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Published by: Cambridge University Press on behalf of the School of Oriental and African Studies
Stable URL: https://www.jstor.org/stable/20192697
Accessed: 16-12-2018 23:06 UTC

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China’s Internationalization in the Early People’s Republic: Dreams of a Socialist World Economy

William C. Kirby

Abstract The People’s Republic of China, like the Chinese Communist Party that ruled it, was from its conception internationalist in premise and in promise. The PRC in its formative years would be Moscow’s most faithful and self-sacrificing ally, a distinction earned in blood in Korea and by the fact that, unlike the East European “people’s democracies,” the PRC’s allegiance was not bought at gunpoint. This article researches one of the most ambitious international undertakings of that era: the effort to plan the development of half the world and to create a socialist world economy stretching from Berlin to Canton. What was China’s role in this undertaking, and how did it shape the early PRC? How did this socialist world economy work (or not work)? How successfully internationalist was a project negotiated by sovereign (and Stalinist) states? Why did Mao Zedong ultimately destroy it, and with it, the dream of communist internationalism?

A defining characteristic of modern China is its incorporation into global systems. Whether one speaks of military, political, economic or cultural trends, China became an ever-greater participant in international currents over the course of the 20th century. In recent years there has been a great deal of study of the challenges posed by China’s seemingly recent “emergence,” but very little scholarly appreciation of longer-term processes of China’s internationalization.

The longer term, it is true, is much longer than the history of the People’s Republic or even of the entire modern period. Historians of longer durée – such as John Schrecker in his stimulating reinterpretation of the broad narrative of Chinese history on the basis of Chinese historical categories, or R. Bin Wong, in his China Transformed – deal in different ways with the challenge of looking at Chinese history apart from or (in Wong’s case) in addition to the categories of analysis that have dominated the study of China since larger-scale contact with the West began in the late 18th and early 19th centuries.1

Historians of China in earlier periods have recently endeavoured to recover the international or, more accurately, the global dimensions of Chinese history, undoing myths (Western and Chinese) of stubborn isolationism. Joanna Waley-Cohen’s excellent synthesis of this work, in her book the Sextants of Beijing: Global Currents in Chinese


© The China Quarterly, 2006 doi: 10.1017/S0305741006000476
History, recovers China’s active participation in networks of international exchange that “stretched from Syria in the west to Japan in the east and from Korea in the north to Indonesia in the south, and which, by the 16th century, included Europe and the New World.” In the process she deals with China’s transformation by, and of, both religious waves (such as Buddhism) and global trading patterns (as with Latin American silver).² Well before this new wave of scholarship, the work of Morris Rossabi and others had already done much to refine the textbook conception of an immutable Sinocentrism in the working of traditional China’s relations with its neighbours.

Historians of more recent times have long discussed the comparative role of forces external and internal to China in the shaping of its modern history. They have done so in debates that sometimes echo those many decades ago in Europe, which argued either for a Primat der Außenpolitik as the motive force of a nation’s history or alternatively for the primacy of domestic politics even in the setting of foreign policy.³ Yet the study of modern China in the West has never been burdened by a focus on foreign policy – and the actions of foreign policy elites – to the exclusion of other factors. John Fairbank shaped the question of a Chinese “response” to the West without writing a straightforward diplomatic history and without oversimplifying the complex and contradictory set of actors that comprised “the West.”⁴

In Fairbank’s professional youth, the study of modern China’s foreign relations was at the centre of modern historical studies of China, both in the West and in China, where his teacher, Professor T. F. Tsiang (Jiang Tingfu 蔣挺黻), set the standard in the writing of modern international history.⁵ Diplomatic history in particular exemplified the best of Chinese historiography,⁶ and this tradition has been well maintained.⁷ Yet this is a field in Chinese studies that stagnated in the West from the 1960s on. In recent decades the study of China’s international relations has been overshadowed, in both

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⁵. Jiang Tingfu, Zhongguo jindai shi (Modern Chinese History) (Changsha: Shangwu, 1938), and Jindai Zhongguo waijiao shi ziliao jiyao (Materials of Modern Chinese Diplomatic History) (Shanghai: Shangwu, 1931).
⁶. See for example Zhang Zhongfu, Zhonghua minguo waijiaooshi (Diplomatic History of the Republic of China) (Beijing: Beijing daxue chubanzu, 1936; Chongqing: Zhonghong shuju, 1943).
quantity and quality, by work on Chinese social and cultural history. Unlike the leading works in those fields, most of the standard monographs on China’s foreign relations were written before the opening of Republican-era archives in the People’s Republic of China (PRC) and on Taiwan. Thus there exists no standard work in the West on the international political relations of 20th-century China that makes extensive use of Chinese and foreign diplomatic archives. The realms of economic and cultural relations similarly lack an integrated treatment. The present Western-language literature on China’s foreign relations is heavily weighted towards the foreign policy of the contemporary PRC government, and even here there are but few works that offers a synthetic and historical overview. The best study of China’s foreign relations in all their dimensions, for historical and contemporary times – Jürgen Osterhammer’s *China und die Weltgesellschaft* – has no English-language translation, and so its readership is unfortunately restricted. And while many have studied the conflicts that have emerged over time in China’s foreign political relations, few have focused on patterns of interaction, interpenetration and co-operation across national boundaries that have proved at least as important.

Yet the history of the PRC is simply incomprehensible without a strongly international perspective. Its ruling party, the Chinese Communist Party (CCP), was the creation of a foreign power, and it began its rule of the country under foreign protection. The early PRC was a leading actor in a global revolutionary movement as well as in a military-political-economic alliance that stretched from Berlin to Canton. Internally, its system of government was self-consciously modelled on that of its foreign allies. And the lives of its 600 million subjects would be changed by the application of imported models of social, political and even cultural revolution. At best, the lines between things international, global or external on the one hand, and things “Chinese” on the other hand, became in many realms nearly impossible to draw. In order to study this era of China’s international history, we cannot separate the internal from the external; rather, we should aim to examine processes of internationalization at home and abroad.

This is not to suggest that international influences were imposed upon China in this period. If PRC foreign policy evinced a tension

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11. One unpublished exception can be found in the papers of the ACLS/SSRC Conference on Patterns of Cooperation in Modern China’s Foreign Relations, Wintergreen, Virginia, 1987.
between communist internationalism and Chinese national interest, policies were nevertheless set by Chinese leaders whose own careers had been at once internationalist and nationalist. Within China, it was not the imposition, but the internalization of international cultural practices, be these of political activity, economic organization, legal and prison systems or whatever, caused at least as much by "agency" on the part of Chinese actors as by international "influence." How else, for example, can we understand the durability of certain strands of Western political thought in China, not the least important of which is Leninism, which to this day allows the People's Republic to survive as the world's last significant communist state? As suggested below, a Chinese leader's political worldview — itself as much international as "Chinese" — would go far towards determining the fate of the early PRC's most important international relationship.

Although both the internal and the external aspects of Chinese foreign relations require dealing with transnational and intercultural interactions — cultural, economic or political — I prefer the term "internationalization" to (for example) "globalization" for a very simple reason. States and governments matter, critically, to the private as well as the public dimensions of Chinese foreign relations in the 20th century, which took place in settings that were inescapably inter-national, across recognized (albeit sometimes disputed) national frontiers. And states and governments mediated, regulated and registered an ever-growing percentage of the activities of non-state actors.

A single essay cannot hope to address all these issues in the history of the early People's Republic. This article focuses on a topic in which all dimensions of China's international relations come into play in one measure or another: China's role in the socialist world economy during the 1950s and early 1960s. As most recent work on Sino-Soviet relations has focused primarily on external political relations, it should be useful to explore the multiple, and ultimately political, dimensions of China's international economic relations, the alternative directions of which were stated starkly by Nikita Khrushchev in 1959:

If we want to speak of the future, it seems to me that the further development of the socialist countries will in all probability proceed along lines of reinforcing a

12. This gap in our scholarship has now begun to be addressed in a series of conferences on China's internationalization led by a consortium of research centres: the Sinological Institute of the Free University Berlin; the History Department at Peking University; the Institute for East Asian Studies at the University of California, Berkeley; and the Fairbank Center at Harvard. For an excellent example of recent scholarship that looks at multiple patterns of interaction across borders see Mechthild Leutner and Klaus Mühlhahn (eds.), Deutsch-chinesische Beziehungen im 19. Jahrhundert. Mission und Wirtschaft in interkultureller Perspektive (Münster: Lit, 2001).

single world system of the socialist economy. One after another the economic barriers which separated our countries under capitalism will disappear .... Not a single sovereign socialist state is able to shut itself up within its own frontiers and rely exclusively upon its own potential, or its own wealth. If the contrary were true, we would not be communist internationalists, but national-socialists.

**The International Inheritance of the People's Republic of China**

If the Kuomintang regime that ruled the Chinese mainland from 1927 to 1949 styled itself in English as “Nationalist,” the CCP was, from its conception, internationalist in premise and in promise. Its founding, as the Chinese historian Xiang Qing (向青) has written, “was a direct consequence of Comintern intervention to establish a Chinese branch of the Communist International.” 14 Its revolution, Mao Zedong would admit in a frank and difficult exchange with Soviet Ambassador Pavel Iudin in 1958, “could not have succeeded without the October Revolution.” 15 Its proudest offspring, the new PRC, would bear an indelible Soviet birthmark.

When Mao Zedong declared that the Chinese people had finally “stood up” with the establishment of the People's Republic of China on 1 October 1949, he made it clear that they would not stand alone but would stand by the Soviet Union and its allies. 16 Stalin and Mao may often have been “uncertain partners,” 17 but the PRC in its formative years would be Moscow’s most faithful and self-sacrificing ally, a distinction earned in blood in Korea and by the fact that, unlike the Eastern European “people’s democracies,” the PRC’s allegiance was not bought at gunpoint.

Michael Sheng has argued that the CCP that took power was in a fundamental sense not “nationalist,” as it lacked a core conception of a “Chinese nation” defined principally by borders, ethnicity or

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language. It drew lines instead along class boundaries, limited “the people” to those on whose loyalty it could count, and placed the party-state on a higher moral plane than the nation-state. Thus despite its nationalist rhetoric, the CCP, “born pro-Soviet,” could support the interests of the “proletarian state” of the USSR over the interests of the Chinese Republic, which the CCP sought to destroy.  

As later events would show, this was an internationalism that could go beyond fealty to the Soviet founder to something more properly described, as Chen Jian has suggested, as universalism.

In economics as in politics, it was never the aim of the PRC leadership to build “socialism in one country.” That phrase summed up the model of Stalinist autarky when the Soviet Union survived “capitalist encirclement” as the world’s only communist country during the inter-war years. By late 1949, however, the socialist world stretched from Berlin to Canton, and included one-third of the world’s population. The PRC would not have to build socialism alone: the “fraternal partnership with the states of the socialist community, and, above all, with the Soviet Union [would] quicken the movement of the Chinese people on the road to socialism.”

The great Sino-Soviet exchange that ensued in the 1950s was, then, part of a larger web of co-operative relationships with all the “brother countries” of the socialist bloc. China was now a member of what Stalin called “two parallel world markets ... confronting one another.” The subject of limited Western academic interest in the 1950s, the “socialist world economy” has not been the topic of serious historical inquiry since. In the case of China, perhaps this is because, as Lowell Dittmer has noted, much of Western scholarship on Sino-Soviet relations during the PRC era has studied the conflicts between the two communist powers, not their co-operation. This is true also of post-1960s Chinese writing on the relationship, though not, by and large, of Soviet histories and reminiscences on the 1950s.

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which have tended to stress the collaborative dimensions of Sino-Soviet relations.  

At present it is not possible to write the definitive history of China’s role in the socialist world economy: the opening of Chinese party, state and firm archives that relate to the topic still lag well behind those of comparable Soviet and East European institutions. Yet material exists in China and elsewhere sufficient to open a discussion of several questions. How did this socialist world economy work (or not work)? To what degree was it genuinely “internationalist,” even as it was negotiated by formally sovereign states? Here we can speak only of the Chinese experience. To investigate it, it makes sense to start with the foundations of Sino-Soviet relations before 1949; then to recount the organization of the socialist economic world as constituted in the 1950s; then briefly to assess the terms of trade between China and its socialist “brothers” and the broader impact of socialist economic internationalism on the PRC; and finally to try to explain the sudden end to the most self-consciously international age of Chinese economic development.

Viewing the wreckage of international communism at the beginning of the 21st century, it is easy to dismiss the effort to create an alternative world economy as doomed. Fail it did. Yet it was an ambitious and complicated undertaking that had a profound impact on China’s economic development in ways that are visible still.

Soviet Models Before 1949

Before one could speak, after 1945, of a “socialist world,” the Soviet Union alone was the model – in China as around the world – of communist economic development. Its belief in the “scientific” planning of an economy and the state ownership of industry, and its obsession with heavy industrial and military development as the keys to state power, would be shared by Nationalist and Communist regimes alike in China, and would make economic co-operation, when it came, all the easier. By 1949, a shadow of a “Soviet model” of state-led industrialization was already evident in Chinese industrial policy. The same could be said for foreign trade. By 1938, state industrial and military imports were almost entirely financed through a series of

footnote continued


revolving barter/credit arrangements by which industrial and military goods and services advanced in credit were repaid in Chinese raw materials. Under these arrangements the Soviet Union and China reached three major credit agreements in 1938–39, assisting China’s war effort during years when Western aid was minimal and foreshadowing the trading patterns of the 1950s.26

There were other, more difficult, precedents from the pre-1949 period. A series of Sino-Soviet economic enterprises in China’s northwest and north-eastern border areas were less examples of bilateral cooperation than of old-fashioned imperialism, Soviet-style. In theory joint ventures, these were as a rule Soviet-managed facilities on Chinese soil. (It may be worth noting that in organizational terms, these enterprises were ancestors of the Soviet stock companies set up in the eastern zone of Germany in 1946, in part as a means of gaining reparations.27) Two examples of projects that formally came under joint Soviet-Nationalist government management were the Chinese Eastern Railway and the Dushan (独山) (Xinjiang) oil field: the former was the subject of the 1929 Sino-Soviet war, and was later sold to the Japanese over Nanjing’s protests; the latter was initially, like most Sino-Soviet ventures, made directly with a Chinese provincial government, and became a joint venture at the national level only after first being seized by the Nationalist regime at a low point in Sino-Soviet ties in 1943.28 This pattern continued after the Second World War. The 1946 Soviet proposal for the placing of all Manchurian heavy industry under joint Sino-Soviet management was, according to the chief Soviet negotiator (in response to Chinese suggestions that joint management made economic sense in only a few industries), “not an economic question, but above all a political question,” reflecting the Soviet Union’s de facto political and military power in that part of China.29

A second, unpleasant, precedent was in the legal status of Soviet citizens in China. The famous Karakhan Manifesto of July 1919 “to the Chinese nation,” which stated the terms on which the Soviet state

28. Sun Yueqi, “Kangzhan shiqijian liangci chu Xinjiang jilue” (“Record of two visits to Xinjiang during the war of resistance”), Wenshi ziliao (Literary and Historical Materials), No. 84 (1982), pp. 135–149.
29. Sun Yueqi, “Huiyi wo yu Jiang Jieshi jiechu liangsanshi” (“Two or three items about my dealings with Chiang Kai-shek”), Wenshi ziliao, No. 84 (1982), p. 133. Or we may take as an example the case of the Sino-Soviet Aviation Company (Zhong Su hangkong gongsi), organized on the basis of an agreement in 1939 and extended by the Nationalists for five years in 1949: see Minguo dang’an (Republican Archives), No. 1 (1995), pp. 31–42.
was prepared to renounce imperialism and its entitlements in China, made generous promises that were never fulfilled. For the Soviet Union was the only power not to relinquish its extra-territorial privileges in China. Stalin personally informed Liu Shaoqi (刘少奇) that any Soviet personnel in China would be “subject to Soviet jurisdiction. ... The Chinese side has no [legal] authority over [them].” Still, by 1950, there were strong reasons to explore a Sino-Soviet alliance that went beyond ideological affinity or strategic partnership. In economic development in general and industrial development in particular, the Sino-Soviet relationship of the 1950s harked back to Sun Yat-sen’s grand plan to develop “the vast resources of China ... internationally under a socialistic scheme, for the good of the world in general and the Chinese people in particular.” In economic relations, Sino-Soviet co-operation seemed less a revolutionary break than a logical progression from the nationalizations of industry and foreign trade of the Nationalist government, the growing power of state planning bureaucracies, and the series of Sino-Soviet agreements for joint industrial ventures and barter-credit exchanges. In short, seeds for what Deborah Kaple has called “modern China’s Stalinist roots” were in the ground well before 1949.

Transitions to High Stalinism

When one adds to the above narrative the victory of the CCP in the Chinese Civil War, it is no surprise that the PRC entered into such a close alliance – economic as well as otherwise – with what was now officially called the “elder Soviet brother.” The alliance of 1950 built...
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upon the Nationalist experience but was – to cite Michael Sheng again – even more fundamentally “a logical extension of the history of CCP-Moscow relations in the decades prior to the proclamation of the PRC in 1949.”

Domestically, for much of its first decade, the People’s Republic was a more attentive student of Soviet models in state-building – in the construction of its political, legal, educational and cultural infrastructures – than the CCP ever had been of Comintern approaches to revolution. In the PRC’s domestic political arrangements, for example, Soviet models were omnipresent. Mao and his colleagues followed, sometimes against Mao’s own initial judgements, Stalin’s suggestions that the PRC needed a “coalition government” as an initial façade for party dictatorship; it needed elections to the Political Consultative Conference; and ultimately it had to have (and would have, in 1954) a constitution modelled largely on the USSR’s “Stalin constitution” of 1936. As Stalin put it in 1952: “If you do not have a constitution and if the Political Consultative Conference is not elected, enemies can charge that you have seized power by force.”

Lowell Dittmer has concluded:

The post-revolutionary political apparatus superimposed following liberation was essentially identical to the Soviet structure upon which it was patterned. The elites who led these revolutions shared the same general ideological outlooks as well as the specific objective of modernization without the putative inequities of capitalism. They fully expected their developmental paths to converge in the course of socialist modernization and the eventual realization of socialism.

In so doing China was entering a broader, young community of socialist states, each of which was similarly emulating the Soviet Union in this, its most exaggerated phase of “high Stalinism.” “Stalinism,” as Ben Fowkes has written, “meant, first and foremost, uniformity.” This meant, everywhere in the Soviet sphere, the absolute rule of the communist party, the oligarchic rule of its Politburo, and, inevitably, the emergence of a dominant personality, a

36. Sheng, Battling Western Imperialism, p. 186. For an excellent analysis see Steven M. Goldstein, “Nationalism and internationalism: Sino-Soviet relations,” in Robinson and Shambaugh, Chinese Foreign Policy, pp. 224–265. See also Niu Jun, Cong Yan’an zouxiang shijie (From Yanan to the World) (Fuzhou: Fujian renmin chubanshe, 1992). On the fundamental conflicts between the CCP and the United States see also Zi Zhongyun, Meiguo dai Hua zhengce de yuanqi he fazhan (Origins and Development of US Policy towards China) (Chongqing: Chongqing chubanshe, 1987).

37. See the transcript from the Soviet archives of Mao Zedong’s conversation with Pavel Iudin, the Soviet Ambassador to China, on 31 March 1956, on the question of the Comintern’s and Stalin’s China policy, in Far Eastern Affairs, No. 4–5 (1994), pp. 132–144. Regarding models for state-building, Deborah Kaple argues that the adoption of a “high Stalinist” model gave the CCP even more power in society than the CPSU had. See Kaple, Dream of a Red Factory.

38. See Shi Zhe, Zai lishi juren shenbian, p. 408.


“little Stalin.” It meant, too, the growth of public security organs, complete economic control by the state, and economic development giving highest priority to heavy industry and armaments. Despite the slogan of “specific roads to socialism” that had been proclaimed in Eastern Europe since 1946, the pressure to imitate the Soviet Union in nearly every respect became compelling in 1947-48 with the economic division of Europe between those in and those out of the American Marshall Plan, the political consolidation of communist rule, and the denunciation of “Titoist” alternatives to Stalinism. Throughout Eastern Europe, the establishment of command economies rushed forward, with the nationalization of industries, the collectivization of agriculture and the destruction of private commerce. As states extended their control of national economies, central planning commissions on the Soviet model followed everywhere, as did national economic plans that copied the Soviet plans of the 1930s. To co-ordinate all this in Europe was the task of the Council for Mutual Economic Assistance, or Comecon, established in January 1949. From its birth it pressured its participant economies to limit trade with the capitalist states and to strengthen the economic integration of the socialist camp.41

China’s incorporation into this system began at several levels even before the establishment of the PRC. In early 1949 a small army of Chinese and Soviet officials began the process of formal tutelage: on Stalin’s theory of the state; on policy towards nationalities; on the tax system of the USSR; on the role of party cells in factories and ministries; and so on.42 In the winter of 1950, while Mao was negotiating the terms of the alliance with Stalin, Chen Boda (陈伯达) was visiting the Supreme Party School, the prototype for Beijing’s Central Party School (Zhongyang dangxiao 中央党校); a Soviet labour union delegation was touring China; and a commission of Soviet urban planners was preparing to leave for Shanghai, with the aim of turning it into a modern, socialist metropolis.43 Exchanges of teachers and farm animals followed in the spring. By the autumn, members of the Chinese Central Committee were having their suits made in Moscow.44

42. RtsKhIDNI (Russian Centre for the Protection and Study of Documents on Recent History), Moscow, archive of the Central Committee of the Communist Party of the Soviet Union (CPSU CC), External Political Commission, fond 17/opis 137, Vol. 405, files on Sino-Soviet study commissions, lecture tours, etc., 1949–50.
In economic matters, CCP–Soviet economic co-operation had begun even earlier with an “unofficial” 1946 trade agreement between the USSR and the communist-held territories of the north-east. By May 1947 a permanent apparatus of Soviet foreign trade and transport organizations had been created in northern Manchuria. Soviet specialists then consulted on long-term plans for Manchuria’s reconstruction, while also providing significant, immediate aid to the CCP war effort.  

As defined by Zhang Wentian (张闻天), the “north-east model” of economic development that emerged by 1948 followed both inherited Nationalist practice and Soviet advice in stressing the rapid growth of defence and heavy industries according to state plan. Thereafter large volumes of material were translated from the Russian on the practice of the “high Stalinist” Fourth Five-Year Plan (1946–50). In July 1951, with Soviet advice, the concept of nationwide planning was reintroduced with the PRC’s first annual economic plan. By the end of 1951 the state sector accounted for 80 per cent of heavy industry, 100 per cent of oil production, 98 per cent of iron and steel production, 82 per cent of machine-tool building, 76 per cent of electrical power and 70 per cent of the cotton textile industry.

Mao Zedong’s desire to transplant the Soviet experience to China sooner rather than later appears to have outpaced that of some of his comrades. For him, as for Stalin, the public commitment to “new democracy,” with promises of a coalition government and a mixed economy lasting 15 years or more, was not much more than a useful slogan. Yet some senior CCP leaders – Liu Shaoqi (刘少奇), Chen Yun (陈云), Deng Zihu (邓子恢) and Bo Yibo (薄一波) – believed in...
it enough to promote an economy that would tolerate capitalism in a manner “specifically Chinese in form,” promoting policies which, when carried much further decades later, would be called market socialism. But Mao decided early to take China on a clearly Stalinist path, though he would implement it fully only upon the end of the Korean War with his new “general line for socialist transition” of October 1953. (It seems that Mao had already made this decision in 1950, and would admit in 1958 that he had kept it a secret for tactical reasons.) Hua-Yu Li has noted that Mao was “committed to a Stalinist approach” in all its aspects; this would be evident in his economic programme after 1953, which was inspired above all by his reading, back in the 1930s, of Stalin’s famous Short Course, which was a history of the CPSU and the stages of Soviet economic development.

Mao’s “general line” plagiarized Stalin’s of 1929, a sign of both respect and submission by a junior partner in global communism.

China and the Socialist World Economy

The new world economy that China now joined had great ambitions and serious structural weaknesses. A Soviet article of 1961 described its ideal condition:

The continuous growth of production in all socialist countries ensures a constant expansion of their trade. The world socialist market does not have the problem of sale for each individual country and for the world socialist system of economy as a whole. Difficulties in sale may arise only temporarily for individual items and are easily surmounted. Nor does the world socialist market ever experience crises or stagnation, characteristic of the foreign trade of the capitalist countries .... The state economic plans of the Soviet Union and People’s Democracies incorporate plans for foreign trade, realized under trade agreements between the socialist

49. The short-lived era of “New Democracy” and the “Chinese NEP” of the early 1950s needs much more research. For an excellent inquiry based on Soviet archives see Arlen Meliksetov, “New Democracy’ and China’s search for socio-economic development routes (1949–53),” Far Eastern Affairs, No. 1 (1996), pp. 75–92. The quotation is from the resolution of the Second Plenary Meeting of the Seventh Central Committee of the CCP (March 1949), and refers to the prospects for capitalism in a socialist China: “The existence and development of capitalism in China, the existence and development of free trade and competition, are not as limitless and unbridled as in capitalist countries, nor are they as limited and cramped as in newly democratic countries of Eastern Europe; they are specifically Chinese in form.” Meliksetov, “New Democracy,” p. 77.


countries .... In contrast to the anarchy and unpredictable conjunctural fluctuation inherent in the foreign trade of the capitalist countries, trade in the world socialist market develops in conformity with the requirements of the planned economy of the socialist-camp countries, and serves as a major instrument in the co-ordination of their economic plans.

Apart from the fact that the economic history of the socialist bloc would hardly be devoid of crises in the 1950s – the chronic malaise of Soviet agriculture and the catastrophic collapse of China’s agriculture at the end of the decade, among them – the socialist world had several built-in disadvantages. First, it consisted primarily of the less affluent and more war-damaged countries of Eurasia. The economic division of the world disrupted previous patterns of trade with more advanced Western economies. Thus the two major trade blocs in the post-war period enjoyed more similar levels of development within each and would be more “horizontally” integrated than the more vertically integrated trading patterns of the pre-war decades. Secondly, the use of trade to integrate centrally planned economies was particularly difficult in an environment in which domestic prices were insulated from international markets and the currencies effectively non-transferable or non-convertible one with another, not to mention with the “hard” currencies of the West. Thirdly, the political economy of Stalinism that emphasized absolute party control and centralized economic planning in a national setting meant that socialist economic co-operation began, and for the most part remained, set in a series of bilateral agreements, without an integrated, multilateral vision of the bloc as an economic whole. Only with Stalin’s death would there emerge efforts to promote specialization and trade within the bloc.54

Fourthly, as the economic reorientation of the late 1940s diminished trade with the capitalist countries and redirected it to socialist comrades, the international divisions of labour achieved in pre-war markets could not easily be replicated in socialist ones. Indeed, with every socialist country operating five- (or more) year plans, with each plan “cast in precisely the same pattern,”55 there were new disincentives to trade. With each member emphasizing heavy industry at the expense of consumer goods and agriculture, the original bias in the Soviet model towards autarky could only be reinforced; hence


the building of huge iron and steel complexes in East Germany, Poland, Czechoslovakia, Hungary, Bulgaria and Romania, not to mention the Soviet Union and China. The great expansion of steel (Stalin's nom-de-guerre, after all) and munitions production in the socialist bloc may have made strategic sense with the onset of the Korean War in 1950, but this drives home the point that the fundamental basis of international socialist economic co-operation was, first and last, political.

For all its limitations, the international socialist economy was a foundation of China's economic development in the first decade of the PRC and almost completely defined its international economic relations. Trade agreements were reached with the USSR, Czechoslovakia and the GDR in 1950; Poland, Hungary and North Korea in 1951; Romania and Bulgaria in 1952; Mongolia in 1953; and Albania and North Vietnam in 1954. Although China never became a formal member of Comecon, it attended its standing commissions (organized by commodity), and the structure of its trade agreements with Comecon members was virtually identical to those between Comecon members.

After the adoption of Mao's new "general line" and the beginning of the PRC's First Five-Year Plan in 1953, China's trade with the Soviet bloc expanded enormously. In industrial relations the broad outlines of this co-operation as it developed over the rest of the 1950s are well known: the construction of over 200 industrial projects, mostly as "turnkey" (that is, fully finished) installations which became the core of the communist state industrial sector; the transfer of thousands of industrial designs; and the visits of perhaps 10,000 Soviet and East European specialists to China and of over 50,000 Chinese engineers, trainees and students to the Soviet Union and its European allies. Millions of Soviet books were imported and thousands of them were translated. Soviet aid in particular was

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57. In Eastern Europe, excess engineering capacity became a major problem in the 1950s. A Hungarian observer wrote: "The various countries created ... whole industries parallel to each other turning out products in excess supply and unsaleable at a time when other goods were everywhere unavailable." T. Kiss, A szocialista orszagok gazdasagi egyuttmuksede (Budapest, 1961), p. 110, quoted in Kaser, Comecon, p. 20.
simply massive, and, although it was not free, it was given on better terms than could then have been found from any other source—even if China had (as it clearly did not) alternative sources for credit, advice and investment. For the Soviet Union, itself still a net importer of capital goods in 1954, industrial exports to China competed with domestic demand and East European markets for the same goods.

While Chinese foreign trade officials noted that prices of certain commodities differed from those on the world market, overall and over many years the financial calculations of Sino-Soviet trade were deemed "reasonable and fair." This is despite the fact that China, in importing capital goods only from the Eastern bloc, was in a "seller's market" and normally would have been forced to be a "price-taker." Soviet prices to China of certain commodities were higher than those of the same goods when exported to the West, but as Feng-hwa Mah has shown, barter ratios for Soviet industrial equipment were "clearly to China's advantage as far as its industrial programme" was concerned. Where else in the world could China get five tons of steel products for one ton of frozen pork? Or a steel-pipe factory for 10,000 tons of tobacco? Moreover, there is little evidence that Moscow used its bargaining power to a comprehensive economic advantage. For example, Soviet technical assistance was never measured according to world market equivalents. Indeed, the concept of intellectual property was so alien to the Soviet bloc that scientific-technical documentation, including blueprints, was provided without direct compensation, as noted in the Sino-Soviet economic agreement of 15 May 1953. China was charged for the physical machinery, but the technology was basically free. For its part, the Chinese government was contracted to reimburse Moscow for only 50 per cent of the estimated costs of Soviet technical advisors in China. And if the international value of the ruble was overstated in Sino-Soviet agreements, given the very low interest rates of Soviet credits (never more than 2 per cent per annum), there can be little doubt that China fared very well indeed under the

60. See the excellent summary of Soviet aid in Dittmer, *Sino-Soviet Normalization*, pp. 17–25. The capital goods and military-related imports that comprised the bulk of China's imports from the Soviet Union were prohibited for the West as exports to China under the strategic trade regime of the US.


62. Feng-hwa Mah, "The terms of Sino-Soviet trade," *The China Quarterly*, No. 17 (1964), p. 175. As Mah argues elsewhere, prices are not everything: "For China, the availability of a ready market for its exports, the existence of a reliable (at least in the 1950's) supplier of the type of producer goods it needed, the availability of Soviet credit arrangements, and the convenience of conducting foreign trade between two planned economies may be considered more important than favorable prices." Feng-hwa Mah, "Foreign trade," in Alexander Eckstein et al. (eds.), *Economic Trends in Communist China* (Chicago: Aldine, 1968), p. 721.


64. Feng-hwa Mah, "Foreign trade," p. 724.

terms of a Sino-Soviet exchange in which each became the leading trading partner of the other.66

Bureaucratically, the creation of what Khrushchev imagined as “a single world system of socialist economy”67 started with the negotiation of a set of bilateral commercial treaties, which defined the framework of trade and included provisions for most-favoured-nation treatment. Bilateral trade agreements of varying duration were then negotiated. Finally, specific contracts were signed between the foreign trade corporations of the governments, specifying quantities, prices and delivery dates of individual products. For multilateral transactions – rare at first but gradually facilitated by a “one price” rule for goods traded within the bloc – the Soviet State Bank served as the clearing house after 1957.68 These ongoing negotiations brought together on a regular basis communist elites from East Berlin to Beijing who had the challenging task of co-ordinating their international economic obligations with their national economic plans. Just as domestic five-year plans were subject to periodic (usually annual) adjustment, so too the multi-year co-operative agreements between China and its Eastern bloc partners were in fact renegotiated on an annual basis to bring them more in line with the realities of production in a given year.

The documents of China’s annual negotiations with the Soviet Union and the German Democratic Republic are now available to researchers.69 These extraordinarily tedious materials give the historian new respect for the breadth of knowledge and attention to detail required of the diplomatic and trade representatives within the Eastern bloc: for it was no easy thing to plan the economy of


67. Speech of 7 March 1959, quoted in Sladkovski, Semiletka i ekonomicheskoe sotrudnichestvo, p. 32.

68. Spulber, “The Soviet bloc foreign trade system,” pp. 424–25. Spulber notes (p. 427) that according to a rule against price discrimination in 1951, each socialist country was to charge any other the same price for the same goods, taking into account only differences in transportation costs.

69. In Moscow, in the Russian State Archive of the Economy (RGAE); in Germany in the Bundesarchiv, Potsdam, and in the Stiftung Archiv der Parteien und Massenorganisationen der DDR im Bundesarchiv, in Berlin (hereafter Stiftung Archiv).
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one-third of mankind. These were, almost without exception, exacting negotiations, particularly on the pricing of goods in rubles, which frequently had to be settled at the highest level. Zhou Enlai (周思来) was the arbiter of China’s soybean exports to the GDR in 1957–58.

Yet in the 1950s these negotiations were also marked, much more often than not, by a sense of solidarity. The concept of “brother countries” was taken seriously, and the broader cause of building socialism appears to have been a factor facilitating compromise. The annual negotiations were thus frequently a means of adjusting commitments to take into account the difficulties of one or both parties. In urgent cases, supplementary agreements were signed, as in 1953 when, in the wake of anti-communist riots in East Berlin, the PRC sent 50 million rubles worth of emergency foodstuffs to the tottering GDR. As Zhou Enlai wrote to his German counterpart, Otto Grotewohl, in a private letter: “In consideration of the friendship between the Chinese and German peoples and in order to overcome the current difficulties into which the American imperialists and the West German bandits have brought the German people, we see our assistance to the German people as our duty and as an honour.”

There was no pretending, in short, that the idea of a socialist world economy was exclusively, or even primarily, economic in origin. It was, according to a Soviet study of the PRC in 1959, “trade of a consistently socialist type, which is organically inherent to a rapid tempo of development … [by] socialist states which are united together by having the same type of socio-economic, political, and ideological bases and by having a unity of interests and goals.” As for the precise means of calculating economic value in socialist trade, the principle of “comradely mutual assistance” determined the use of “one or another variant of [financial] calculation among socialist states,” according to a Soviet study of Sino-Soviet scientific and technical exchange. In other words, if politics was in alignment, the economics would take care of itself.

China’s incorporation into the socialist world economy had its distinctive tensions and problems. Not a few were of China’s making: in attempting a First Five-Year Plan more Stalinist than the Soviet First Five-Year Plan; or in following Soviet examples too slavishly, for example in the sciences, where Lysenkoism controlled the field of biology.

72. This would be true also in the realm of scientific and technological exchange: see for example RGAE, Moscow, 9480/1735, files on the Sino-Soviet scientific and technological agreement of 5 February 1958, based on the agreement of 12 October 1954.
75. Filatov et al., Ekonomicheskaiia otsenka, p. 87.
genetics even longer than in the Soviet Union; or in architecture, where the great exhibition centres in Beijing and Shanghai remain pointed reminders of Stalinist taste. The most problematic exchanges with the Soviet Union were two that never happened. The Soviet Union first agreed and then cancelled its offer to provide technical assistance sufficient to develop nuclear weapons. A more bizarre source of tension was Khrushchev’s proposal, during his first visit to China in 1954, that China send a million workers to Siberia to assist in the economic development of the Russian Far East. Mao Zedong then offered to send ten million. In the end, 200,000 went for temporary work. At the same time, the several hundred thousand (mostly “White”) Russians living in China since the Russian Civil War of 1917–21 were being repatriated to the Soviet Union in three stages. Socialist brothers, it appears, did not need to reside in close proximity. This was true in the case of Soviet specialists in China who normally lived and ate in hotels separate from the Chinese units to which they were assigned. Inevitably too there were tensions between groups and individuals at the local level, more commonly, it seems, between Soviet advisors and Chinese than between East Europeans and Chinese.

Perhaps the greatest impediment to co-operation between Stalinist regimes was the Stalinist political system itself, which institutionalized secrecy, suspicion and paranoia at every level. The memoirs of Mikhail A. Klochko, a Soviet scientist who served twice in China, in 1958 and 1960, depict all levels of Soviet and Chinese government – from the Soviet Embassy to the Chinese Academy of Sciences – as the leading obstacles to Sino-Soviet co-operation. Yet at the same time former Soviet advisors and their Chinese hosts would ultimately judge the advisory effort positively.

The broader cultural dimensions of the relationship are contradictory because there was, in the Stalinist systems of both the USSR


77. M. I. Sladkovskii, Istoriia torgovo-ekonomicheskikh otnosenii SSSR s Kitaem (1917–1974) (Moscow: Nauka, 1974), p. 216, puts the proposal as emanating from Mao. The more recent work by Galenovich, “Belye piatna,” p. 50, makes Khrushchev the author, and says that Mao was offended by the notion of China being a source of cheap labour for the USSR. Both accounts give evidence of a Soviet fear of Chinese designs on Siberia through Han settlement.


79. For a sharp, internal critique of boorish, overbearing behaviour on the part of some Soviet specialists in China see RGAE, Moscow, 9480/1724, report of M. Kudinova of 13 November 1958. Such behaviour may have been endemic in Sino-Soviet joint stock companies in Xinjiang: see G. Ganshin and T. Zazerskaya, “Pitfalls along the path of ‘brotherly friendship’ (a look at the history of Soviet–Chinese relations),” Far Eastern Affairs, No. 6 (1994), pp. 63–70.

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and the PRC, no purely "private" dimension to cultural relations. (Not until December 1956 did the first group of 21 Chinese tourists, travelling at their own expense, visit the Soviet Union; and even then they were on a state-organized tour.\(^81\)) To promote a “shared socialist culture” was the job of governments, and more specifically of the Society for Chinese–Soviet Friendship, which by 1959 had opened branches in 23 Chinese provinces and cities. Through its auspices nine million Chinese listened, with varying degrees of attentiveness, to 18,516 lectures and speeches between 1955 and 1959. Sixty-one million Chinese visited 27,500 photo exhibits. Yet of the 756 Soviet books translated by the Society, of which over 100 million volumes were published, how many were actually read, and by whom? Can one speak of an enduring impact of the 747 Soviet films shown in China and the 102 Chinese films shown in Russia? How did Russian audiences react to the many new translations of Lu Xun’s (魯迅) work?\(^82\) In terms of the economic exchange, the most important cultural question is probably this: what was the longer-term impact of the technical and educational exchanges between the two communist powers? Why, as of 1962, of the 551 leading scientific personnel in the Chinese Academy of Sciences, were only six known to have been trained in the Soviet Union?

We do not know the answers to these questions, but it seems far-fetched to attribute the fall of Sino-Soviet economic co-operation to the cultural realm, however broadly conceived.\(^83\) Certainly in economic terms this was, to borrow Steven Goldstein’s phrase, “the alliance that worked.”\(^84\) For all the serious limitations to the economic exchange, there were no overriding economic, technological, or cultural reasons to call an end to a complex of international relationships that – whatever else they accomplished – had helped the PRC to succeed where the Nationalists had only begun: in building the capacity to be a significant military-industrial power.

**Conclusion: The Primacy of Politics**

From the perspective of 1950, it would have been difficult to imagine that Chinese co-operation with the Soviet Union and its allies – which made sense in some form for any Chinese government – would founder so quickly, never to be revived. The Sino-Soviet

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83. For an interesting argument that emphasizes the “cultural” factor see Zhang Shuguang, “The collapse of Sino-Soviet economic cooperation,” presented to the Conference on New Evidence on the Cold War in Asia, Hong Kong, 1996.
alliance was in some sense pre-ordained by the tutelary role of the USSR in international communism in general and over the Chinese Communist Party in particular. It began with grand dreams and clear blueprints, not just for “red factories” but for the path to the Stalinist society outlined in the famous Short Course.

That is one conclusion: that no alliance could have withstood the expectations that accompanied Sino-Soviet partnership, not just for security and economic development but for the path to a shared, indeed universal utopia. More concretely, since the entire system of the socialist world economy was founded on the presumption of shared political, ideological and military needs in the creation and defence of international communism, if the socialist political world became disputatious then everything else was thrown into uncertainty. In this world, far removed from that which Marx and Engels had imagined, politics was not the superstructural representation of economic forces; it was just the reverse.

One can read in the archives of China’s economic relations with the Eastern bloc and never know of the tensions that would tear the bloc apart in the late 1950s and early 1960s. This is because there were no economic contradictions compelling enough to lead to a breakdown of co-operation. Even after the Great Leap Forward and the Sino-Soviet split, bilateral agreements, albeit of ever-lesser value, continued to be signed between China and other socialist nations and honoured into the 1960s and beyond.

The tensions ultimately emerged in politics, above all in Mao Zedong’s growing pretensions to ideological originality, indeed to be the successor of Stalin as the leader of international communism, in a manner that challenged the concept of “scientific” planning, undermined a founding assumption of the alliance (Soviet leadership), and led China into economic chaos and international isolation. If one needs proof that Mao remained an “internationalist” (or better, a universalist) even as he broke with the USSR, it is in the triumph of his politics and ideology over China’s national interests in the late 1950s and early 1960s, when he would place at risk the very existence of the Chinese nation and people to maintain his own conception of the Chinese and world revolution (and, certainly, his singular position in both). Yet beyond destroying the solidarity of the socialist economic world, Mao gave a death blow to communism as an international movement. As Khrushchev had predicted, in the place of the dream of communist internationalism would come, at best, a series of national socialisms.

The moment of no return came on 16 July 1960, when the Soviet Union notified Beijing that its experts would be withdrawn from China. Perhaps it was this decision that Khrushchev recalled when he spoke frankly in June 1964: “Many of us communists at first thought that in relations between socialist countries there ought not, in principle, to be a single hitch. But life has proved to be more complicated and contradictory than ideological conjectures.”