

January 9, 1966

**Secret Letter from the Indian Embassy in Beijing to
the Foreign Secretary in New Delhi, No. PEK/104/66,
'China and the West'**

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Summary:

The Indian Embassy in Beijing sent a letter to the Indian Foreign Secretary to prove an analysis of Chinese foreign policy, such as Beijing's relationship with the West and the impact of Sino-Soviet split on Chinese foreign relations.

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No. PEK/104/66 Embassy of India, Peking.
January 9, 1966.

To

The Foreign Secretary,
Ministry of External Affairs
New Delhi.

Subject: China And The West

Sir,

This Embassy has been reporting from time to time the developments in bilateral relationship between China and Western European countries. While the broad pattern is fully familiar and the details and statistics of trade can be culled with a little effort, it may be useful if I endeavoured to generalise on the undercurrents of this relationships they seem to have entered a new and interesting phase.

HISTORICAL ATTITUDE TO WESTERN EUROPE

2. China's relations with Western Europeans, as they are now developing, to my mind, illustrate how under the pretensions of being dedicated to Marxism-Leninism and anti-imperialism, the actual lines of Chinese policy are wedded to national needs and far from consistent with these vaunted principles. It also illustrates how the European countries, under the pretensions of safeguarding democracies and non-communist aspirations, are equally prone to cultivate economic links with motives of profit with expansionist communism.

3. The Chinese Communist Party is unconsciously aware, and sometimes people like Mao Tso-tung frankly confess it that their victory in China is the consequence of the failure of the West to understand China and more particularly due to the infliction of humiliations, economic inequity etc. when they pursued their imperialistic policies in Asia. No historical review of the process of liberation or the achievements of the Communist Party over tires of reminding the people in China of the gunboats which patrolled her rivers, the concessions which the concert of Western and Japanese power extracted from the Ching dynasty and the sustenance which they gave to the corrupt and effete Kuo Min Tang. A proud and populous nation with an inbuilt sense of superior confidence in its ancient civilization has found in the Communist Part the instrument of avenging the humiliations of the last 100 years. The PRC in its initial years subordinated all considerations of material advantages to removing everything which could remind the Chinese of the vestiges of Western political and economic domination over her sovereignty and independence. This involved a not merely the appropriation of Western assets, insults to Western envoys and Consuls, but extended to eradicating the symbols of the past such as the eviction of Western embassies from properties which belonged to them in Peking because they were the bastions against the Boxers. Up to the time of the Liberation, Great Britain and France, Germany and Japan were the arch symbols of Western imperialism. Until the Russian revolution, Czarist Russia came only second to the United Kingdom in encroaching on the territories and rights of China. Of all the Western Powers, United States then was considered the least unfriendly, for she sought no concessions, pleaded for Open door in trade and urged respect for the sovereignty of China, but even she, in practice, had gone along with the European scramble. It is only since Liberation, specially after the Korean War and Truman's decision to military guarantee protection for Chiang Kai-shek clique in Taiwan, that the United States became the arch imperialists.

CHINA AND THE SUPERPOWERS.

4. The state at which China was consciously avenging past humiliation is now over; she is aware that she is no longer treated as a sick giant but commands a healthy respect and a welcome fear from Western Europe. Whether the dominant motivation in the foreign policy of the PRC is national interest or revolutionary idealism is a complex question which is answered with differing emphasis. There is little doubt in my mind that her present policies arise out of her historical notions, codified experience of the Communist Party. The ideological motivation valid as it is, is often tailored to her national ambitions. The quest for great power status emerges more clearly in the Chinese foreign policies during the last few years than it did in the first decade after the People's Republic was inaugurated. All her actions are of course justified as part of the crusade to spread the gospel of what China considers genuine Marxism-Leninism, but the cause of Communist solidarity seems to be only operative if it coincides with the search for a pre-eminent and no secondary position for China. She sees the two superpowers, USA and USSR, as separately and jointly the principal obstacles which are consciously and not just unwittingly frustrating the realisation of her rightful destiny. These two countries wield the power and exercise the influence which she envies and emulates and seeks to match and surpass. It is therefore not just a question of United States preventing the reunification of Formosa, but essentially the fact of United States power in Asia and even elsewhere which makes USA the arch imperialist. It may be worth recalling what Mao told Edgar Faure - that the CPC could not be too grateful to the United States for its indirect contribution to the consolidation of the revolution by its steadfast opposition to the PRC. The USA represents what is characteristically summarised in the Maoist dogma that "It is a good thing and not a bad to have an enemy." The United States is an old symbol of hate and not without justification.

5. But the present phase of her foreign policy can only be understood in the context of the Sino-Soviet dispute. Since 1958, and more particularly during the last five years, the Chinese became aware that Soviet power was not available for the realisation of purely Chinese national objectives. After Soviet technicians withdrew leaving vital projects unfinished and her economy received a near-fatal setback (with natural disasters and policy failures accentuating the consequences). The Chinese also realised that the Soviet Union could not be depended upon as a selfless partner in the development of China's industrial potential. The mental shock that China's welfare, not to mention progress, should have been mortgaged to one single partner because she had taken no precautions to diversify her economic links, is very relevant to the present foreign, political and economic policies of the PRC.

6. Finally, the Chinese seem to have been quick to realise that the nuclear weapons and the balance of terror provides a new freedom and flexibility for those countries, which use their own [] strength in the local and peripheral context to [] political purpose. It is safe to take liberties [...] being too alarmed of military destruction. The logic does [...] - centralism operates to the advantage of China as it does for the Eastern as well as Western European countries. The amalgam of all these considerations must be kept in mind to understand the recent development between China and the Western European countries of relationship.

THE SECOND INTERMEDIATE ZONE BETWEEN IMPERIALISM AND SOCIALISM

7. While the above factors are unexpressed strategic political considerations, the relevant theoretical formulations of China's foreign policy should also be recorded. As a country which had also suffered from the depredations inflicted by Imperialists even without being conquered by them, China had long believed that her revolution must provide a model for Asian and African emerging countries. What is perhaps not always realised, but in my view is equally relevant, is that in the face of the strength of the super powers, China hoped to gather political strength for herself by the

leadership of the Third World. Lin Piao's formulation that the seat of revolution now lies in the rural areas of the world – the developing continents – is novel because it is a modification of Marxism but it fits in neatly with the ambition for a continental grouping which would exclude the developed nations. The ideological and propagandist motor for Afro-Asian solidarity had to be anti-imperialism with the [...] in reverse. But anti-Imperialism itself – which was to provide the dynamism for Afro-Asian solidarity was attempted to be used by China to further purely Chinese interests and this meant for China the exclusion of the Soviet Union from the Afro-Asian mainstream.

8. But Europe had to find a place in a theoretical formulation to contribute to China's own economic advancement. Here Mao's modified theory of the Intermediate Zone is very relevant. As early as 1946, Mao had talked of an Intermediate Zone between the imperialist countries and the socialist bloc – the Zone consisting of the colonies and backward nations – which must be cultivated to join the Socialist fraternity. In January 1964, in a Maoist pronouncement, the Intermediate Zone was subdivided into two: the first consisting of the developing continents – the third world – and broadly identical with the recently-defined Rural Areas of the world. The second intermediate Zone, which was a new category, consisted of countries within the imperialist bloc which protesting against shackles and control of US imperialism. The second intermediate zone was obviously Western Europe, and in the east, Japan, [where] the voice of protest had in recent years become vocal and strident. From this analysis, Mao urged that the socialist countries, notably China, must join the two intermediate zones to create a Broad United front, to finally defeat United States imperialism.

9. The fact that this theoretical basis for developing a closer relationship with Western Europe and Japan should come in 1964 – after the Sino-Soviet dispute was almost past repair, is not an accident of chronology. It also came at a time when the Franco-Chinese rapprochement and recognition was on the anvil. One cannot help feel that it was a consequence of the realization that for China's future progress when she was denied and must deny to herself any possibility of a complimentary relationship with United States and must equally project being dependent on the technical know-how of the Soviet Union, only Western Europe and Japan could be the suitable partners to her progress. Thus, an improvised theoretical framework for the further development of Sino-Western European relations where capitalist elements are consciously befriended and activated, may be bad Marxism but is certainly shrewd politics.

SEPARATING POLITICS AND ECONOMICS

10. While recognizing the advantage of economic relationship with these lesser industrialised nations, the PRC had to be careful not to compromise her claim as genuine Marxist-Leninist. In order to destroy the Soviet hegemony and mock the Revisionists, it was essential for China to pose within the socialist fraternity as a principled and uncompromising enemy of US Imperialism and not one which was prepared to mend relationship with them. Just as the philosophy of communism proved an advantage in enhancing the position of the Soviet Union, the Chinese wanted to appropriate the mantle of pure Marxism-Leninism, which would make Peking and Soviet hold in the Socialist bloc, China seeks, with varying degree of earnestness, to cultivate better relationship with the Eastern European countries, even if they are also with the Revisionists. In the case of Romania, she has won lesser [...] negative success. Being aware that the revival of a notable militancy is a genuine concern to the German and European countries, soon after Khrushchev announced Central [Politburo] his intention to visit Bonn, the Chinese came out with the accusation that the interests of a socialist country – GDR – were about to be betrayed and went back on the idea of a Trade Agreement between PRC and FRG which at one time a modified [...] cause had been accepted by PRC.

11. Balancing the claims of ideological purity with her own national interests, in other

words balancing the ambitions of enlarging her influence in the socialist fraternity on the one hand with the economic advantages of partnership with Western Europe on the other, the Chinese policy towards these lesser imperialist countries is one of assiduous separation of politics and economics. Politically, United Kingdom and the Federal German Republic are denounced as imperialist and revanchist untouchables indeed all the non-communist countries of Europe including the Scandinavian neutrals and Switzerland, are grouped as belonging to the Imperialist bloc and from time to time relationship with all West European countries, there has been a steady, indeed spectacular improvement. Trade with Western Europe in the period before the Great Leap and economic failures was not unsubstantial but in the present revival, there has been striking improvement with as much a conscious effort from the Chinese side as on the part of the European suppliers.

12. In a small digression, it may be worth contrasting China's relationship with Western Europe on the one hand and China's relationship with Japan, the other important country in the second intermediate zone, on the other. In the case of Europe, the Chinese for the reasons mentioned earlier made careful efforts to separate their economic relationship from their political attitudes. Some Western European governments - those with aspirations or memories and pretensions of greatness - such as France and if we were to gauge from un-disclosed hopes, also the United Kingdom - had expected that consequence and as a by-product of the accelerated economic exchanges. China, however, while gratifying them sufficiently to whether their appetites for mutually beneficial commerce, has given little satisfaction even to France to commence a meaningful political dialogue. In the case of Japan, the position is exactly the reverse. It is the Japanese government which seek to separate politics from economics; they show their willingness to restore the natural economic relationship with this vast neighbour on the mainland of Asia but resist compromising the relationship with the United States or even, for the moment, the political link with Taiwan. On the other hand, the Chinese, who see a special role in the solidarity of all Asian and non-White nations, and are aware of the cultural attraction of China for Japan, seek to use the leverage of economic advantage to edge towards diplomatic recognition and normalisation of political relationship with her economically powerful eastern neighbour.

13. So much for the background and theoretical formulation behind the present relationship of China with the West. This general dispatch would be greatly extended if I were to detail the actual manifestation of the relationship between China and each of the countries in the Western Europe. But to give some concrete shape, one need only notice the new pattern in the growth of trade over the last five years. The figures for 1965 are still not available, but it is evident that the total trade will approximate to 3.5 billion dollars which will approach the previous peak of \$4.3 billion before the serious setbacks of the subsequent years. But while in 1959, 70% of China's trade was with the communist countries, for last year, the ratios are likely to be reversed and only 30% of her foreign trade will be with the rouble areas. In 1964 the biggest exporters to China were Australia (\$153 million) and Canada (126.4 million) because of the wheat sales and Japan (153 million) and the biggest importers from China were Hongkong (\$141 million) and the Japan (\$157 million) and Singapore and Malaya (\$99 million). Incidentally, the Chinese already hold in ransom the prosperity of Australian and the Canadian farmers by their massive grain purchases with practically no corresponding purchases from China. These grain imports could decline or even stop and cause the gravest crisis in these countries. The Soviet Union has been and remains the biggest single trading partner, but it is the trend of decline which is significance. Imperialist United Kingdom, excluding Hongkong, has been the biggest European trading partner of China, but as exporters, she will probably yield this place to Revanchist West Germany which in 1965 is likely to treble its trade over the previous year. France, for all her gracious recognition of China, not reaped any particular favours in competition with her rivals. Following on Chinese recognition, agreements to establish trade offices have been reached (and in part implemented) with Austria and Italy but the trade was being developed even before these agreements were reached. Belgium has no official links with China, but this does not

seriously inhibit the trade. What is really significant is that the while of imperialist Europe is increasing its trade exchange with China at a rate far more rapid than the percentage growth of total trade.

Reciprocal Export Drives

14. It is evident that in the European mind, the 100-year old lure of the potential of the vast market is being revived and on the Chinese side, carefully nursed. During the last 2 and half years, immense trade exhibitions have been held by Japan, Great Britain, France and lesser and small but specialized ones to suit Chinese wishes by Sweden, Denmark and even by individual firms like the ICI. The Chinese indicate in advance their particular interest in the latest precision machines, electronic computers and the exhibitors have generally obliged their hosts. In the case of Sweden, only excavating and mining machinery made by specialist firms were exhibited. At the biannual Canton Fair, thousands upon thousands of businessmen come in from Hongkong (and except for Americans) the pattern of political relationships in no way inhibits their entry. They conclude thousands of [...] and technicians were in Peking in Nov. last year on the occasion of the French Exhibition. The head of Jardine Matheson, the virtual "proprietor" and more doors open to him than to the President of the British Board of Trade. West German businessmen belonging to the big firms who sustained Hitler's war machine are shown indiscriminating deference. During the last months, deals worth 70 million D. Marks were concluded by West German steel and chemical firms. The West Germans were so impressed by the business efficiency and the courtesy shown to them that psychologically they have gone back completely sold to the People's Republic and particularly in preference to the Soviet Union. This honored treatment is par of the bag of tricks which China is employing to break down psychological barriers and ingratiate their suppliers. To implement this, large delegation led by astute Vice-Ministers or able technicians, have been sent to Europe to gauge the best sources from which Chinese requirements can be met. The Chinese Embassy in Switzerland had, at least until 2 years ago, a special role surveying the European market for both imports and exports. Similarly, it has a special set-up responsible for chartering ships to carry Chinese foreign trade, it is, I am told, most impressive how the Chinese have compiled Commercial Intelligence Digests of manufacturer and suppliers, their specialised products and price of high-grade capitals goods.

15. In the other direction, China has no launched a massive systematic drive to earn convertible currency. The Chinese use all the old practices of strictly limiting domestic consumption and subsidised or cut prices (generally 30% below market rates). Of late, particularly in relation to Western Europe, and in collaborations with PIA, the Chinese have also [...] to tourism as a potentially lucrative sources for foreign exchange. They are capitalising on the European love of Chinoiserie by promoting exports of handicrafts, porcelain, jades, woodcuts, lacquers and other traditional items associated with China. The bulk of Chinese exports still consists of agricultural produce and raw materials but it is increasingly supplemented by textiles and products of light industries. The contribution of Chinese handicrafts and invisible items is already substantial. It is a remarkable fact that, excluding countries like Canada and Australia, from which China buys wheat, PRC has no serious adverse balance with any of the industrialised nations. She is boasting about the fact that she has completely repaid, in advance of the fixed schedule, all her debts to the Soviet Union. It is an impressive achievement that she can pay each \$400 million a year on her grain purchases. Some of the erstwhile surplus to the Soviet Union which was used for debt amortisation is now being switched for exports to convertible currency countries. It is clear that China's present philosophy of foreign trade is based on pure capitalist logic of mutual advantage. She prefers the non-communists to the communists and prefers to diversify her purchases rather than concentrate on any particular source or region. This ruthlessly rational and pragmatic policy is of course very different from what she advocates to other African and Asian countries where Afro-Asian self-reliance is advocated even if it means diverting exports to traditional Western markets. For some Afro-Asian countries which depend sometimes on a single

cash crop, the export of which to Western countries sustain their economies, the Chinese logic of self-reliance must sound strange.