

Assistant Director for Research and Reports

23 June 1952

TERU : Chief, Industrial Division

Acting Chief, I/IP

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Request of Mr. Amory for Confirming Information on Four Items on China

1. Attached are summary statements of information in Industrial Projects Branch files 25X1X7 topics which were subjects of conversation between Mr. Amory and [REDACTED]

- a. Motor transport facilities and production in Tientsin.
- b. Industrial development in Lan-chow area.
- c. Extent of Soviet technical aid to China industry.
- d. Nature and purpose of the arming of small craft in Whampoa.

2. Much of the information contained in the statements comes from documents designated "U.S. Officials Only".

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4 Encls.
(listed above)

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b. Industrial Development in Lanchow Area.

Informants who recently returned from the Chinese mainland have confirmed that since the outbreak of the Korean conflict, the Chinese have been moving industrial plants from southern Manchuria and other areas to the Northwest. They state that the Chinese have changed their original industrial development plans and are now concentrating on the construction of new plants in the inland provinces in anticipation of the possibility that they will be forced to retreat to the Northwest in the event of an attack on the Chinese mainland. 1/

There are indications that Lanchow, Kansu has been selected as a possible co-capital of China should the government find it necessary to evacuate Peking. Furthermore, there is considerable evidence of major plans to develop heavy industry in Lanchow, and in the "triangle" formed by Lanchow, Hsining, and Wuwei.

The Project in Lanchow 2/

The project, commencing with the arrival of Russian engineers and technicians in September, 1950, involves the division of the city into three areas for construction purposes as follows:

The first area covers an area from the West Gate to the Niang-Niang-Miao (Temple of the Lady) - six miles in diameter. The construction of 2,000 houses was planned initially. The Russians, however, revised the plan, increasing the number to 4,000 brick, two-storied Western-designed houses. A large, four-storied office building was also planned for this area.

The second area, covering Miao-Tan-Tze on the north bank of the Yellow River, was designated as the "cultural" area. Lanchow University (combining the Northwest Teachers College, the Northwest Medical College, and the Northwest Agricultural College) will be located here, together with facilities for student and faculty housing.

The third area, covering the largest territory, extends north from the Yellow River Bridge to Peach Grove, a distance of about fifteen miles. Probably to be the new industrial area, it is directly across the Yellow River from the housing area.

Since the beginning of construction work in September, 1950, the number of workers has been steadily increasing. The majority of engineers and technicians are Russians; the laborers are largely transferred from various labor camps in the southwestern provinces, supplemented by locally drafted labor. By November, 1951 more than 20,000 men were employed on the project.

By November, 1951 the housing construction in the first area was complete. Work in the second area, delayed by cold weather, is expected to be complete by August, 1952. The third area is not expected to be completed before the end of 1952.

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Industrial Establishments recently moved to Lanchow:

First Plant of the Shanghai Government Machine Manufacturing Plant, September, 1951 (3/)

Third Plant of the East China People's Pharmaceutical Manufacturing Company, September, 1951 (3/)

Second Northwest China Arsenal (in the north suburbs), November, 1951 (4/)

Motor Vehicle Parts Works (produces carburetors) (5/)

Development of the Lanchow-Hsining-Wuwei "Triangle"

A special industrial area is being built in this area. The three cities have been joined by highways, and branch roads have been constructed to the various factories and mines in the triangle totalling 1000 miles. (6/)

Industrial Establishments in the Area, November, 1951 (6/)

Coal

There are approximately 81 mine shafts in the area, employing 30,000 miners, and producing an estimated 15,000 tons of coal per day.

A bituminous coal distillation plant is located in Hsining. It is reported to employ 1000 workers, and 60 Soviet and Japanese technicians. The capacity of the plant is estimated to be 1000 tons of coal per day.

Iron

Southwest of Hsining are large deposits of limonite iron ore which is claimed to be 40-45% pure. 20,000 miners are employed there, mining 4000 to 6000 tons per day.

Refining

A few miles west of Hsining there are four 50 ton smelters and two 150 ton furnaces. The construction of an additional 500 ton furnace was expected to be completed by January 1952.

There is a (steel) smelter near Laohuk'on with a capacity of 500 tons per day. The smelter employs 2000 workers, including some Soviet advisors.

In addition there is a steel mill using equipment brought from the Anshan plant in Manchuria and from plants in Chungking. It contains over 60 furnaces and employs 8,000 workers, including 300 Soviet and Japanese technicians.

There are also a number of small foundries which have been combined to form twenty workshops, employing 2,000 workers.

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A non-ferrous metals refinery is located at Hsinchan. It includes seven plants and employs 3000 - 4000 workers including 100 Soviet and Japanese technicians.

Power

There are three power plants in the area. The first is located at Hsinchan near the Kansu-Tsinghai border between Yungtang and Min Ho; the second is located at Ho Chi, southeast of Hsining. The combined capacity of the three plants is 60,000 to 70,000 KW.

The first plant received its equipment from Tsingtao and employs 300 workers. The second plant, having the largest generators, received its equipment from northeast China in March, 1951. The third plant, employing 200 workers, received its equipment from the 51st arsenal in Chungking.

Chemicals

An acid manufacturing plant is located in Ta Ch'uan, under the direction of Li Ch'ang-yan, reported to be a former instructor at Fukien University. It employs 3000 workers and 200 Soviet and Japanese technicians. Its equipment was obtained from north and northeast China.

The Nanking plant of the Yung Li fertilizer company is reported to have been moved to Mahuitzu near Lanchow. It employs 500 workers.

West of Lanchow there is a factory producing sulphuric and nitric acids.

A plant manufacturing high explosives and material for poison gas is located at Hsinch'eng, north of Hsining.

Electrical Equipment

A heavy electrical equipment plant is located at Tatung, employing 2,000 workers. The plant manufactures large transformers, small generators, and various other items. In addition, one section, employing 600 workers produces radios and radio parts. Most of the workers and equipment were transferred from Shanghai and Chungking.

Industrial Machinery

In Hsining and surrounding towns there are a number of machinery factories. They include the Yi Ta, the Wu Fang, and the Ta Hsa plants from Hankow and Shanghai. Workers and their families, totalling 8,000 persons have been transferred from the two cities.

Miscellaneous

An oil refinery is located at Yumen.

Large numbers of woolen mills, transferred principally from Shanghai and Tsingtao, are concentrated in Lanchow and Hsining.

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There are also cement factories and miscellaneous manufacturing plants producing such items as wet cell batteries.

Armaments Plants

There are a number of armaments plants in the area, equipped principally with equipment received from Russia. They are designated as Northwest Military Region Arsenals.

Arsenal #1. Located at Ho Ch'iao Feng, the plant employs 1,000 workers. Commencing production in October, 1951, the plant produces cannon and ammunition.

Arsenal #2. May be located also at Ho Ch'iao Feng. This plant repairs weapons.

Arsenal #3. Located at Nienchuapao, this plant, employing 3,000 workers, produces machine guns and ammunition. Workers and equipment were transferred from the Chin Ling Arsenal, Nanking.

Arsenal #8. Located at T'ient'angszu on the Kansu-Tsinghai border, this plant manufactures high explosives and artillery shells.

Arsenal #9. Also located at T'ient'angszu, this arsenal is reported to be presently producing raw materials for dyestuffs. There are 500 workers employed and 100 Japanese and European advisers. There are unconfirmed reports that the plant will manufacture poison gas.

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C. Extent of Soviet Technical Aid to China Industry

The number of Soviet advisors in China is frequently cited as 10,000 concentrated mostly in Manchuria, North China, and Sinkiang in the centers of mining, manufacturing and metal working industries.^{1/}

We have three reports^{2/} bearing out the estimate that one or two Soviet advisors are attached to each industrial plant. At the Anshan Steel Works 8 Russians were attached to the technical staff in 1949 - 1950.

The China Yearbook (1950) reports some 6,000 registered factories under the following categories: metallurgical, machinery, metalworking, electrical manufacturing and chemical.

Based on this information we believe it is reasonable to assume that the 10,000 figure is on the low side.

A 1949-1950 report states that the level of competence of advisers at one Manchurian plant was judged by the source to be third rate. Because these men were considered to be the best in China, source intimated that Russia was not sending its top-flight technical men to the Far East. Soviet engineers, the source continued, are not placed in nominal control of enterprises, but serve in an advisory capacity. Soviet suggestions however were usually taken as orders.^{2/}

Interrogation reports of the same period on Manchurian Chinese indicate Chinese animosity toward Soviet personnel. This was due to Soviet attitude of superiority, advantages enjoyed by Russian officials, Soviet preferential treatment of Japanese and German technicians, and Communist's failure to live up to promises.^{3/}

That this animosity was still current and perhaps growing was suggested recently by a member of the Indian cultural delegation who stated that while China was employing "thousands of Russian technicians," Russians did not generally appear in public and that the government was "keeping them hidden from the common man."^{4/}

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