

China's Economic Development and the International Order in Asia, 1930s-50s

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Preface

China is one of the most important players in the international order of Asia, while China's economy itself is also strongly influenced by the Asian regional economic situation. This is not only true in the twenty first century, but was also the case from the 1930s to the 1950s, and suggests that we should pay special attention to China's economy and its relationship with Asia. This paper focuses on the various strategies and policies pursued to promote China's economic development from the 1930s to the 1950s, and examines their effects on China's foreign trade, especially on her trade with Asian countries.

1. Pre War Period, 1930s

As a result of the National Revolution from 1924 to 1928, a new National Government characterized by the firm assertion of national interest was established in Nanking. It was necessary for the new government to promote positive financial-economic policies designed to build a modern national economy. We can recognize four key persons who decided and carried out such financial-economic policies within the National Government in Nanking.

Kong Xiangxi who worked as the Minister of Industry from 1928-1930 and as the Minister of Finance from 1933-1944 proposed in 1928 that the government should build eight categories of state-operated factories. Although the intentions behind this plan are an important gauge to understand how the government viewed its own role in economic development, the plan was never realized because of financial shortages.

Meanwhile Song Ziwen (T.V. Soong) who worked as the Minister of Finance from 1928-1933, as the Vice-President of the National Economic Council from 1933-1944 and as the Deputy Prime Minister from 1945-1947, made energetic efforts to build infrastructure and to develop primarily the private sector of the modern economy. He was able to gain Western economic aid for some of his projects. His tariff policy, which promoted the strategy of import-substitution industrialization, and currency reform, which stabilized the rate of Chinese foreign exchange, obtained remarkable results.

Of course the significance of the protective tariff policy for economic development must be assessed correctly. In sectors such as the cotton spinning and weaving industry and the cigarette manufacturing industry a considerable degree of self-sufficiency based on domestic production had already been achieved; however, powerful foreign capital enterprises had also been established in China. As a result, even though a high rate of import duty was set, this had hardly any effect in terms of protection and nurturing of Chinese capital. There were different stories in other sectors of modern industry. For example the match manufacturing industry was affected by many internal problems, including a proneness to excessive competition. As for the mechanized flour milling industry, products produced by the traditional sector were of great importance and demand dropped dramatically with the fall in purchasing power of the masses caused by the recession. In this case, even if exports decreased due to high tariffs, domestic industry was not necessarily able to get normal development under way. In this sense there was a limit to what could be achieved by a protective tariff policy. However, there certainly were sectors of production, such as the cement industry, the rayon weaving industry and the cotton cloth processing industry, for which the decline in

volume of imports following the raising of import duties helped to create conditions advantageous to domestic production, and Chinese capital enterprises were able to develop. Overall, the protective tariff policy pursued by the Nationalist government caused a dramatic decline in imports, especially light industrial goods, and promoted the development of China's domestic industry including enterprises that had been established by Chinese capital (Kubo,1999,ch6).

On the other hand, Chen Gongbo who worked as the Minister of Industry from 1931-1935 aimed for a strategy of export-oriented industrialization. In his view, China should develop light industry. He frankly wrote in his memoirs, "If we discuss our national basic policy, there is no question that we must attach importance to heavy industry. If we consider China's economic conditions, however, I'd like to say that we should simultaneously start from light industry. Why? The reasons are as follows. (1) There is not enough technology or skilled workers to develop heavy industry in China, while China has good fundamentals in light industry. (2) It is not so easy for the Chinese people to invest in heavy industry, while they have already successfully invested in light industry. (3) Foreign governments support heavy industries such as shipyard industry, steel industry etc., but the Chinese government has not enough money to do so"(Chen,1936,p.91).

At the same time, Chen insisted in his paper published in *Zhonghua Yuebao* (the China Monthly) that China should promote the export trade. "The balance of foreign trade often has an important influence on the total national economy. China's imports are not so large, while her exports are too small. Needless to say when compared with European countries, China's imports are less than any other Asian countries every year. So according to my observation, we must promote exports and need not make haste to constrain imports"(Chen,1936,p.232-233). Pointing out the importance of the Southeast Asian markets where lots of Overseas Chinese lived, he visited Southeast Asian countries and encouraged the Chinese export trade, which he believed would help to develop new manufacturing industries(i.e. rayon weaving, celluloid processing, electric bulb manufacturing ,etc.) in Shanghai. But his policies faced great difficulties caused by the overall depression in the world economy in the 1930s and by Japanese hostilities(Kubo,1999,p.141-149). After the outbreak of the Sino-Japanese War, exports from Shanghai to Southeast Asian countries developed under special conditions(See a later section).

The last key person was Weng Wenhao who worked as the head of the National Resources Commission from 1935-1949 and as the Minister of Economy (formerly the Minister of Industry) from 1938-1946. He and his colleagues including Qian Chanzhao and Sun Yueqi believed that the most important task for the war economy, after the beginning of the war against Japan, was to construct a munitions industry based on heavy industry in the interior (Kirby,1984). Weng wrote as follows. "If there is no economic center in the inland area, we are going to be poor by developing during peacetime and to be controlled by the enemy during wartime. So we could say that constructing the inland means constructing our China. Because as long as we have a self-supporting inland, we can defend ourselves and gradually try to make a counterattack"(Weng,1934).

Moreover Weng's proposals included distinctive methods and an original development strategy. Weng insisted in another paper as follows. "As everything is under-developed in China, there are a lot of construction projects to pursue. But the national finances are limited and the responsible persons have not enough time to acquire experience. All of these factors suggest that the Government doesn't need to proceed on everything simultaneously, but she must decide the order of proceeding on constructive projects"(Weng,1933). From this we can see that Weng and his colleagues attached great importance to a controlled economy and promoted a planned economy to pursue the strategy of munitions industrialization. This strategy and policies were pursued extensively during the Sino-Japanese War (See a later section).

China's foreign trade clearly reflected the various development strategies and economic policies mentioned above. According to the statistics of the China Maritime Customs, China's important trading partners were America, Britain, Germany, Japan, and the Southeast Asian countries including the intermediate trade of Hongkong (Table 1). Due to the pursuit of

import-substitution industrialization under the protective tariff policy, the figures for imports into China from the powers fell dramatically, especially those of the light industrial goods. However the changes in

Table 1 China's Foreign Trade by Countries, 1933-1937

(Value in 1,000 US \$)									
Imports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
	1933	354,517	22.11	11.45	9.84	8.03	1.63	3.59	20.00
	1934	347,893	26.39	12.11	12.32	9.07	0.83	2.88	15.58
	1935	333,150	19.03	10.69	15.19	11.25	0.84	2.21	16.95
	1936	279,752	19.70	11.74	16.31	15.96	0.13	1.89	12.97
	1937	279,935	19.75	11.68	15.71	15.31	0.04	2.00	15.18
Exports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
	1933	161,321	18.48	7.96	15.65	3.40	0.97	19.75	5.75
	1934	181,008	17.63	9.30	15.16	3.58	1.05	18.85	6.65
	1935	208,868	23.67	8.58	14.24	5.02	0.74	16.47	4.71
	1936	210,002	26.36	9.18	14.48	5.54	0.60	15.07	4.86
	1937	245,802	27.59	9.58	10.05	8.64	0.58	19.42	5.59
Balances	Y	Total(val.)	USA(val.)	Gt.Br.(val.)	Jpn(val.)	Ger.(val.)	USSR(val.)	HK(val.)	SEA(val.)
	1933	-193,196	-48,563	-27,737	-9,628	-22,980	-4,229	19,146	-61,614
	1934	-166,885	-59,903	-25,287	-15,425	-25,080	-980	24,111	-42,175
	1935	-124,282	-13,961	-17,675	-20,852	-26,986	-1,255	27,013	-46,637
	1936	-69,750	240	-13,553	-15,216	-32,999	881	26,370	-26,088
	1937	-34,134	12,535	-9,143	-19,286	-21,622	1,305	42,149	-28,760

Source: Computed from Appendices.

The import trade varied greatly with the country. In the case of America and Germany, which exported only small amounts of light industrial goods to China, the reduction in the figure for imports of light industrial goods was not so great. Taking America as the example, the decline in exports of light industrial goods between 1926 and 1936 amounted to no more than 30 million yuan (Table 2). By contrast in the case of countries with large exports of light industrial goods to China, the reduction in these exports was very marked. For Japan, in particular, the 188 million yuan reduction in exports of light industrial goods between 1926 and 1936 was six times America's (Table 3).

Table 2 Commodity Group Composition of Chinese Imports from the United States, 1926-1936 (million yuan)

Year	P	H	L	O	Total
1926	109	39	35	4	188
	(57.9)	(20.9)	(18.8)	(2.4)	(100.0)
1930	142	56	31	3	232

	(61.1)	(24.0)	(13.5)	(1.4)	(100.0)
1933	93	44	15	1	152
	(60.8)	(29.2)	(9.6)	(0.5)	(100.0)
1936	27	37	5	12	82
	(32.7)	(45.4)	(6.6)	(15.2)	(100.0)

Source:Kubo,1999,p171,Table6-9.

Notes: P;Primary products, H;Heavy industry goods, L; Light industry goods, O; Others.

Table 3 Commodity Group Composition of Chinese Imports
from Japan, 1926-1936
(million yuan)

Year	P	H	L	O	Total
1926	76	49	205	7	337
	(22.6)	(14.6)	(60.9)	(2.0)	(100.0)
1930	52	90	177	8	327
	(15.9)	(27.6)	(54.1)	(2.4)	(100.0)
1933	10	24	32	2	68
	(14.2)	(34.9)	(48.0)	(2.9)	(100.0)
1936	11	38	17	2	68
	(15.5)	(55.9)	(25.7)	(2.9)	(100.0)

Source:Kubo,1999,p171,Table6-9.

Notes: P;Primary products, H;Heavy industry goods, L; Light industry goods, O; Others.

On the other hand, China could export her light industrial goods to Southeast Asian countries. I have included the intermediate trade of Hongkong in this category of exports to Southeast Asian countries since most of the exports from China to Hongkong were re-exported to Southeast Asian countries. In 1936 China's total trade balances with Hongkong and Southeast Asian countries went into the black(Table 1). Meanwhile China's trade balances with Britain, Japan, and Germany reached tremendous import excesses in the same year. These impressive facts doubtlessly encouraged the concept of pursuing the strategy of export-orientated industrialization.

2. War Period, 1938-1945

After the outbreak of the Sino-Japanese War in 1937, the Japanese Army occupied China's coastal plain, while the Chinese Army continued to resist in the inland area. Due to such a military situation, China's national economy was divided into several areas and economic strategies or policies pursued in each area showed clear differences with each other.

In the area of Japanese occupied China, the economic situation was very complicated. In fact, there didn't exist a united economic policy or a consistent development strategy. Even the Japanese occupation army itself was divided into two forces dispatched to the different areas of North China and Central China. In many cases, the two forces didn't cooperate with each other. The more blunt occupation policy was exerted in North China. At first, as the Japanese Government and army wanted to

exploit many resources in North China, they linked North China's currency with the Japanese yen in order to facilitate trade with yen-bloc areas (Nakamura,1983,p.103,p.151). But the lack of consumer goods in North China resulted in a large amount of imports from yen-bloc areas. Since the enormous import excess was very harmful for the North China economy, the Japanese Government and army had no choice but to adopt a new policy to restrain and control the trade of North China(Nakamura,1983,p.250,p.267).

Meanwhile the war situation was becoming worse and worse for Japan. So the Japanese Government and army changed their policy again after 1941 and tried to develop heavy industry in the North China area in order to support munitions production in Japan. There was, however, no chance for them to succeed, for the transportation system had been seriously damaged, labor was insufficient, and the various raw materials needed for production were in short supply (Nakamura,1983,ch4).

The Chinese Nationalist Government, moving their capital from Nanking to Chongqing in Sichuan, promoted the strategy of munitions industrialization in order to support their resistance war against Japan. The munitions industrialization lead by the National Resources Commission was developed in Southwest China, including Sichuan, Yunnan, and Guizhou. Weng Wenhao and his colleagues, believing in the superiority of the planned and controlled economy, made a big effort to promote munitions industrialization(Kirby,1992). Their belief was as follows. "State building in the modern world needs to rely on economic power so that we can exist by ourselves during wartime and develop rapidly during peace time. (1) Building favorable fundamentals by a planned and controlled economy. The economic systems of contemporary countries are classified into three types. (A) Full state managed, planned economies like U.S.S.R. (B) Full governmentally controlled economies like Germany, Italy, Japan etc. (C) Mainly free competition and partly governmentally controlled economies like Britain, America, etc..... China should adopt a mixed way. Considering the national defense as the most important problem, on the one hand the Government should take responsibility to promote state businesses, while on the other hand it should control private businesses so that they develop in accordance with state businesses in order to increase the nation's power rapidly"(Weng,1942). In 1945, the National Resources Commission became a large economic administration which had 119 business units with 63,700 engineers and workers covering the machine industry, coal mining, the electric-power industry and so on (Zheng & etc.,1991).

Table 4 China's Foreign Trade by Countries, 1938-1945

(Value in 1,000 US \$)								
Imports Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
1938	263,938	16.98	7.93	23.28	12.70	0.62	2.75	13.29
1939	406,984	15.90	5.76	23.32	6.55	0.00	2.60	9.43
1940	511,469	21.30	3.99	22.81	2.69	0.01	7.19	16.12
1941	605,487	18.44	2.19	18.91	1.99	0.03	14.47	20.69
1942	165,758	4.28	1.98	61.79	7.43	...	4.18	7.60
1943	159,686	5.50	1.88	63.66	11.42	...	5.90	7.81
1944	77,815	4.56	2.33	61.89	16.86	...	6.08	3.26
1945	21,027	7.19	1.07	56.72	9.55	...	4.78	0.37
Exports Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
1938	160,468	11.37	7.43	15.26	7.39	0.07	31.87	6.64

1939	116,194	21.92	8.82	6.47	4.38	0.00	21.56	13.56	
1940	119,414	28.63	9.96	6.40	0.21	0.00	18.60	11.18	
1941	154,317	20.61	3.36	8.66	0.71	0.00	25.54	16.15	
1942	76,491	14.05	0.00	51.09	0.41	7.22	0.87	3.25	
1943	43,080	31.38	0.00	37.33	0.04	24.29	0.84	1.24	
1944	34,889	17.64	0.00	42.64	0.09	27.78	1.90	0.43	
1945	16,031	12.50	0.00	44.10	0.00	38.54	0.32	0.00	
Balances Y Total(val.)USA(val.)Gt.Br.(val.)Jpn.(val.)Ger.(val.)USSR(val.)HK(val.)SEA(val.)									
1938	-103,471	-26,568	-9,009	-36,945	-21,672	-1,531	43,874	-24,429	
1939	-290,791	-39,222	-13,187	-87,413	-21,581	-11	14,454	-22,614	
1940	-392,055	-74,769	-8,525	-109,020	-13,521	-67	-14,562	-69,122	
1941	-451,170	-79,866	-8,090	-101,147	-10,957	-158	-48,185	-100,326	
1942	-89,267	3,654	-3,278	-63,352	-12,007	...	-6,260	-10,110	
1943	-116,606	4,739	-2,996	-85,575	-18,220	...	-9,057	-11,939	
1944	-42,926	2,605	-1,811	-33,285	-13,085	...	-4,071	-2,386	
1945	-4,996	493	-225	-4,858	-2,009	...	-954	-77	

Source: Computed from Appendices.

The Shanghai area experienced an economic boom from the spring of 1938 to the end of 1941 when the Asian-Pacific War broke out. Meanwhile, the Japanese invasion was spreading all over the Chinese territory. So the boom in Shanghai was called "the prosperity of a solitary island". It was a result of many complicated factors. At first, it must be pointed out that Shanghai maintained many trade routes which facilitated the gaining of resources from foreign countries and the sale of commodities abroad even after 1938. Shanghai could also continue to trade with inland areas under the Chongqing Nationalist Government (so called "Free China"). In spite of the economic blockade by the Japanese Army against Free China, Chinese merchants successively developed new routes entering Free China and the Chongqing Nationalist Government also supported their activities in order to get necessities or raw materials. The second reason was the market of Shanghai itself, which expanded rapidly. As the International Settlement and the French Concession in Shanghai became the most safe space in China, about one million refugees arrived from other areas in China. At the same time, it was very important for the Shanghai economy that the commodities produced in the Shanghai area were exported to foreign countries, especially to Southeast Asia (Kubo, 1994). Under these conditions, some of the Shanghai industrialists sought to maintain exports to the Southeast Asian countries, in order to preserve markets during the difficult wartime conditions. To do so, they became supporters of the collaborator Wang Jingwei and his puppet Government. In fact those who participated in Wang's puppet Government, including He Pingxian who took charge of its economic policy, usually insisted that their purpose was to save the Chinese who lived in the Occupied areas (He, 1999).

With regard to China's foreign trade during wartime, Table 4 shows the increased influence of Japanese aggression. If we break down trade statistics, we can clearly identify several patterns of trade in Wartime China. Such trade patterns reflected the economic necessities of each area.

Table 5 Foreign Trade in Occupied China(1), North China, 1938-1941

(Value in 1,000 US \$)

Imports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)
	1938	94,088	8.0	3.5	64.5	5.2	1.4	5.9
	1939	173,410	9.3	3.3	61.7	4.2	1.0	5.9
	1940	246,442	14.5	2.1	50.9	2.5	2.5	14.6
	1941	257,882	16.9	0.5	45.4	1.0	1.1	15.8
Exports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)
	1938	53,479	13.6	6.8	54.8	9.7	5.1	0.3
	1939	22,650	20.6	10.7	41.5	11.2	3.8	0.3
	1940	19,790	30.5	12.5	43.5	1.2	4.7	0.2
	1941	20,565	23.3	1.6	59.4	2.2	5.6	0.2

Source: Cheng Yu-kwei, p134-135, Table44.

As the Japanese Government and army wanted to exploit the resources in North China for their own munitions industry, they controlled the foreign trade in this area. Although they changed their policies several times, the basic trends reflected in table 5 are as follows. A large amounts of resources produced in this area were exported to the Japanese Empire including Taiwan, Korea, and Northeast China(Manchuria), while most of the imports came from the Japanese Empire. We can identify this as a particular pattern of trade within the Japanese Empire's yen-block.

Table 6 Foreign Trade in Free China,1938-1941

(Value in 1,000 US \$)

Imports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)
	1938	86,388	21.9	9.7	0.2	20.9	4.7	20.7
	1939	39,077	27.0	6.3	0.2	10.7	13.8	25.8
	1940	67,133	19.1	6.4	*	4.1	40.2	16.3
	1941	135,952	18.3	3.6	*	2.4	58.3	7.0
Exports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)
	1938	59,454	6.2	4.5	2.1	3.1	67.3	10.4
	1939	21,283	0.9	1.6	*	*	51.7	31.4
	1940	14,947	4.7	*	*	*	55.8	17.7
	1941	19,973	6.8	0.5	0.8	3.2	78.9	2.9

Source: Cheng Yu-kwei, p134-135, Table44.

Note: * negligible.

Table □ Foreign Trade in Occupied China(2),

Central & South China,1938-1941

(Value in 1,000 US \$)

Imports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)
	1938	83,462	22.0	11.1	16.7	12.7	2.3	15.4

	1939	194,497	19.6	7.8	16.9	7.9	1.8	10.1
	1940	197,894	30.4	5.5	10.8	2.5	1.8	18.7
	1941	211,653	20.4	3.3	11.3	3.0	2.6	36.6
Exports Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	HK(%)	SEA(%)	
	1938	47,535	15.4	11.8	8.7	10.3	17.6	12.0
	1939	72,261	28.5	10.3	6.9	3.5	18.2	14.9
	1940	84,677	32.4	11.1	10.1	*	15.3	14.9
	1941	113,779	22.5	4.3	16.9	*	19.8	25.0

Source: Cheng Yu-kwei, p134-135, Table44.

Note: * negligible.

On the other hand, under the controlled economy directed by the Chinese Nationalist Government in Chongqing, the foreign trade in Southwest China shows a different and distinctive pattern (Table 6). It was necessary for China's munitions industrialization in those days to import machines or equipment to develop domestic heavy industry and the munitions industry. During the war period, Nationalist China imported such machines or equipment mainly from Germany, the U.S.S.R., and America. In exchange, she exported several strategic goods such as tungsten, antimony, tin and tung oil.

Last, we must pay special attention to the foreign trade in Central China (Table 7). Shanghai continued to export many industrial products to Southeast Asian countries and to import several important resources. The total value of the exports to Hongkong (most of which were transshipped to Southeast Asia) and the exports to Southeast Asia reached about 30% of Central China's exports between 1938-1941.

In short, China had two patterns of Asian trade during the wartime period. One of them was represented by the foreign trade in North China monopolized by the Japanese Empire, while the other was the trade of Shanghai with Southeast Asian countries from 1938-1941. The former seriously damaged China's economy, while the latter provided at least some stimulation to industrialization in the Shanghai area.

3. Post War Period I, 1946-1949

After the end of the World War II, the system of the controlled economy to support the resistance war against Japan was no longer needed. The trends of the world economy were reoriented toward free trade, as suggested by the foundation of the IMF and GATT. So on the one hand, led by the Prime Minister of the Administrative Yuan, Song Ziwen, the Nationalist Government selected a free trade policy in 1946. Song clearly announced his basic concept at the first meeting of the Supreme Economic Council. "The Government should help the people's economic activities develop further, but should not control them. The Government should help people's economic activities proceed favorably, but should not intervene in them. With regard to foreign trade and foreign exchange, China must endeavor to concert with other friendly countries as much as she possibly can" (Song, 1945). According to Song's interpretation, Chinese foreign trade and foreign exchange were basically free after February 25 (add year) in order to increase imports and supply enough goods for China's national industry and people's daily lives. The new company law promulgated in April (add year) made it clear that even the fully foreign capital company would be allowed to develop. But the liberal policies of Song Ziwen didn't succeed, because the sudden increase of imports resulted in serious damage to the most of China's national industry and a large outflow of China's foreign exchange.

On the other hand, some of the bureaucrats believed that the policies of the controlled economy during the war period had gained good results and suggested that the continuation of such policies would be the best course for China's economic development. The bureaucrats who believed in the superiority of the controlled economy concentrated around the Head of the National Resources Commission, Weng Wenhao. When the liberal economic policies of Song Ziwen ran into serious difficulties, the bureaucrats around Weng seriously criticized Song , forcing him to resign as Prime Minister in March 1947. The economic policy of the Nationalist Government turned to the direction of the controlled economy.

Nevertheless the new policy of the controlled economy also failed to save China's economy. In those days, the Nationalist Government issued a large amount of money in order to get revenue for military expenditures. And as the large amounts of money in circulation brought down the value of money itself, the Government couldn't acquire sufficient revenues to support its projects. After the spring of 1947, the vicious circle of financial deficits and currency issues resulted in hyperinflation (Kubo, 1996).

During Song Ziwen's free trade policy, China's imports suddenly increased, while her exports recovered much more slowly due to the insufficiency of production(Table 8). If we accept the account of the activity of the UNRRA, the real value of imports became far more than the official trade statistics(Table 9). Then a large import surplus inevitably appeared. After the controlled trade started, the excess of imports somewhat decreased. This did not mean, however, China's foreign trade had recovered to the Pre-war level.

Table 8 China's Foreign Trade by Countries, 1946-1948

(Value in 1,000 US \$)								
Imports Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
1946	560,555	57.25	4.59	0.40	0.38	0.65	4.60	3.63
1947	451,031	50.20	6.86	1.69	0.02	0.31	1.84	6.41
1948	211,028	48.45	8.05	0.94	0.03	0.98	1.48	7.14
Exports Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
1946	148,986	38.71	4.38	3.11	0.00	4.99	28.27	3.46
1947	215,763	23.31	6.56	1.92	0.05	1.49	34.18	7.11
1948	170,419	20.06	3.90	5.52	0.22	3.24	31.44	16.51
Balances Y	Total(val.)	USA(val.)	Gt.Br.(val.)	Jpn(val.)	Ger.(val.)	USSR(val.)	HK(val.)	SEA(val.)
1946	-411,569	-263,248	-19,203	2,371	-2,134	3,796	16,321	-15,166
1947	-235,268	-176,120	-16,807	-3,465	32	1,830	65,438	-13,579
1948	-40,610	-68,046	-10,352	7,434	315	3,460	50,464	13,078

Source: Computed from Appendices.

Table 9 Direction of China's Imports, 1946 -1948, revised

(Value in 1,000 US \$)						
Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	HK(%)	SEA(%)
1946	716,139	61.4	6.5	0.3	3.5	3.2
1947	608,552	57.0	8.5	1.2	1.4	5.0

1948 331,044 66.5 5.5 0.6 0.9 5.1

Source: Cheng Yu-kwei, p180, Table71.

Total of commercial imports and UNRRA aid to China.

When we turn to consider the direction of trade, we can discover several interesting trends. (1) Since most of countries except the United States were unable to export to other foreign countries just after W.W. II, the share of the United States in China's imports rose sharply. (2) In China's Asian trade, Japan lost her past position because of her defeat in W.W.II. (3) China's exports to Southeast Asian countries were favorably recovering in 1946-1948. The total share of Hongkong and Southeast Asian countries in China's exports exceeded 40%(Table 8).

4. Post War Period II, 1950s

It is well known that the PRC Government began its planned economy after the Korean War. As the leaders of the Government sought to accomplish radical industrialization to build their own munitions industry and strong war economy, they adopted two sets of financial-economic policies. One called for the establishment of the planned and controlled economy to concentrate investments in heavy industry, especially in the munitions industry. And the other called for diminishing the private sector, establishing collective farms or factories and strengthening the state sector. Policymakers believed that such policies were the best way to accelerate industrialization and called them socialism. In fact, however, the main trends toward the development of state-managed heavy industry were very similar to the policies of the National Government during the Sino-Japanese War period, though the strong hostility to the private sector was basically different.

At the same time, since the development of munitions industrialization required the import of large amounts of machinery or equipment for heavy industry, the PRC Government had to mobilize existing light industry and agriculture to export their products in order to gain foreign exchange(Matsumoto,1975,p.145-149). Though light industry and agriculture were also very important to supply consumer goods for domestic consumption, first place in the PRC's economic policy was given to exports designed to earn foreign exchange, rather than to the livelihood of the population.

According to Table 10, China's most important trading partner in the 1950s became the U.S.S.R., while the United States, Britain and Japan lost the positions they had held before World War II. Of course this was an inevitable result under the conditions of the Cold War. However we should also pay attention to the continuity of some trade patterns. On the one hand, China's trade balance with the U.S.S.R. showed import excess because the PRC Government had to import large amounts of machinery or equipment for munitions industrialization. Though China exported a lot of food and resources to the U.S.S.R., it could not match the vast sum spent on imports. On the other hand, China's trade balance with Southeast Asian countries including Hongkong showed export excess except in 1951, when exports were influenced by the Korean War.

Table 10 China's Foreign Trade by Countries, 1950-1960

(Value in 1,000,000 US \$)									
Imports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
	1950	583	24.46	7.02	4.48	1.83	31.77	1.46	12.47
	1951	1,198	0.66	1.63	1.00	1.61	41.51	35.88	3.40
	1952	1,118	0.00	1.22	0.10	6.31	58.33	12.08	0.14
	1953	1,346	0.00	4.99	0.23	5.55	57.77	9.03	0.38
	1954	1,287	0.00	3.58	1.13	9.16	54.75	6.87	1.06
	1955	1,733	0.00	3.73	1.45	6.07	64.61	2.00	2.16
	1956	1,563	0.00	4.05	4.07	8.03	48.76	1.80	4.00
	1957	1,506	0.00	3.87	3.66	9.76	41.02	1.67	5.21
	1958	1,890	0.00	6.78	2.55	15.77	33.85	1.34	5.66
	1959	2,120	0.00	4.99	0.00	11.17	46.18	0.96	5.82
	1960	1,953	0.00	5.35	0.01	9.68	43.27	0.85	4.83
Exports	Year	Total(val.)	USA(%)	Gt.Br.(%)	Jpn(%)	Ger.(%)	USSR(%)	HK(%)	SEA(%)
	1950	552	17.30	5.91	3.81	2.06	27.76	28.11	0.64
	1951	757	0.01	2.05	0.13	7.58	41.12	25.69	0.88
	1952	823	0.00	1.48	0.40	5.33	50.07	20.50	0.65
	1953	1,022	0.00	2.92	0.67	6.64	47.03	16.45	0.89
	1954	1,146	0.00	2.15	1.79	7.28	51.19	11.31	2.24
	1955	1,412	0.00	2.84	4.12	7.18	47.47	10.96	5.64
	1956	1,645	0.00	2.99	3.94	6.20	46.30	10.48	7.26
	1957	1,597	0.00	2.75	3.74	6.39	46.77	10.97	8.32
	1958	1,981	0.00	3.82	1.64	7.07	45.37	10.80	8.04
	1959	2,261	0.00	4.03	0.00	6.67	49.44	8.45	7.27
	1960	1,856	0.00	4.42	0.00	6.10	44.12	10.69	8.46
Balances	Y	Total(val.)	USA(val.)	Gt.Br.(val.)	Jpn(val.)	Ger.(val.)	USSR(val.)	HK(val.)	SEA(val.)
	1950	-31.00	47.14	-8.31	-5.09	0.66	-31.94	146.62	-69.17
	1951	-441.00	-7.83	-4.03	-11.00	38.13	-186.02	-235.34	-34.02
	1952	-295.00	-0.05	-1.51	2.24	-26.70	-240.13	33.64	3.82
	1953	-324.00	0.00	-37.34	3.68	-6.92	-297.01	46.47	3.99
	1954	-141.00	0.00	-21.50	5.97	-34.53	-117.98	41.12	12.02
	1955	-321.00	0.00	-24.49	33.03	-3.75	-449.43	120.13	42.09

1956	82.00	0.00	-14.18	1.08	-23.60	-0.41	144.25	56.87
1957	91.00	0.00	-14.42	4.59	-44.92	129.24	150.03	54.50
1958	91.00	0.00	-52.49	-15.61	-157.93	259.17	188.59	52.29
1959	141.00	0.00	-14.76	0.00	-86.03	138.88	170.60	40.96
1960	-97.00	0.00	-22.55	-0.19	-75.90	-26.38	181.71	62.63

Source: Computed from Appendices.

Table 11 shows China's trade with Hongkong and Table 12 shows Hongkong's trade with China. Both of data indicate a large amount of China's export excess. In those days, there were many factors doing damages to China's Hongkong trade. The United Nations decided embargo to China in December of 1950 because of the Korean War. Facing such international conditions, the PRC Government tended to develop the economic relationship with the U.S.S.R. and the other Eastern European countries. The political situation in the PRC often prevented the normal trade activities. Nevertheless Chinese trade with Hongkong did not stop and maintained a certain level of export excess, as the PRC Government intentionally promote to export to Hongkong. The Annual Reports of Jingji Daobao (Economic Herald), which was one of very famous pro-CCP economic journals published in Hongkong, repeatedly pointed out the promoting export policy of the PRC Government. In addition, the British Government and the Hongkong Government also wanted to develop the foreign trade with China to recover their own international economic power, competing with the big influence of the United States. They exerted to increase the British direct trade with China and the indirect trade via Hongkong while the results were limited.

Table11 Chinese(PRC) Trade with HongKong

	U.S.\$ Millions			
	Im.	Ex.	Total	Balances
1950	8.52	142.68	151.20	134.16
1951	429.79	182.36	612.15	-247.43
1952	135.10	162.83	297.93	27.73
1953	121.61	163.08	284.69	41.47
1954	88.48	125.68	214.16	37.20
1955	34.62	154.75	189.37	120.13
1956	28.08	172.33	200.41	144.25
1957	25.18	175.21	200.39	150.03
1958	25.39	206.81	232.20	181.42
1959	20.45	185.03	205.48	164.58
1960	16.61	191.67	208.28	175.06
1961	11.83	181.47	193.30	169.64

Source: Appendices.

1955-1957Ex. Including Macao

1950-1961Im. Including Macao

Table12 HongKong's Trade with China (PRC)

U.S.\$ Millions					
	Im.	Ex.	Re-Ex.	Total	Balances
1950	136.99	220.52		357.51	83.53
1951	151.04	280.66		431.71	129.62
1952	145.30	91.01		236.30	-54.29
1953	150.00	94.56		244.56	-55.44
1954	121.07	68.39		189.46	-52.69
1955	157.09	31.77		188.86	-125.32
1956	181.70	23.79		205.50	-157.91
1957	197.94	21.59		219.53	-176.36
1958	244.46	23.76		268.22	-220.70
1959	180.98	1.55	18.46	200.99	-160.97
1960	207.53	2.27	18.77	228.58	-186.49
1961	179.96	1.38	15.97	197.31	-162.61

Source: Hong Kong Statistics 1947-1967(Hong Kong Census and Statistics Department, 1969).

1950-58: Ex. Including Re-Ex.

Original data are indicated by H.K.\$.

1 H.K.\$ = 0.175 U.S.\$

Surely Hong Kong remained an important source of foreign exchange for China (Schenk, 2001, p.42). And as a matter of course, most of the exports from China to Hong Kong were re-exported from Hong Kong to the South East Asian countries (Wang, 1997, p.314). So it can undoubtedly be said that the trade with Southeast Asian countries played an important role for China's munitions industrialization policy during the 1950s.

Conclusion

China followed very different development strategies at different period from the 1930s to the 1950s. If we pay attention to the main purpose and method of such strategies, we can classify them into three types. In short, they were (1) the strategy of import-substitution industrialization, (2) the strategy of export-oriented industrialization, and (3) the strategy of munitions industrialization.

Due to the differences of these strategies and the influence of the war, the direction of imports, which was mainly for machinery or equipment for industrialization, changed drastically. In the pre war period, China imported such goods from

America, Britain, Germany, and Japan. During the war period, China imported them from America, Germany(before 1939), Japan(for the occupied areas), and from the U.S.S.R. During the post war period, at first America monopolized China's import trade and then the U.S.S.R. took over the leading position from America in the 1950s.

In spite of this shift in the countries that were the main sources for imports, we can find a consistent trend in exports during the period from the 1930s to the 1950s. China exported large volumes of light industrial goods and primary products to Southeast Asian countries almost every year except for the unusual decrease in 1942-1946 caused by war. China's export excess was due to the trade with Southeast Asian countries. Of course those who promoted the strategy of export-orientated industrialization attached great importance to this fact. But for other governmental leaders, who believed in different development strategies, the export excess was also quite valuable as a way to gain foreign exchange in order to import machinery and equipment. Through this brief exploration we can see the importance of the links between Chinese development and the Asian regional economy, and can begin to gain a better appreciation for why we need to see Chinese development within the context of Asia.

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