of these factors suggest that the left is at best fighting a rear-guard action.

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December 22, 1975

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