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INTELLOFAX 1

CENTRAL INTELLIGENCE GROUP
NEW WAR DEPARTMENT BUILDING
21st and VIRGINIA AVENUE, N. W.
WASHINGTON, D. C.

13 May 1947

COUNTRY: China

SUBJECT: Canton Trade Situation

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1. With the rise of the U.S. and Hongkong dollars in Canton, the economic crisis [illegible] very fast. Already considerable hardship and sufferings had been sustained by the merchants and wage earners in general. Commodity prices went up with the exchange, while the laborers and wage earners asked for wage increases. While the wage earners were harassed by the increases in prices of essential commodities especially edibles, many speculators and opportunists made good in the buying and selling of foreign currencies. Consequently, all the cabarets, restaurants, and theatres were still doing brisk business.

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2. [redacted]

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[redacted], there are 28,000 shops in Canton. Very few of these failed as a result of the New Year. [redacted] the merchants are somewhat better off now than before the Civil War, in that no more credit is being extended, as all transaction are carried on a cash basis. Only one native bank closed during the year, and that was the Yuan Chong Bank (遠昌) which failed before the New Year.

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3. [redacted] there are nine Chinese banks now authorized by the Nanking authorities, to loan money to exporters and medium industrial corporations and plants to the extent of

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75% of their stock or raw materials. The interest is only five per cent a month. These nine banks are : Tu Heng Bank (道亨銀號); Wing Tat Lung Bank (永泰隆銀號); Chin Hsing Bank (錦興銀號); Min Shun Bank (民信銀號) Him Yick Bank (謙益銀號); Tien Sheng Bank (天生銀號); Shing Lung Bank (昇隆銀號); Tien Cheung Bank (天祥銀號); and the Shun Kee Bank (慎記銀號).

4. High Canton officials balamed the Communists and the speculators for bringing about the present economic deterioration. The people are blaming T,V. Soong for introducing the new import and export regulation without careful consideration. The Provncial Government has taken drastic action in bringing down rice prices. Employees of the Provincial Government are receiving rice sufficient for a family of three or four persons while the armed services are much worse off than the government employees.

5. The Provincial Government has been collecting grain as tax and can afford to give rice or grain instead of increasing the salaries. [redacted] a much bigger crisis is looming. [redacted] the present government control of rice prices by force will soon break down. Such control, [redacted] amounts to robbery when the government issues worthless paper money to exchange rice from the farmers at a reduced rate. Soon the farmers and others will prefer to keep their stocks rather than sell to the government at controlled price. When this situation arises, he predicted that there would be riots. The sellers, under controlled prices cannot use the proceeds to buy goods or even pay the cost of rice in

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Canton is $92,000 CN per picul (new) for first quality rice. During the recent near panic of inflation, a picul of rice went as high as $320,000 CN per picul.

6. The goldsmith shops in Canton, which have suspended all business since 14 Feb, are still closed. These number about 200, according to T'IEH Tse-chiu (貼子九) secretary of the Canton City Chamber of Commerce. The shops have appealed constantly to Mayor AUYANG Chu, who passes the buck upon instruction from the Executive Yuan. [redacted] 25X1 25X1 25X1 25X1 [redacted] goldsmith shops and money exchangers can carry on their business for some times from the profit made before the Chinese New Year. They reported that very few native banks closed, contrary to the news given out by UP correspondent Victor Kendrick, who either picks up rumors or is given handouts by Communists or Democratic League members. These goldsmiths and money exchangers are however, not too inactive, as the black market, dormant for a few days, is slowly moving back into the financial picture. In order to curb any black market activities, the Telephone company has disconnected all lines leading to the money exchange shops, as much of the transaction is done by phone.

7. The majority of business firms are holding foreign currencies and gold bars instead of trading them at the Central Bank at the official rate. These will be invested in commodities instead of CNC, or foreign currencies. These commodities are soon expected to rise due to the speculation of commodities instead of currency.

25X1 8. [redacted] TU Mei-ho (杜梅和) Commissioner of Finance, and other bigwigs of the Provincial Government as well as the Kwangtung Industrial Corporation borrowed money from

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the Kwangtung Provincial Bank to speculate in foreign currency and gold bars. Now that all the loans are all repaid, the investors have made a heavy profit.

9. Communist agents in Canton wanted to make use of the situation by fostering unrest and banditry. On Feb 14, students in Sun Yat Sen University issued posters urging looting to save them from starvation. The student leaders are planning to declare a student strike and prepare to launch a move against civil war and dictatorship. The move is by the reds and democratic League against CHIANG Kai-shek.

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