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CIB

FAR EAST

1. War's cost forces Communist China to negotiate a cease-fire:

[Redacted]

Premier Chou En-lai recently told a Chinese artistic and cultural society that Communist China was forced to negotiate a cease-fire because the Korean war had already cost the

Chinese "more than the Japanese hostilities," and has been a drain on the national economy.

[Redacted]

[Redacted] this report strengthens the belief that China is ready to negotiate a cease-fire, and presumably an armistice, subject to the inevitable face-saving bargains.

Comment: The Korean war has unquestionably put new burdens on the Chinese economy, as is evidenced by higher taxes, forced contributions from the population, and inflationary pressure. Nevertheless, agricultural and industrial output appear to be at comparatively high levels, and no economic collapse is in sight for the near future.

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