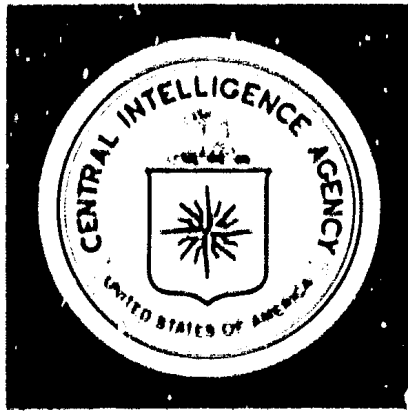


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Chinese Affairs

State Department review

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30 April 1973



Chinese Affairs

This publication has been prepared by the China branches of the Far East Division of the Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Back to the Farm

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The campaign to send educated youths to the rural areas has been intensified this year after a sharp cutback in 1972. A provincial official announced in March that "one or two million" young people will be rusticated, compared with four hundred thousand last year.

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[Redacted] a central directive issued last December, which reportedly suspended the recruitment of new factory workers. If this is correct, young people already in the countryside who had hoped for reassignment to urban factories and middle school graduates who now have no other employment prospects would swell the number of young people assigned to rural areas.

Some letters claim that the freeze on factory hiring is for three years, i.e., the remainder of the current five-year plan (1971-75). The current plan may have been revised to put even greater emphasis on agriculture in the wake of last year's disappointing harvest. In any case, the increased down-to-the-countryside program probably stems in part from economic considerations and may be an attempt to boost agricultural output by providing extra manpower for projects such as water conservancy.

Rustication of educated youth has had deep political as well as economic roots. It is consistent with Mao's long-standing belief that life and work among the peasants creates a healthy political attitude. Since the Cultural Revolution, rustication has been used as much to indoctrinate and discipline youth as to provide assistance for rural areas.

The controversy among the top leadership stirred up by the renewed program seems to be linked to the still unresolved Lin Piao affair. In December, Lin was attacked for the first time as an "ultra-rightist," on grounds that he allegedly opposed rustication and other policies in vogue during and immediately after the Cultural Revolution. Also in December, the media began to tout "new things"—rustication and other Cultural Revolution programs—in a leftist-inspired campaign to preserve at least some aspects of the Cultural Revolution.

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Broadening Contacts with US Oil Firms

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Peking is developing a broad range of contacts with US oil firms and companies supplying services and equipment to the oil industry. The following received invitations to the Canton trade fair that opened on 15 April:

- at least four oil companies--Continental Oil, Esso, Mobil, and Caltex;
- US Steel, reportedly because of Chinese interest in its oil-well supply division, which markets complete oil rigs for on-shore and off-shore use;
- Baker Oil Tools, a firm that specializes in tubular steel for drilling equipment.

In addition:

- a delegation from a Canadian subsidiary of Dresser Industries, a US firm that produces petroleum exploration equipment, is now in China;
- a major US firm engaged in engineering and design of refining processes will send a delegation to China in May;
- representatives of Standard Oil of Ohio (SOHIO) reportedly have already visited China in connection with the approved sale by a Japanese company of a petrochemical plant using SOHIO processes;
- China reportedly has requested several US oil equipment firms to quote prices on marine systems, drilling equipment, and a floating drilling platform.

All of the known contacts appear directed toward acquiring US equipment and technology, with emphasis on off-shore exploration and petrochemical refining processes. The inclusion of four oil-producing companies also provides an opportunity for the development of trade in oil or chemicals.

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More Transfers in the Provinces

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Since the Lin Biao affair in September 1971, a number of top-ranking military officials in the provinces have been purged or have simply dropped from public view. Now, steps are being taken to fill the void. Peking apparently feels that in the interest of over-all stability each province should have a clearly designated head, even if that person is only the "principal responsible person." The situation in the provinces contrasts with that in Peking, where the important party and army posts held by Lin and several other central military leaders purged along with him remain vacant.

The new lineup in the fractious province of Kweichow was revealed on 16 April. The "principal responsible person" there is Lu Jui-lin, an army veteran from neighboring Yunnan. Lu is the third military chief to be transferred to Kweichow since the start of the Cultural Revolution.

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In Hunan the new man-on-the-scene is party veteran Chang Ping-hua. Chang replaces a military officer who dropped from public view last fall.

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Chang Ping-hua's career has come full circle. He was first party secretary of Hunan, when he was publicly humiliated in 1966 by militant Red Guards. He returned to public life in 1971 in another province. Since his reappearance in Hunan in mid-April, Chang has been relatively active, greeting foreign visitors and organizing efforts to increase cotton production.

These latest lateral transfers follow a pattern that has been in evidence since the start of the Cultural Revolution. After leaders have been purged in one province, Peking has usually moved in new leaders from outside (occasionally they were brought up from within the local hierarchy). Before Lin's demise in 1971, these lateral moves almost invariably involved military professionals. Of late, however, some veteran civilian officials, like Chang Ping-hua, are being used as trouble shooters, presumably assigned the mission of restoring order and harmony and ensuring compliance with orders from the center. The use of these civilian officials is in keeping with Peking's avowed intention of gradually restoring the balance between civilian and military authority in China.

Many of China's provincial elite, whether military or civilian, are still being asked to implement what often appear to be conflicting directives from Peking. Moreover, they are sometimes placed in tight spots. For example, Chang Ping-hua will not only have to mend fences with local military leaders, who will regard his appointment as an effort to dilute their authority, but also with leftist forces in the province who were instrumental in ousting him and his supporters in the first place. Chang's authority is circumscribed by the fact that Hunan's nominal first secretary, Hua Kuo-feng, retains his Hunan party and government titles even though he has taken up new duties in Peking. The central leadership is undoubtedly aware of Chang's dilemma and of similar problems in other provinces, but seems unwilling or unable to help out.

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From Peking with Moderation

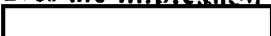


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Moderate reactions to contentious issues emphasize Peking's strong interest in normalizing relations with former adversaries and in defusing Indochina as a controlling issue in Asian affairs.

China's interest in maintaining movement toward Sino-Indian rapprochement was clearly demonstrated by its mild reaction to India's intervention in Sikkim. Chinese press reports have been sparse and without an authoritative stamp. The press has criticized India's intervention and New Delhi's "unequal" treaty with Sikkim; there has been no reference to Chinese interests, despite Peking's sensitivity to developments on its Himalayan frontier.

In Southeast Asia, China has ignored Thailand's involvement in Laos as the pace of Sino-Thai normalization has quickened. An authoritative commentary in *People's Daily* said nothing of Thai involvement, leaving it to a China-based Thai insurgent radio to support an earlier Lao Communist complaint about Bangkok's role. Peking has been influenced by knowledge that the Thai foreign office is considering trade ties with China and adjustments in Bangkok's relations with Taipei.

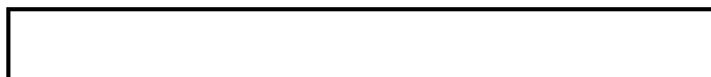
Nowhere has Peking's turn toward moderation been more evident than in its treatment of Indochina. Since President Nixon's China trip, Peking's statements have been less biting in tone and more sparing of US actions and motives in Indochina than commentary from the Indochinese Communists. Peking's latest statements appear even more shaded on the side of moderation and flexibility than high-level Chinese commentary a few weeks ago. A *People's Daily* editorial on 25 April used a softer formulation than in the past in expressing Peking's terms for a Cambodian settlement. Several times recently authoritative Chinese commentaries have addressed the question of "foreign" involvement in Laos and Cambodia in a way that leaves the impression that Peking may have not only the US in mind but also Hanoi. 

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A Temperate Stance at ECAFE Too

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China's appearance at the ECAFE meeting in Tokyo gave Peking an opportunity to advance the interests of the smaller Asian Communist regimes and to expound on population policy, economic self-reliance, cooperation, and aid. The Chinese generally stayed in the background, keeping an eye on their own policy needs as well as on issues appealing to the Third World.

In his opening statement, China's chief delegate An Chih-yuan claimed that Prince Sihanouk's exile regime, the Provisional Revolutionary Government of South Vietnam, and North Korea ought to be in ECAFE. In the early days of the session, the Chinese delegate emphasized the point by walking out during speeches by Cambodian, South Korean, and South Vietnamese representatives, but later the Chinese dropped the dramatics and remained at the meetings.

The Chinese statement on birth control, a sensitive subject in Peking, illustrated the difficulty of reconciling the hard realities of population pressure with Marxist theory that the masses are the motive force of history and economic development. The Chinese, conceding that some problems may arise as the population increases, described China's policy as "population increase in a planned way." They also indicated that they were willing to learn from the experiences of other nations. (For An's remarks on self-reliance and trade, see the Annex, "Economic Dimensions of Chinese Diplomacy.")

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Echeverria in Peking

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Mexican President Echeverria's five-day visit to China ended 24 April on a high note. The Mexican leader received a promise that Peking would sign Protocol II of the Treaty of Tlatelolco banning nuclear weapons from Latin America. The Chinese used the visit to polish their image as a champion of Third World interests.

The decision to sign the protocol was in line with Chinese assurances to Mexico last fall that Peking would not introduce nuclear weapons into Latin America. The Chinese made it clear, however, that they were still opposed to passages in the protocol that endorse the nuclear non-proliferation and partial test-ban treaties. By agreeing to sign, the Chinese not only pleased Echeverria, but stole a propaganda march on the USSR, now the only nuclear power that has not subscribed or promised to subscribe to the agreement.

The two sides signed a \$40 million trade agreement that will run for a year. The Chinese endorsed President Echeverria's concept of a charter of economic rights and duties of states and reiterated their support for a 200-mile limit for maritime economic rights. As dressing on the cake, the two countries agreed to undertake cultural, scientific, and technical exchanges during 1973-74.

The Chinese followed their standard routine for high level guests in entertaining Echeverria—a gala welcome, a meeting with Mao and talks with Chou, and a short tour of other parts of the country. Public comments imply that both sides attach considerable symbolic importance to this visit, the first to China by a Latin American chief of state. The Chinese and their guest played heavily on Third World themes—the encouragement of economic nationalism and opposition to superpower hegemony and spheres of interest, but neither the US nor the USSR was specifically attacked. The Chinese doubtless hope that Echeverria's visit will give new impetus to their lagging campaign to expand relations with Latin America.

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China's Researchers Reorganized

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China's science and technology organizations underwent a major shakeup during the Cultural Revolution—at all levels and in both the civil and military science structure. Scientific organizations were reduced in size, merged, or abolished. The objective, if there was one, was to put national research under provincial and municipal administration so that the needs of local industry could be served more effectively. The changes emphasized the importance of applied research and the integration of research with industrial production. The result was excessive decentralization, de-emphasis of basic research, and an erosion of professionalism in the administration of scientific activity.

To correct these imbalances, readjustments are slowly being made. The State Scientific and Technological Committee of the State Council was abolished and replaced in part by the Science and Education Group, which was first noted in May 1971. The committee's functions were distributed among this new "group," the Chinese Academy of Sciences, and the National Defense Science and Technology Committee. The "group" may be an interim organization, but it is now responsible for civilian research and development planning, relations with foreign scientific communities, and scientific and technical education.

A related development was the reappearance, after a long eclipse, of the State Science and Technology Association. Before the Cultural Revolution, the association was an influential advisory organization concerned with coordinating scientific and technological activities and promulgating scientific knowledge, but it is now mainly a front organization for foreign scientific contacts. The Chinese have equated the association with the US Committee on Scholarly Communication with the Peoples Republic of China—a non-government body active in promoting better relations with China. The association's sponsorship of conferences and journals has not resumed, but technical societies and scientific publications are slowly reappearing.

The Chinese Academy of Sciences has undergone major changes. Only a dozen of the more basic institutes, such as the Institutes of Physics and Mathematics, are administered by the academy from the center. Many applied research institutes have been placed under the direct control of provincial or municipal science and technology bureaus. The academy still has some control over the plans and resources of these institutes, even though some of them have been placed entirely under the Ministry of National Defense and other ministries. The Academy of Medical Sciences, the Academy of Agricultural Sciences, and numerous other industrial research academies have been similarly reorganized.

Major organizational changes affecting science have apparently taken place within the Ministry of National Defense too, but the nature of these changes is not clear. The National Defense Science and Technology Committee appears to be intact

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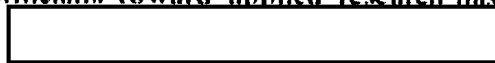
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and has absorbed a number of research units from the Academy of Science and other organizations, including the Institute of Atmospheric Research. Certain units supporting the military that were under the Central Meteorological Bureau, Oceanology Bureau, and Survey and Cartography Bureau reportedly have been placed under more direct military control.

The problems involved in finding a proper balance between basic and applied research have not been fully resolved. While there has been a reallocation of resources between military and civilian research, the extent is not known. In some respects, the mechanisms for exchanging scientific and technical information have been affected adversely, but in general the redirection of the efforts of many scientists and technicians toward applied research has led to technical advances in China's industries.



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Leadership Notes

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Since his rehabilitation on 12 April, former party secretary-general Teng Hsiao-ping has been fairly active—not as active as China's busiest vice-premier, Li Hsien-nien, but certainly more so than the three other rehabilitated vice-premiers. He was on his own on 20 April when he escorted Mexican President Echeverria to a commune outside Peking, but his other appearances have been at the side of Li Hsien-nien. Teng's rehabilitation is reported to be the subject of study sessions suggesting that the leadership is trying to explain its implications. Some Chinese officials in Hong Kong are said to view the rehabilitation as encouragement to other disgraced cadres, but an article in *Red Flag* was less reassuring. It offered veteran cadres official forgiveness, but made no reference to their returning to active duty. This may indicate that some leaders oppose Teng's new role.

* * *

Also in the limelight of late has been Chou En-lai's wife, Teng Ying-chiao. She has been elevated in official listings to a group of leaders just below Politburo level, and has made several public appearances. Her recent visibility may be the result of her prominent role in the Women's Federation, a mass organization being rebuilt at the lower levels. The organization has yet to be officially re-established at the national level, but Teng, one of its vice-chairmen, was identified in this post a year ago. She and Mao's wife, Chiang Ching, are China's most prominent women, but the two rarely appear together. Mme. Mao has not been seen since 12 March.

* * *

On 21 April, Shanghai's third-ranking party leader, Wang Hung-wen, was named head of the Shanghai branch of the All-China Federation of Trade Unions, another mass organization in the process of being rebuilt. Weng is sometimes in Shanghai and sometimes in Peking, where he heads the list of central leaders just below the Politburo. His new Shanghai post may be a clue to his role at the center; it is possible that Wang is a leader of the national trade union organization.

* * *

Wang Hai-jung, who is alleged to be Mao's niece, may have missed out on a promotion. As a deputy director of the Foreign Ministry's Protocol Department, she could move into the directorship now that the former director has been reassigned to the Liaison Office in Washington. The new US team in Peking has noted, however, that another deputy director is the "acting" protocol chief. Because of her rumored ties to Mao, many have interpreted Wang's role in the leadership as stand-in for the chairman. In fact, it was Wang who escorted Teng Hsiao-ping at his coming out on the 12th, a move interpreted by some as a sign that Mao personally endorsed Teng's rehabilitation.

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ANNEX

Economic Dimensions of Chinese Diplomacy

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The transformation of Chinese foreign trade policy now in process has both shaped and been shaped by the global diplomatic strategy Peking has been pursuing over the past three years. Having overcome the self-imposed diplomatic isolation of the Cultural Revolution by normalizing relations with the major Western powers, China is now laying the groundwork for a substantial expansion in economic relations with the advanced industrial nations of the non-Communist world. One goal of this expansion is a more rapid modernization and industrialization of the Chinese economy than could be realized by adhering strictly to the conservative financial and trade policies that have characterized China's economic behavior over the past decade.

In late 1972 and early 1973, the Chinese launched a drive of unprecedented scope to import scientific knowledge and advanced industrial technology from Japan and the West. In the first four months of 1973, the Chinese purchased almost \$300 million in whole petrochemical plants from Japan, West Europe, and the United States. Chinese purchases of plants and technology will total over \$1 billion if all deals currently under discussion are completed.

The largest sum put into whole-plant purchases from Japan and the West in any previous year was \$95 million in 1965. China first bought entire plants from the non-Communist world in 1963, and it increased such purchases yearly until 1965. The importation of Western technology came under strong attack during the Cultural Revolution, however, and purchases fell to \$32 million in 1966. Very few plants were purchased between 1967 and January 1973.

This year's large increase in plant purchases has been facilitated by China's willingness to finance many of them through five-year credits. A further increase in plant purchases in future years might require the use of longer term financing, and European businessmen in Peking have said the Chinese have expressed a willingness to accept ten-year terms. While it has accepted five-year credits both before and since the Cultural Revolution, China has never accepted a ten-year loan from a non-Communist country.

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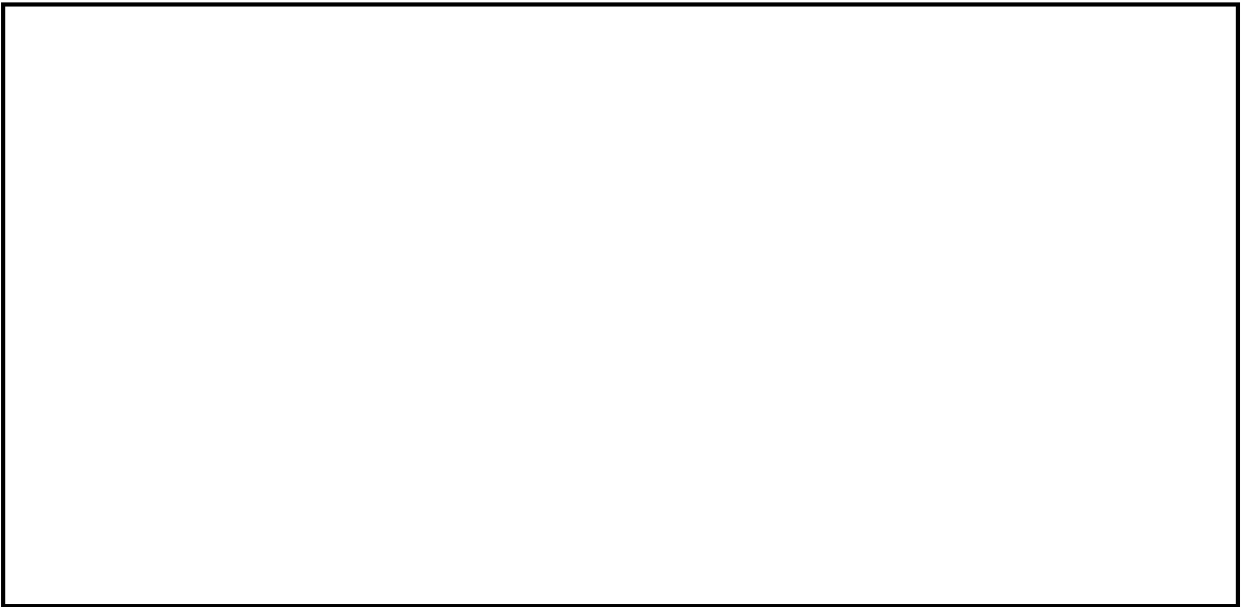
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In an apparent effort to lay the theoretical groundwork for trade expansion, a Chinese spokesman in mid-April offered what amounted to a redefinition of the Maoist economic doctrine of "self-reliance." Speaking at ECAFE, Chinese representative An Chih-yuan said that "self-reliance means for a country to rely mainly on...its people, exploit natural resources, or use foreign resources...according to its own needs and possibilities." To make his point more explicit, An said, "self-reliance does not preclude international economic and trade relations." He added that the Chinese are "ready to learn from the advanced experience of other peoples to make up for our own inadequacy."

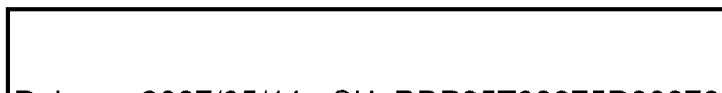
An was speaking of self-reliance as an operative principle for developing nations, but he made clear that he included China in this category. He was careful to say that foreign resources must be obtained on the principle of equality and mutual benefit. The normalization of diplomatic relations with the free world's major industrial countries in fact places Peking in the position of being able at times to play these countries off against one another as they compete to sell China the advanced technology it needs and wants to strengthen itself economically and militarily. By carefully planning its purchases, Peking will try to avoid becoming so closely tied to any single power that its independence or freedom of action will be impaired.



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CHRONOLOGY

- 3-15 April 15th China-Vietnam border railway conference held in Hanoi; Chinese delegation received by Premier Phan Van Dong. [] 25X1
- 12 April Chinese delegation arrives in Moscow for low-level trade talks. [] 25X1
- 14 April Somali minister of foreign trade and a Ghanaian trade delegation arrive in Peking. [] 25X1
- 15 April The annual spring export commodities fair opens in Canton; officials from the US Consulate in Hong Kong attend for the first time. [] 25X1
- 16 April Delegation of China-Japan Friendship Association, led by Liao Cheng-chih, arrives in Tokyo for month-long visit. [] 25X1
- 16-23 April High-ranking Pathet Lao delegation headed by Nouhak Phoumsavan in Peking; holds talks with Li Hsien-nien, Madame Binh, and Sihanouk. [] 25X1
- 18 April Advance party of PRC Liaison Office, headed by Deputy Chief Han Hsu, arrives in Washington. [] 25X1
- 19 April West Germany's first ambassador to the PRC presents his credentials to Tung Pi-wu. [] 25X1
- 19-24 April Mexican President Echeverria visits Peking; China agrees to sign Protocol II of the Treaty of Tlatelolco, to a \$40-million trade agreement, and to cultural, scientific, and technical exchanges for 1973-74. [] 25X1
- 20 April *People's Daily* "Commentator" publishes on situation in Laos and in Cambodia. [] 25X1
- Camodian pilot who bombed presidential palace in Phnom Penh on 17 March arrives in Peking; holds press conference and talks with Yeh Chien-ying. [] 25X1
- 21-23 April Madame Binh in Peking en route to Vietnam from North Korea. [] 5X1
- 22 April First Australian ambassador arrives in Peking. [] 25X1
- Canadian minister of energy arrives for discussion of petroleum matters. [] 5X1
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First PRC agricultural technicians arrive in Togo. [Redacted]

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23 April

Peking broadcasts a *People's Daily* editorial noting the simultaneous convening of municipal trade union congresses in Peking and Shanghai between 16 and 21 April; the editorial is the first authoritative endorsement of the line that Lin Biao was "ultra-rightist." [Redacted]

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24-25 April

On occasion of third anniversary of Indochina summit conference, Peking sends congratulatory message signed by Chou En-lai and Tung Pi-wu to Vietnamese, Lao, and Cambodian conferees; *People's Daily* publishes editorial, and Yeh Chien-ying addresses reception in Peking hosted by Cambodian exiles. [Redacted]

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Xuan Thuy in Peking en route to Hanoi from Paris; holds talks with Chou En-lai, along with Huang Chen, designated head of US Liaison office, and Sihanouk. [Redacted]

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25 April

Nigerian Commissioner for Foreign Affairs arrives in Peking. [Redacted]

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[Redacted]

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