

CLASSIFICATION RESTRICTED

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT
RESTRICTED

REPORT

STAT

COUNTRY China

DATE DISTR. 27 July 1948

SUBJECT Economic

NO. OF PAGES 4

PLACE ACQUIRED China

NO. OF ENCLS. (LISTED BELOW)

DATE OF INFORMATION January 1947

SUPPLEMENT TO REPORT NO.



STAT

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT 50 U. S. C., 39 AND 40, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED. HOWEVER, INFORMATION CONTAINED IN BODY OF THIS FORM MAY BE UTILIZED AS BUREAU INFORMATION OF THE RECEIVING AGENCY.

THIS IS UNEVALUATED INFORMATION FOR THE RESEARCH USE OF TRAINED INTELLIGENCE ANALYSTS

SOURCE Chinese periodical, Chin-yung Chou-k'an, Vol XVI, No. 45, 29 January 1947. (FEB Fer Abs L4855 -- Translation specifically requested.)

OUTLOOK FOR INCREASED PRODUCTION IN INDUSTRY AND MINING IN CHINA

Recently, the government quarters concerned have been paying serious attention to the restoration and increase of industrial and mining production. This truly brings great hope for the future of heavy industry.

After the war, every producing area eagerly awaited rehabilitation after having been devastated so long; but because domestic peace and order have not been restored, communications are bad, business is disorganized, and production is lagging. Therefore, economic recovery cannot come overnight. Industry and mining must have equipment, technical skill, capital, markets, and other requisites.

Quite recently the Central Government published a five-year economic plan, which was given to the Executive Yuan to put into effect. The funds needed, calculated at the 3-1 prewar rate of exchange (between US and Chinese currencies), totalled 220 million yuan. Of this sum, one third was to be paid by the national treasury, one third to be invested by foreigners, and one third to come from the people. This proposal was drafted in 1944 by various specialists of wide experience; the next year it was completed; last year it was submitted to and passed by the Supreme Economic Council. The project is divided into six sections: (1) communications, occupying 38 percent of the budget; (2) industry, 27 percent; (3) mining, 11 percent; (4) production of electricity, 12 percent; (5) water conservation, 9 percent; (6) agriculture, 5 percent. In communications it is hoped to build a nation-wide railway net, which will penetrate to the furthest areas. This is placed first because it has the most important relation to China's recovery. In the proposal there are accurate estimates as to the cost, labor, materials, and time involved for building the railways. This proposal embodies the valuable experience of many specialists.

By a comparison of the various undertakings in this five-year plan in which industry, mining, and electric power take up 50 percent of the total expenditures, it is evident that China's goal is industrialization.

- 1 -

CLASSIFICATION RESTRICTED

STATE	<input checked="" type="checkbox"/> NAVY	<input checked="" type="checkbox"/> NSRB	DISTRIBUTION			
ARMY	<input checked="" type="checkbox"/> AIR	<input checked="" type="checkbox"/>				

RESTRICTED

RESTRICTED

STAT

However, at the present, industrial and mining production is everywhere lagging. This magazine has frequently published articles about conditions in North China and Manchuria. As to Kiangsi in central China, the industry and mining situation gets worse every day. In the plants of the Hsing-yeh Company, which is financed jointly by the Joint Office of the Four Government Banks and the provincial treasury, the machinery is largely old and outmoded and cannot bear the load, for instance, in the Nan-chang, Chi-an, Kan Hsien and other electric power plants. Therefore, there is not enough electric power. In Chi-an electric lights are inferior to oil lamps and people generally use gas lamps. While electric power is better in Kan Hsien, the cost is one third more than in Nan-chang. Other plants — distilling, dyeing, weaving — have stopped work and have not recovered.

The tungsten mines at Ta-Yü in South Kiangsi are now also not in operation. The Office for the Control of Special Minerals of the National Resources Commission has only a little more than 100 men there who produce about one picul (133.3 pounds) per day. Local people who have registered there for free mining produce about 100 piculs, selling for about 1,800,00 yuan per ton. All this mining is carried on by crude methods, and the miners' living conditions are worse than they were formerly.

Three American specialists who are investigating are planning new ways of mining. In addition to these mines, there is the Tzu-ho mine which produces ordinary coal, now being worked by hand, with a daily production of about 300 tons. There is now a stock pile of more than 30,000 tons, which is hard to move because of shallow water and shoals. The Feng-ch'eng mines are privately operated, with more than ten companies working them, producing about 300 tons daily of high-grade coal. But transport from the mines is difficult, resulting in high costs, which in turn affects production and causes the present coal shortage in Nan-chang. Again, in and near Szechuan a mining investigation group recently set forth the difficulties of mining in Szechuan as follows: (1) Lack of capital turnover; high interest rate, urgency, and complications in getting loans from government banks. Smaller mines cannot stay open, so that the cost is increased, finances run dry, and production is lessened. (2) Medium-sized mines lacking machines, tools, and such equipment, find it difficult to survive and expand even under the best natural conditions, the hardest problem being that of power. (3) Nine mines out of ten are still in the conservative handicraft stage; lacking technical and commercial managers, they waste labor, money, and material. (4) Many mines lack capital for transport of materials and products and hence have greatly increased expenses. (5) Flooded with foreign goods, rural economy goes bankrupt and people have little buying power. (6) Production and marketing are not regulated, supply is not coordinated, occupational associations are not well organized, government protection, and guidance are not strong enough. (7) There has been no honest effort to expand and improve, and to study types of raw materials and make efforts to sustain a rural economy. Consequently, the quality of the products is not maintained and the industry itself dries up.

A British commercial mission last year inspected the steel works at An-shan in Manchuria. It reported that to restore the iron and steel works at An-shan would require 10 million pounds and the work of several tens of thousands of laborers; half a year would be needed for a detailed study of damage. (See the Shen Pao for 30 October, last year). We can see that the restoration of production is not an easy matter. The time element is of great importance.

According to the chairman of the Resources Commission, Mr Ch'ien Ch'ang-chao, there was active preparation last year for pushing the five-year plan in heavy industry. (See Frong Line News, 1 November). Mr Ch'ien Ch'ang-chao has explained this. A United Press dispatch from

- 2 -

RESTRICTED

RESTRICTED

RESTRICTED

STAT

Nan-ching, 30 October, says: "This plan has been actively pushed by the Resources Commission, and a number of light industries have already begun work. Mr Ch'ien is now leading 35,000 men in a Youth Army. These men, all returned students who are engineers and planners, are the Commission's staff. Under them are 220,000 experienced miners. Under the Commission are 105 units, embracing 42 basic types of industry, 33 mines, and 30 electric plants. These are the chief elements in the heavy industry plan. Part has been taken over from the Japanese. The major portion produces war products."

At the end of last year a member of the Supreme Economic Council, Ch'ien Show-chang, was ordered north and at Pei-p'ing inspected the Shih-ching-shan iron and steel works; then he went to the T'ien-ching iron and steel works of the North China Steel and Iron Company. Then he visited the silk plant and other plants belonging to the T'ien-ching Machine Works of the National Resources Commission. Later he went to Manchuria to see the An-shan iron plant, etc., and inspect conditions in the remaining industrial equipment. He returned to Nan-ching to report to President Soong of the Yuan and suggested a plan for a study of the development of industry in China. According to the Central News of 17 December, this commission given to Ch'ien was very important. Ch'ien was ordered by Soong to visit with bureau chief Sun Yieh-ch'i iron and steel plants in North China and Manchuria, including energy and puppet equipment, and to plan large-scale production for existing North China and Manchurian iron and steel industries (as the Shih-ching-shan Steel Works at Pei-p'ing, the An-shan Iron Works, the T'ien-ching Steel Works, the T'ien-ching Machine Works). The plan is to provide for the production of all sorts of metal products for the entire nation. When necessary, the government could furnish funds. Supply should be in the following priority: first, communications equipment; second, power-plant equipment; third, coal-mining equipment; fourth, various types of factory equipment. The Pei-p'ing Shih-ching-shan works has now resumed work, with a maximum annual production of 600 tons. It has sufficient raw materials for 3 years. The An-shan Iron Works, when operated by the Japanese, had a maximum annual output estimated at 3 million tons. When it opens again it can regain this production figure. At present calculations the North China iron industry can supply more than one billion US dollars worth of equipment per year, and Manchuria several times that amount. This is a plan for North China and Manchuria to become self-sufficient in industrial equipment, and at the same time to supply the steel and iron industrial equipment needed for the entire country. If these plans are realized, all industries may develop as they desire. As to enemy and puppet industrial equipment in North China and Manchuria, random sales will be stopped, and distribution made to each factory as its needs.

According to the Central News of 13 January, plans for the resumption of production in the Manchurian iron and steel industry can be put into effect at once. A Shen-yang (Mukden) dispatch in the Ta Kung Pao of 10 January also says: "Sun Yieh-ch'i has returned to Nan-ching and has asked Premier Soong's approval of preliminary plans for restoring the An-shan iron and steel company. Meanwhile the three managers of the Fu-shun, An-shan, and Fen-ch'i plants, Hsieh Shu-ying, Shao I-chon, and Chang Sung-lin, have been told to prepare detailed plans for reviving these three large plants. These have now been prepared and after further study will be submitted to Premier Soong. Work can begin as soon as these are approved. But how to transport An-shan's annual output of 2,300,000 tons of iron and steel and Fu-shun's output of 5,000 (sic) tons of coal, to the interior and abroad, is still a big question. Hsieh Shu-ying is studying how to use low-heat distillation of coal to make other by-products."

After so many investigations of the iron and steel industry in North China and Manchuria, production plans are now in the application stage.

- 3 -

RESTRICTED

RESTRICTED

RESTRICTED

STAT

According to the New Times of 25 January, the overall policy is to implement a plan of self-sufficiency, foster the establishment of native basic industries, and save large amounts of foreign exchange. Of all the plants in the north, the equipment in the An-shan Iron and Steel Works was the best. Under Japanese management its annual output was 2 million tons; after nine tenths of its equipment had been removed by the Russians, its present annual capacity is only a little more than 200,000 tons, and its equipment still needs repairs. The three plants at T'ang-Shan, T'ien-ch'ing, and Shih-ching-shan near Fei-p'ing together produce 50,000 tons a year. According to statistics, our prewar needs of about 650,000 tons a year were all supplied from abroad. About 10,000 tons of this was being used for railroads. Under present conditions of widespread unrest, large-scale building cannot go on; our annual needs for iron and steel are estimated to be 300,000 tons. After plants at An-shan, Fei-p'ing, T'ien-ch'ing, and T'ang-shan have been restored to full production, there will be self-sufficiency. The Central Government estimates that this will be possible within this year. The Resources Commission called an iron and steel production conference in Fei-p'ing beginning on the 23d, presided over by the Commission's vice-chairman, Sun Yüeh-ch'i. It was decided that from the 23d through the 25th reports should be heard from each unit, with discussions from the 26th through the 28th. Important decisions concerning the restoration and rebuilding of North China heavy industry can be made then.

The Finance and Economic Ministries recently adopted various plans for stimulating investment in mining and transportation. The Supreme Defense Council has already permitted the two ministries to draw up jointly a set of ten regulations for taking new shares in mining and shipping firms on the basis of old shares, calculated according to the present CMC value. An important person in the Economics Ministry made the following explanation (according to Shang Pao of the 13th): Many mining and shipping concerns, feeling a lack of capital, have asked the government for loans. These companies cannot attract new investments to increase their working capital because old shareholders do not know the present value of shares bought several years ago. Therefore they do not welcome new investments. The purpose of fixing the new regulations is to get rid of such obstacles. Old shares can be calculated according to the current price index, in order to attract new investments.

-END-

- 4 -

RESTRICTED

RESTRICTED