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CENTRAL INTELLIGENCE AGENCY REPORT
 INFORMATION FROM FOREIGN DOCUMENTS OR RADIO BROADCASTS CD NO.

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COUNTRY	Communist China	DATE OF INFORMATION	1949
SUBJECT	Economic - Chemical industries	DATE DIST.	24 Nov 1949
HOW PUBLISHED	Daily newspaper	NO. OF PAGES	3
WHERE PUBLISHED	Hong Kong	SUPPLEMENT TO REPORT NO.	
DATE PUBLISHED	10 Oct 1949		
LANGUAGE	Chinese		

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SOURCE Ta Kung Pao.

FORECASTS FUTURE DEVELOPMENT OF CHEMICAL INDUSTRIES IN SHANTUNG

Advantages of Shantung in the development of chemical industries include: (1) cheap fuels and electric power; (2) natural resources such as phosphorus, sulfur, limestone, bauxite, graphite, asbestos, and many others; salts and magnesium in the sea; agricultural products including cotton, hemp, peanuts, reeds, etc.; (3) good communications. In addition to the T'ien-ching--P'u-k'ou and the Chi-nan--Chiao-chou railroads which form a "T" in the province, there are 4,000 kilometers of highways connecting many of the seaports.

These factors offer possibilities for great expansion of the chemical industries.

At present chemical industry installations there are in only a few places, Chi-nan, the Tzu-po (Tze-ch'uan-Po-shan) area, Wei-hsien, Yen-t'ai, Ch'ing-tao, and Hai-chou. (The new boundaries of Shantung extend to Ts'ang-hsien on the north, the Grand Canal on the west, and the Lung-lai railroad on the south).

Most of the establishments engaged in the chemical industry are under the control of the Ministry of Production, which is in charge of light industry; but a few are under the control of the Ministry of Industry and Mining, in charge of heavy industry, and there are a few privately operated plants. The distilleries are the largest among these industries, followed by paper manufacturing, pharmaceuticals, ceramics, rubber, and dyes. Sulfuric acid, cement, coke, and phosphorus industries are being planned.

Aside from distilleries, most of the chemical industries in Chi-nan, such as paper, soap, and cement, are under the Ministry of Production. About 90 percent have resumed operation since the liberation. The total number of employees is 43,000. Over 60 percent of the facilities of these plants are now being operated. The Chi-nan Soap Factory is producing 400 boxes of soap a day. Glycerine-producing facilities are being installed. This factory's products are marketed in nearly all parts of the province. Chi-nan alcohol factories have not yet resumed work due to a shortage of grain. Their capacity is about 4,000 gallons a day.

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Economically, one of the most important industries in Chi-nan, and all the province, is the Hua-hsing Paper Mill which produces 80 percent of the paper manufactured in the province. It has 5-, 8-, and 9-foot spherical steam vats, 20 pulp macerators with a combined capacity of 10,000 pounds, one 72-inch cigarette paper roller, and one 90-inch thin paper roller. It employs 324 workmen and now produces 4 tons of newsprint daily, which is sufficient for the New China Book Store and the Ta-chung Jih-pao. The company hopes to double its production by the end of 1949, concentrating on newsprint and cigarette paper.

Two difficulties beset this plan: (1) the vandalism of the departing KMT forces, the effects of which are still unrepaired, and (2) the shortage of pulp materials. No wood pulp is available at present. The principal source of pulp is waste cotton from Chi-nan's weaving industry supplemented by rags and waste paper. Available supplies of these are, however, insufficient and laboratory experiments with wheat straw and rushes are going on. Lack of skilled labor is also an obstacle to optimum expansion.

The large aluminum plant established at Nan-ting by the Japanese is being partially operated as a cement plant at present, producing 300 tons a day. According to Japanese surveys, bauxite reserves of 60-percent aluminum content in the Tzu-ch'uan--Po-shan area amount to 50 million tons while poorer-quality bauxite reserves amount to 500 million tons. Exploitation is not possible at present.

The Hsin-hua Company is an organization begun with very small capital by a group of determined men during the early days of liberation. It now has four shops employing 1,300 persons and retail stores in Chi-nan, Yen-t'ai, and other places. The company has its own bottle and cation factory. It manufactures a variety of medicines, largely Chinese type. They have developed a number of new combinations of organic medicines, and produce 28,000 units of one-cubic-millimeter injection medicines, 15,000 tablets, 100 sets of surgical appliances and 300,000 first-aid kits a month. The employees are all war veterans with many years of industrial experience.

The Ministry of Industry and Mining has under its control in the province 68 production units, not including those in Ch'ing-tao. Half of these are connected with the military. At present 62,000 workers are employed in these industries.

The Lu-feng Ceramics Company presents possibilities for a good future. Their main products now are firebrick and electric insulators. There are abundant domestic supplies of raw materials for this industry, such as quartz, granite, clay, soapstone, etc., as well as iron, steel, and coking coal. The company still lacks plant facilities to perform at optimum capacity. The Ministry of Industry and Mining has indicated its interest in providing assistance to this plant.

The General Chemical Plant was originally a military plant with a monthly production goal of 15 tons of gun cotton and 45 tons of nitroglycerine. This plant has now assumed two further responsibilities, that of coke manufacture and the development of phosphorous and sulfur deposits at Hai-chou.

The General Chemical Factory should produce 3 tons a day of concentrated 95 percent nitric acid. This requires daily production of 6 tons of 50-Baume sulfuric acid as raw material. There is little difficulty involved here since an abundance of iron sulfide is available in the Tz'u-ch'uan--Po-shan area. Liquid nitrogen is available from Shang-hai and probably can be bought more economically from that area than that it can be produced locally.

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The phosphorus deposits at Chin-p'ing-shan, south of Hai-chou, are well known in China. In 1937, Japanese prospectors estimated that they amounted to 2 million tons. At present, 70,000 to 80,000 tons can be secured by open-cut methods. The analysis indicates the deposits contain 29.26 to 34.5 percent of phosphorus pentoxide.

Two 500-kilowatt electric furnaces are in operation and the Ministry is planning to refine 10 tons of pure phosphorus per month. Later it will produce 20 tons monthly of tetraphosphorus trisulfide to supply the match industry of the province. The ministry is planning to develop ammonium phosphate fertilizer to supplement animal fertilizers.

There are pharmaceutical factories in Wei-hsien and distilleries in Yen-t'ai.

Ch'ing-tao is a center of industrial activity in Shantung, but at present is having difficulties due to the blockade.

The most important chemical industries in Ch'ing-tao now are a rubber factory and a brewery. Production capacity of the latter is 200 cases a day. Brewery raw materials, grain, sugar, and hops, can all be secured in Shantung. It has a good market in the South Seas and throughout China.

There is also a modern dye factory in Ch'ing-tao with a monthly production of 110,000 pounds of sulfide a month. Ch'ing-tao also has diesel oil and table salt refineries.

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COUNTRY Communist China
 SUBJECT Economic; Political
 HOW PUBLISHED Daily newspapers
 WHERE PUBLISHED Hong Kong; New York
 DATE PUBLISHED 20 Oct - 11 Nov 1949
 LANGUAGE Chinese

DATE OF INFORMATION 1949
 DATE DIST. 28 Nov 1949
 NO. OF PAGES 2
 SUPPLEMENT TO REPORT NO.

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF ESPIONAGE ACT 50 U.S.C. 31 AND 32 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.

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CHINA, USSR DEVELOP TRADE ACTIVITIES

FIRST SOVIET SHIPMENT ARRIVES -- Hua-ch'iao Jih-pao, 11 Nov 49

Shang-hai, 2 November (NCNA) -- After China and the USSR had established diplomatic relationships, the East China Trading Bureau, in pursuance of the Central People's government policy, aggressively expanded trade activities with the Soviet Union. Chinese hog bristles and raw silk are to be exchanged for Soviet paper and industrial equipment. The first shipment of approximately 8,000 tons of newsprint and paper pulp, from the USSR, has arrived in T'ien-ching and will be forwarded to Shang-hai in the near future.

NEW SHIP BUILT WITH SOVIET AID -- Hua-ch'iao Jih-pao, 10 Nov 49

Ta-lien, 2 November (NCNA) -- The shipbuilding section of the Ta-lien Shipbuilding and Repair Yards has set a new record by building the hull of a 100-ton steamship in 3 days with the advice of a Soviet engineer and using Soviet methods.

This is in contrast with the 7-8 months required for such a job under Japanese administration.

RUSSIANS GIVE INVENTION TO CHINESE -- Wen-hui Pao, 20 Oct 49

Shen-yang, 19 October (NCNA) -- As a token of the great friendship that exists between the Russian and Chinese people, Director Lao-ma-no-fu [Chinese approximation of a Russian name] of the Vehicle Inspection Section and Director Szu-chieh-pao-no-fu [Chinese approximation] of the Electric Power Division of the Ha-erh-pin Railroad Bureau have turned over to the Chinese people an electric rivet-heating forge that they have invented.

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The Northeast Railway Administration has announced that after trial in the Vehicle Inspection Section, use of the forge would be extended to all railroad factories on their lines and to every section.

It has also been decided to award the inventors with 50,000 yuan and a citation. The Chief of the Northeast Railroad Administration, Yu Kuang-cheng (Ueda: 253, 567, 2461), has personally written them a letter expressing his appreciation.

The results of a test, conducted on the electric forges manufactured by factories in Ha-erh-pin, were found to be very favorable. The following features were noted:

These forges are portable and can be put into operation at once wherever electric current is available. They save the expense and bother of charcoal, require no technical supervision, and can be operated by one worker. They can heat rivets measuring one half to one inch in diameter and one to 2 inches in length, in from 10 seconds to a minute. Since the electric current used is only 1.5-2.5 volts, the workers are not endangered.

Electric current is used only for the time that the rivets are being heated so that the electric power consumption is not great. The forges do not emit smoke or coal dust; therefore, the health of the workers is safeguarded. The forge is equipped with four adjustments to regulate the heat.

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