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Ministry for State Security of the GDR, 'Information about Some Aspects of the Domestic, Economic, and Foreign Policy of the PR China'

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Summary:

A report given to high level officials in the SED Central Committee and GDR Foreign Ministry. The report discusses the 'Criticize Deng' campaign, current agricultural and industrial developments in China, and China's economic relations with West Germany, Japan, and the United States. The report also provides commentary from China experts in the US State Department, discussing future perspectives for Chinese foreign policy.

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Information
About

Some Aspects of the Domestic, Economic, and Foreign Policy of the PR China

The "Campaign to Support Mao Zedong" currently running in China's provinces was in essence initiated by members of the Politburo with the incorporation of central party and state organs. In speech manuscripts drafted on the central level basically the same phrases are repeated already used in mass media. According to leading functionaries of the CCP, there still do exist opposing positions in leading organs of some provinces. This is also explaining why in late March/early April 1976 the process of criticizing Deng Xiaoping was sabotaged and instead activities to support Deng were undertaken. In Sichuan Province (home province of Deng Xiaoping) a slogan was spread according to which "Deng should return home if he is no longer needed in the Central Committee". It is to be expected that there will be a very differentiated approach towards the "proponents of the wrong path" in leading functions. This is evident in the Vice-Chairman of the Standing Committee of the National People's Congress, Tan Zhenlin[5], Vice Premier Li Xiannian[6], as well as leading officials on the provincial level who have been publicly criticized, again appearing at official events.

Despite the removal of Deng Xiaoping from the leadership, according to assessments by officials in the Chinese Foreign Ministry the intended purge of the pragmatic group has not succeeded.

The majority of the population is opposed to the current campaign. According to opinions held by officials on factory levels, the criticized cadres are actually not isolated to the extent as it is portrayed by the leadership. The broad mass of the population is sympathizing with those criticized because the latter had stood up for the interests of the people.

China experts in the [U.S.] State Department are currently analyzing the domestic processes in China. There exists insecurity about any currently effective options of American foreign policy towards Beijing. These experts are warning against an overstating of the situation following the purge of Deng Xiaoping. They are referring to the fact that the Chinese mass media are not realistically reflecting the balance of forces in the state apparatus and the CCP. According to the experts' evaluation, the

mass media are primarily under the influence of the extremist forces advocating against any pragmatic changes in domestic policy and wanting to preserve Mao Zedong's revolution model. They conclude that ultimately the influence of those forces will prevail who want to minimize the negative consequences of the Cultural Revolution. This process will take a long time since Deng Xiaoping moved ahead too rapidly. Although the majority of the Maoist pragmatists are supporting Mao Zedong's anti-Soviet course, they are also interested in an accelerated industrialization, a reorganization and streamlining of the state apparatus, and a restructuring of the educational system.

On all levels of the People's Liberation Army currently the files of the leading cadres are getting reviewed. The objective behind these measures is to investigate the political positions of the army cadres over an extended period of time and to identify "dissenters".

In educational institutions there is a currently a meeting campaign running to "unmask the damaging role of Deng Xiaoping". According to internal information, some professor with the Technical University in Beijing are of the opinion that the current domestic political developments will lead in two to three years to a civil war. Within the population as well, there exists the wide-spread opinion that the current mass campaign will create domestic political chaos.

Notwithstanding the existing differences about the most effective means and methods, the party and state organs devote major attention to the development of the economy. According to internal estimates, the food crop harvest amounted in 1975 despite a lengthy drought period to about 285 million tons. It thus exceeded the result of the previous year (1974: 274.9 million tons) by about 4 percent.

However, the situation in agriculture is showing tendencies and developments that are contradicting the goals of the party and state leadership. It should have been corrected already by a secret directive from early December of 1975: this document is stating that in many communes they operate according to the motto "distribute everything and eat everything", and that this kind of practice is accompanied by speculation, theft, and violations of the principle of collectivity. Incomes are frequently allocated according to fictional indicators. Surcharges on top of the cost rates of services are tolerated and there are unjustified allowances paid in form of natural produce. The main reason behind the indebtedness of so many communes is the lack of following the correct course; they prioritize material stimuli and not the orientation towards achieving ideological clarity, as it is demanded by the party and state leadership. The directive instructed to review the compensation system, not to pay out wages, to implement the duty of manual labor also vis-a-vis the cadres, to increase the accumulation fund, and to enforce the distribution of revenues according to performance.

Production by the light industry, which is primarily processing domestic products, has increased on average by 8 to 10 percent over recent years. The growing share of production from this industry of overall exports amounted to about 60 percent between January and June 1975. The electronic industry can show an increase in production of computers and scientific equipment.

In 1976 about 26 million tons of steel were produced. China's domestic need could not be fulfilled despite an increase in this particular production in 1975. Mechanical engineering is primarily oriented towards the production of agricultural machinery.

The shortages of the Chinese economy, namely energy supply and deficient infrastructure, are continuing to exist. In 1975 the production of coal reached about 400 million tons according to estimates; oil production amounted to about 70 to 75 million tons. Hydroelectric power plants are supposed to help closing the energy gap.

According to an assessment by the East Asia Association in Hamburg^[7], a major reason for de-centralizing the economy are the deficient transportation links between the centers. Railroads are still continuing to run on single-track. And transportation on waterways is to major extent done by junks.

In light of the significant foreign trade deficit, the Chinese authorities had already dampened imports in the first half of 1975 and put the focus on increasing exports. The recession in Western markets, however, imposed limits on this undertaking. Nonetheless, the balance of payment situation of the country is not in danger despite another import surplus. Gold and currency reserves are estimated to be at about 2 billion U.S. Dollars. Overall China's foreign trade has only a share of 2 percent of the gross domestic product. In principle, the Chinese leadership is looking to achieve bilateral trade balances, but it is also accepting exceptions. For instance, imports from Japan amounted to 1.8 billion U.S. Dollars while exports to Japan were just 1.12 billion dollars (figures from Japanese border crossings). Thus in comparison to 1974, China's exports to Japan grew just by 18 percent whereas imports increased by 41 percent. The trade of goods with the FRG followed a similar pattern, although the growth rates of that trade reached over the same period only about half the volume of the Japanese numbers.

The fulfillment of the space program will continue to receive major attention despite the existing economic problems, according to members of the Chinese state apparatus. About 2500 scientists and technicians, of which 200 are working in Urumqi and 500 in Beijing, are concerned with space issues. Those experts are guided by research cadres who have spent some time in the United States for longer periods of qualification. It is planned to launch a manned spaceship in 1977.

Highlights in the context of West German - Chinese economic and trade relations in 1975 were the "National Exhibit of the PR China" in June in Cologne and the TECHNOGERMA^[8] in September 1975 in Beijing. Many medium-size companies of the FRG had the opportunity to become familiar with the Chinese market.

The expansion of West German - Chinese economic relations was also supported by the visit of FRG Federal Chancellor H. Schmidt^[9] in late October and early November of 1975. West German companies interested in trade with China welcomed the signing of Navigation and Air Transportation Agreements as well as the agreement reached on establishing a West German- Chinese Economic Committee. However, they note with concern that Japanese trade companies are managing on a larger scale trade operations by Canada, the United States, Belgium, France, and Italy on one and China on the other hand. Thus the Japanese are attempting to expand and strengthen their position in the China trade.

According to assessments by American experts on Asia, the recent conflicts in China underline that Beijing's foreign policy course as well is unstable and China's relations with the United States are fraught with uncertainties. They expect fundamental decisions in the context of figuring out the succession of Mao Zedong.

According two opinions of officials in the Chinese Foreign Ministry, there certainly might be changes in China's foreign policy directions in case of a significant shift of the domestic political balance of forces in the leadership in favor of the extremist top functionaries. The extremist forces are in favor of stronger support for underground movements, especially in Southeast Asia, as well as of the numerous Maoist groups abroad. In this context they would accept a potential worsening of state-to-state relations with the countries affected. Economic relations with capitalist industrialized countries would be further limited according to the slogan "Trust in your own Abilities". China's hostile positions towards the Soviet Union would become further entrenched, while there would be attempts towards a stronger push to see Beijing's political demands vis-a-vis the imperialist powers prevail.

Among China experts in the [U.S.] State Department the opinion is dominant that no major changes will occur in relations between China and the Soviet Union in case of improvements of the position of the Maoist-pragmatic forces. However, one has also to reckon with the possibility of a partial improvement in relations as part of their tactics in the struggle with their extremist opponents in the Chinese leadership. According to their [State Department experts] assessment, the following options are future perspectives for Chinese foreign policy:

- A one-sided orientation by Beijing towards the capitalist industrialized countries would be feasible under the precondition that the current ideological theory framework is liquidated and the currently pursued expansionist objectives are abandoned. Such a development, however, would result in China's isolation within the Third World.

- A general rapprochement of China with the socialist countries is unlikely. Possible is a scenario of a partial improvement of relations with those in order to exert pressure on capitalist industrialized countries.

The China experts of the State Department are confronted with the question whether after the departure of Mao Zedong the anti-Soviet concepts of the Chinese leadership will be maintained or whether there will be a partial modification. The strategic cooperation between the United States and China will in particular depend on this fact.

An American diplomat in Vienna said internally, referring to the current unstable situation within the Chinese leadership, that the U.S. government will for now not decide on any moves to expand relations with Beijing.

According to internal American opinion, the goals of the extremist forces have no perspective in the long run, because China's development to an international power factor is requiring the import of Western technology as well as the modernization of the Chinese economy according to the concepts of the pragmatic forces.

This information must not be used publicly in the interest of the confidentiality and safety of the sources.

[1] Hermann Axen (1916-1992), Secretary of the Department International Relations of the SED Central Committee.

[2] Oskar Fischer (born 1923), Foreign Minister of the GDR.

[3] Paul Markowski (1929-1978), Head of the Department International Relations of the SED Central Committee.

[4] Ewald Moldt (1927-2019), 1976 Deputy Foreign Minister of the GDR.

[5] 1902-1983. Also Member of CCP Politburo and Central Committee.

[6] 1909-1992. In 1976 a Vice Premier of the People's Republic of China.

[7] See on the "Ostasiatischer Verein" between 1900 and the present:
<https://www.oav.de/english.html>

[8] Exhibits of West German technology and equipments held in various countries.

[9] Helmut Schmidt (1918-2015), West German Federal Chancellor between 1974 and 1982.