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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY China

SUBJECT China's Budget/Economic Trend

[redacted]

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1. Red China's budget for 1953 was announced on 12 February 1953. The total was set at Y 233,499,100,000,000 (JMP). This amount is equivalent to US\$9,966,000,000 at the official rate. For the sake of convenience, it is generally put down as US\$10 billion, an increase of US\$2 billion over the previous budget.
2. By US standards, it is really not too large a budget. However, from the Chinese standpoint, it is indeed tremendous, especially when the national income on the mainland has been estimated at no more than US\$15 billion. This means that the 1953 budget constitutes 2/3 of the national income, and [redacted] this clearly shows that the national economic life in Red China and government finance tend to become one and the same. For example, in announcing the budget, the Finance Minister PO I-pc pointed out that 60% of receipts are from earnings and taxes from state-operated industries and cooperatives, and that total expenditures in "reconstruction" investments are also 60%.
3. [redacted] the ownership of property in Red China has undergone a fundamental change, that is, the state economy is expanding without any limit while private industry is steadily disappearing. In the past three years, the state-owned industries have increased from about 30% to over 60%, whereas private industries have dropped from 70% to less than 30%. Ting predicts, therefore, that at the conclusion of the first "Five-Year Plan", which was inaugurated this year, private enterprises will have vanished completely.
4. The Reds have designated 22% of the budget for military expenditures and about 60% for "national economic reconstruction and social, cultural and educational reconstruction". The administration takes about 20% of the total expenditures. However, in "economic reconstruction", what they aim to do is to build up defense and heavy industries. Therefore, [redacted] 80% of the budget is military in nature, making it primarily a war budget.
5. In the light of the present "peace" offensive, it is quite probable that Red China wants a breathing spell in order to inaugurate its industrial plan for another adventure in the future.

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