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INTELLIGENCE BRIEF

COMMUNIST CHINA MAKES LARGE PURCHASE
OF CONSTRUCTION EQUIPMENT FROM JAPAN

DIRECTORATE OF INTELLIGENCE

Office of Research and Reports

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S-E-C-R-E-T

COMMUNIST CHINA MAKES LARGE PURCHASE
OF CONSTRUCTION EQUIPMENT FROM JAPAN

Recent purchases by Communist China of 1,500 pieces of heavy construction equipment worth nearly \$22 million indicate Peiping's intent to build up its equipment park in order to meet future construction needs. The value of the new purchases is roughly equivalent to the level of imports during the 3-year period 1958-60, when the "leap forward" was at its height.

1. Size of the Purchase

Communist China has made two large purchases of construction equipment from Japan during 1964. Early in the year, China bought 80 heavy bulldozers worth \$2.4 million from the Komatsu Manufacturing Company. 1/ A second order for equipment from the same company was signed in November, and, to the surprise of the Japanese, it suddenly was increased from 700 units to 1,510 units worth \$19.5 million. 2/ The order includes 870 bulldozers, 550 scrapers, 90 motor-graders, and an inventory of spare parts. Delivery under the second contract is scheduled to begin in December and will be completed by the end of 1965. Payment will be in cash, in contrast to the earlier order, which was negotiated under deferred payment terms.

Considering the low level of capital construction since 1961 in Communist China, \$22 million worth of construction machinery is an unusually large order. The two purchases together approximate the total value of imports of similar equipment during the entire 3-year period of the "leap forward" (1958-60), when imports were at their highest. From 1958 through 1960, China imported roughly \$25 million worth of construction equipment from the USSR, the European Satellites, and the Free World. During the economic slowdown after 1960, total imports of construction equipment declined precipitously -- probably totaling about \$100,000 in 1962 and possibly nearly \$1 million in 1963, as shown in the table.

S-E-C-R-E-T

Chinese Communist Imports of Construction Equipment
1958-63

	Million US \$					
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
USSR	5.0	4.0	5.6	0.5	Negl.	0.3
Poland	0.6	0.9	1.5	0.5	0.1	0.1 <u>a/</u>
Other countries <u>a/</u>	2.0 to 3.0	2.0 to 3.0	2.0 to 3.0	0.5	Negl.	0.5
Total	<u>7.6 to 8.6</u>	<u>6.9 to 7.9</u>	<u>9.1 to 10.1</u>	<u>1.5</u>	<u>0.1</u>	<u>0.9</u>

a. Estimate.

2. Significance of the Purchase

The size and timing of the order suggest that the Chinese Communists are restocking and modernizing their deteriorating park of construction equipment. Although much of the machinery reportedly was purchased for "agricultural purposes," it is very unlikely that large, modern, expensive equipment of this type would be imported for farm use. Bulldozers, scrapers, and graders normally are used on projects requiring the movement of large quantities of earth. Such projects would include excavating, cutting, and filling for roads and railroads; clearing and grading sites for airfields and industrial construction; and moving earth for dam construction.

The unexpected doubling of the order during the final stages of negotiation may be connected with Communist China's current program of military construction. The Chinese are reportedly rushing to complete some of the railroad lines running to K'un-ming, 3/ and [REDACTED] a major new airfield is under construction near the North Vietnamese border at Ning-ming (22°07' N - 107°07' E). The Chinese have employed an unusually large quantity of construction machinery on this project -- including 50 scrapers, 80 bulldozers, 70 trucks, and 25 unidentified pieces of equipment. 4/

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Sources:

1. CIA. OO, 6 May 64. C.
2. FBIS. Daily Report (Far East), no 231, 27 Nov 64,
p. Q5. U.

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Analysts:

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169 - 170	Dr. Neilson Debevoise, NSC, Room 365, Executive Office Building
171 - 172	Frank M. Charrette, Agency for International Development, Chief, Statistics and Reports Division, Room A-204, State Annex #10
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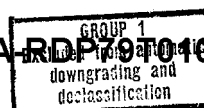
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