

CLASSIFICATION ~~RESTRICTED~~  
 SECURITY INFORMATION  
 CENTRAL INTELLIGENCE AGENCY  
 INFORMATION FROM  
 FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT   
 CD NO.

STAT

COUNTRY China  
 SUBJECT Economic - Trade  
 HOW PUBLISHED Daily newspaper  
 WHERE PUBLISHED Hong Kong  
 DATE PUBLISHED 1 Sep 1952  
 LANGUAGE Chinese

DATE OF INFORMATION 1952  
 DATE DIST. 17 Oct 1952  
 NO. OF PAGES 2  
 SUPPLEMENT TO REPORT NO.

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Hsing-tao Jih-pao.

CHINA USES FOREIGN EXCHANGE TO BUY STRATEGIC MATERIALS;  
 PORTS OPEN FOR NEUTRAL SHIPS

The new economic plans of the Chinese Communists require that all foreign credit earned will be spent for the purchase of strategic materials.

In an attempt to accumulate a surplus of foreign exchange, the Communists ruled that no foreign credits could be spent during the last quarter of 1951 and the first quarter of 1952 except for the purchase of strategic materials. During this period large quantities of domestic products were exported but the accumulated exchange was still insufficient and the Three Antis and Five Antis Movements were initiated to make up the needed credits.

As of July 1952, the new policy required that a balance be maintained in exports and imports and that all foreign credits be spent on strategic materials. The methods to be used in the trade are as follows:

1. Large amounts of domestic products such as tung oil, hemp, raw silk, hog bristles, feathers, and hides will be shipped to the Satellite countries of Eastern Europe where they will be transshipped in sales to Western countries for English pounds or American dollars. These credits will be used to purchase raw materials for the metal industries, liquid fuels, etc.

2. Neutral countries and countries not fully accepting the conditions of the blockade will be approached for barter of goods. Beans, rice, and other foodstuffs will be exchanged for Indian tires, rubber, printed cloth, tobacco, etc. Coke will be exchanged for Japanese metals and medicines; rice and barley will be exchanged for Ceylon rubber and aluminum. Goods to be imported under this plan must be transported by means of neutral ships to the ports of the Chu Chiang in South China, Tientsin in North China, and Chin-huang-tao in the Northeast. These ports have recently been designated as the ports of unloading for neutral ships. Previously with the exception of Soviet, Polish, and Indian vessels, all neutral ships were required to anchor outside of Chinese territorial waters.

CLASSIFICATION		RESTRICTED		DISTRIBUTION													
STATE	<input checked="" type="checkbox"/> NAVY	<input checked="" type="checkbox"/> NSRB															
ARMY	<input checked="" type="checkbox"/> AIR	<input checked="" type="checkbox"/> FBI															

RESTRICTED



STAT

3. Goods will be imported from Hong Kong and Macao directly or indirectly through four methods: (a) payment upon receipt of goods arranged by representatives of the Communist Nan-hsing Export Trade Company; (b) barter of domestic products from the ports of Canton, Chiang-men, Shih-ch'i, and Shan-t'ou; (c) by bills of exchange; (d) by using the buying power of private merchants in Hai-yu and Kowloon to purchase such items as aviation gasoline, lead, tin, radio, equipment, photography equipment, etc., most of which falls in the category of smuggling.

One other common form of trade which China is now carrying on is known as ghost trading. In ghost trading, China makes big contracts with the USSR, England, Japan, or any other country, knowing full well that it will be impossible to fulfill the terms of the contracts, but using the contracts as big propaganda themes and for clouding international conditions.

- E N D -

- 2 -

RESTRICTED