MONTHLY REPORT

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New Rumors

(In China, and in Shanghai particularly, very few events take place without having been "reported" or "rumored" beforehand. Thus little ever comes as a complete surprise. Conversely, no event of importance occurs without a trail of rumors "explaining" the whys and wherefores. While in China, as elsewhere, most rumors are just such and have no value, many do contain a sizable grain of truth or are wholly true. Because of the prevalence and importance of "rumors" in this country, MONTHLY REPORT will publish on this and the following two pages a few of the month's rumors which the editors feel most likely to be based on fact and most likely to be correct.)

IN relation to the Central Government's announced campaign against "remnants" of the Communist East River Guerrillas in Kwangtung Province, is the rumor of large-scale Chinese Communist plans for military activities in the Kuomintang rear. These plans include the strengthening of the East River Guerrillas, which during the war numbered about 6,000 men and which were reduced after V-J Day by an American Marine supervised evacuation to Manchuria of approximately 2,500 men, and the setting up of a new "border area" comprising parts of Anhwei, Chekiang, Fukien, Kiangsi and Hupeh. The latter move, of course, depends entirely upon Communist ability to penetrate that far south in sufficient strength. The movement of reinforcements to the East River area, however, is said to have been under way for the past month, with considerable numbers of old East River people, who were removed in the Marine evacuation and subsequently given "refresher" courses in the North, already having returned to Kwangtung.

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Informeds report that serious attempts are now being made by various Chinese and Japanese elements to bring the two countries together, with the general idea that China, supported by Japan, will take the lead in the next "Asia for the Asiatics" campaign. In addition to this dream of certain ultra-nationalistic, anti-Western elements in both countries, other groups are attempting to lay the groundwork for future trade relationships. Certain Szechuen warlords are reported to be attempting to get into the Japan trade, while some smuggling of Chinese to Japan and Japanese to China is reported. Japs are supposed to be coming in on boats bringing barter goods, while Chinese return on the same ships. The Chinese have hit on a unique method of financing themselves in Japan by carrying small, highly valued items such as lighter flints and saccharin, both of which are worth more by weight in Japan than gold bars.

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Local Russian circles view the current Moscow Conference in terms of China and Shanghai. They attribute the recent reshuffling of Russian diplomats here and in Nanking to a Moscow desire to recall key China personnel for "behind-the-scenes" talks on China, which, it is said, are still sure to take place between Marshall and the Soviets. The same sources say that the Central Government, watching the situation closely, is prepared, if necessary, to recall Foo Ping-sheung (Fu Ping-chang), Chinese Ambassador to Russia, and make him Minister of Foreign Affairs. This would be a gesture of friendliness to the USSR and might help forestall any possible Russian dickerings with Yenan. It is said that 400 local Soviet "citizens" have received their orders to leave for Russia, but are stalling until they see the outcome of the conference before finally deciding whether to become full-fledged Soviet citizens at this time, or whether to sit on the fence here a bit longer.

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A new surplus sales racket has been reported in the disposal of radio and electric equipment. A two-way wireless transmitter of the type used by the American Army and Navy is currently being sold for US$1,200, despite the fact that it is against the law to own them. A small military radar set, which costs much more in America than a W-T set, is sold for only US$800 because there is little use for such an item here. The sellers are so anxious to dispose of this equipment that they will rip sets apart if the buyer is interested in only spare parts which might be used as replacement for other type radio-radar equipment.

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While the rumored "roundup" of Shanghai's politically-minded students, teachers and workers, plus liberal intellectuals and outright political opponents is said to have been postponed, informeds are still predicting local riots in the near future. It is believed that the Chinese Communists have temporarily halted all official political activity, though some sympathizers may continue their work. Meanwhile, it is reported that Shanghai's new underground student union, which numbers a few thousand members, has at least 400 armed members around whom any future anti-government student parades will be built.

New Rumors—(*Continued*)

The report appearing in the Shanghai Evening Post that about 80 persons have disappeared in the last few weeks is not considered an exaggeration by well informeds. It is said that those who have disappeared were mostly factory workers, primary and high school teachers and shop clerks. The families of many have not dared to report the cases to the authorities or the newspapers hoping that they will find some way to buy the victims' way out. Report has it that two persons have regained their freedom by paying two gold bars each.

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It is reliably reported that local newspapers have received instructions from the "Shanghai Office of the Bureau of Investigation and Statistics of the Central Kuomintang Headquarters" notifying them not to report any case of missing persons as being connected with that office without its prior consent. The address of that office is given as No. 2 Avenue du Roi Albert.

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The *Ta Kang Pao* in Nanking, which was taken over by the CC Clique last June, was ordered to suspend publication in the middle of this month and then allowed to resume a few days later following reorganization. It is reported that the cause was an "inaccurate" story in the paper about an employee of the Ministry of Finance who committed suicide due to poverty. People who are close to Nanking newspaper circles state that the order for suspension and reorganization came from President Chiang who became irritated at the paper's consistent CC line and in particular at its recent critical attitude of Chang Chun and the Political Science Clique.

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Rumors of an autonomous government in Yunnan Province are generally discredited by well-qualified observers, who say that although the provincial officials do exercise considerable authority and judgment without reference to Nanking, it cannot be called "autonomy" They point out that such a situation is only to be expected as the Central Government becomes more preoccupied with fighting the Communists in the north and finds increasingly less time to deal with routine matters in the rear. These observers do not expect any real autonomous provincial governments to spring up until and unless the Central Government suffers a series of crippling military setbacks at the hands of the Reds.

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Among the current crop of rumors of political shifts, the following have been weeded out as being among the more likely: Chang Chun as president of the Executive Yuan, Chang Chia-ngau to serve concurrently as Minister of Finance, Gen. Wu Te-chen as governor of Kwangtung or mayor of Shanghai, Wong Wen-hao as governor of Chekiang, Ku Chen-kang as governor of Kweichow and K. C. Wu as Minister of Foreign Affairs.

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One possible solution to the problem of allocating seats on the State Council in the reorganized government may be through the appointment of the heads of the five government yuans to the Council, and then deducting these seats from the Kuomintang's total. If this idea works out Carson Chang probably will get the post of President of the Judicial Yuan, with the presidency of another yuan going to some Youth Party member.

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Political and economic observers are predicting that the development of the present critical situation will culminate in an economic upheaval and popular uprisings, probably to occur sometime next June. Szechuen is thought to be the most dangerous spot.

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It is currently being rumored that several disputes, bordering on the nature of trade wars, have broken out among foreign firms here, especially American ones. In some such situations Chinese authorities and companies have neatly turned the quarrels among the foreigners to their own advantage.

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Negotiations are now proceeding for the resumption of trade between China and Italy. Informeds say talks may put the trade on a barter basis.

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Recent tightening of the curfew restrictions in Tientsin and the pushing back of the deadline from midnight to 11 o'clock followed rumors of presence of Communist guerrillas nearby. Later rumors said the situation had been exaggerated by reports of a police search party having been disarmed in a slum district.

Old Rumors

RECENT reports from South China state that certain elements among various Nationalist cliques are spreading the rumor that the British and American authorities are beginning to think of General Chang Fah-kwei as a possible person to whom support might be lent should the National Government collapse and China again revert to a condition similar to the days of the warlords. While most observers feel that such rumors are purposely circulated by Chang's personal enemies within the Kuomintang, they also point out that China today is closer to warlord existense than most people realize, with Nanking controlling only slightly more territory than it did following the Japanese conquest of Manchuria. Heavy Central Government troop withdrawals from Yunnan, Kwangsi, Kwangtung and Fukien, last month's rebellion in Taiwan, and recent British and American military decorations bestowed upon Chang are cited by those who believe an "era of warlords" is in the offing and who also believe that Britain and America are already looking for friends to support if such a situation should arise.

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Informeds say that the real cause of this month's widespread rumors that the Government is planning to lower the official exchange rate to between CNC$8,000 and CNC$9,000 to US$1, was the leakage of information, in a garbled form, of a new plan for a new currency. While not predicting the immediate issuance of a new currency, they say that such a move is bound to come sooner or later and that it is continually under discussion by the authorities who view it as a method of at least temporary stabilization, even if no American loan is forthcoming in the near future.

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Among the many rumors about the reorganization of German firms such as Bayer and Defag, it is reported that these two concerns have been amalgamated into a Chinese company reportedly with offices in the Liza Building, and being operated with Captain Stennes, formerly head of Generalissimo Chiang's bodyguard, as a "front" for several so-called bureaucratic capitalists.

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The reasons for much of the CC Clique sniping during the third plenary session of the Kuomintang's Central Executive Committee meeting in Nanking this month, were the CC's desire to push through a so-called Fundamental Economic Program and a desire to prevent any other clique from gaining

strength. The CC is focusing its attention on consolidating its economic control throughout the country.

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The CC kicked up the most gains when Dr. T. V. Soong fell from political power. Wu Jen-tsang, former general manager of the Farmer's Bank in Shanghai, has been appointed director-general of Central Trust. Following the transfer of Chang Chia-ngau from the post of Economic Commissioner in the Northeast to that of governor of the Central Bank, the CC gained control over more than half of the Northeast economic setup through its connections with the National Resources Commission.

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Chang Chun has been hesitant about accepting the premiership in the forthcoming government reorganization, largely because it is felt that the Political Science Clique will bear the brunt of the CC attack as soon as they accept any larger share of responsibility in the Government. At the time of Dr. Soong's resignation, Chang Chun proposed the appointment of Dr. Sun Fo as president of the Executive Yuan, with himself as vice-president, but Sun declined. Many Nanking observers are of the opinion that the Generalissimo will put more of a halter on the CC Clique in order to give the Political Science Clique more of a feeling of security and thus secure their increased participation in the Government.

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It is reported that the real sufferers because of the Central Government's emergency economic measures were the small buyers, who went into the market for purposes of very small speculation or in attempts to hedge what little capital they had against inflation. In the days prior to the issuance of regulations many of these "small fry" were paying around CNC$800,000 per ounce. With the official price, which so far has been maintained with threats of arrest and five years' imprisonment, not to speak of confiscation, set at CNC$480,000, they have suffered losses which they can ill afford, especially since local banks have been tightening their credits recently.

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One angle to the February "gold rush" is rumored to be speculation by local offices of KMT armies. Each Nationalist army reportedly maintains some representation here which draws at least part of the army's monthly pay funds. In recent months, it is said, some of these offices have been "investing" in gold for one or two months before remitting the money to the armies in the field.

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Reliable reports from Yenan say that the Communist evacuation plan was to scatter their troops and officials throughout the villages in the area north, north-west of Yenan into Northern Shensi. This plan, the Reds figured, would be sufficient as the KMT's real objective was the city of Yenan and they would not expend the energy and time to attempt to hunt the communists down in the rugged countryside which is admirably suited for bush-whacking. However, if a general move is necessary, it is said that the Communists will transfer their headquarters across the Yellow River into Shansi and thence on into Hopei, with Fuping being the proposed site of the "new Yenan."

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One reason why Nationalist troops often do so poorly in their campaigns against the Communists is the bickering among the generals, most of whom belong to one army clique or another. A good example of how politics can foul up a campaign was seen recently in Shantung where orders, countermanded several times by jealous generals, resulted in the defeat of a general and his troops. Gen. Li Hsien-chou, commander of two armies under General Wang Yao-wu, who is said to be a Ho Ying-chin man, was ordered by area commander Hsueh Yueh, who was Wang's boss and who is not a Ho Ying-chin man, to move his troops from Tsinan to Laiwu. Wang sent an emissary to Nanking and got Hsueh's order countermanded and the troops marched back to Tsinan. Hsueh Yueh then ordered them back to Laiwu. Meanwhile the Communists attacked while this aimless traipsing back and forth was in progress and put Li and his two armies out of commission.

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While military observers admit that China's civil war is growing more bitter and more earnest each month, there were recurrent rumors of a "paper war" last month in connection with the "alleged" Manchurian campaigns. Well informeds say that the Communist drive toward Changchun and its consequent defeat was all a Nationalist smoke screen to counteract the Communists' claims of victory in Shantung. They say that although the Reds claimed to have destroyed seven of Wang Yao-wu's divisions in Shantung, they actually only mauled two, while the Red drive in Manchuria, which, according to the Nationalists, involved 250,000 crack Communist troops, actually was only a communist raiding party of 17,000 men which crossed the Sungari River. The "threat" and the "victory" were entirely on paper, it is said.

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Circles close to the illicit drug trade pointed out here this month, following the discovery of heroin smuggling in New York by French seamen, that there has been considerable Indo-China opium offered locally from time to time during the past several months.

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One racket which has suffered from the recent Government refusal to issue any more passports for Chinese going abroad, is one practiced by a well-known local firm which for the past several months has been sending Chinese abroad as its "representatives" in return for payment of US$1,500 per "representative." This racket enabled wealthy Chinese who wished to leave the country to present a plausible reason for obtaining a passport to the Ministry of Foreign Affairs.

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Several UNRRA vessels carrying "program cargo" from the United States to China, as opposed to "surplus cargo," were scheduled to be on the high seas before the end of this month. Inasmuch as Commander Jackson has expressed his determination to divert this cargo to the Philippines in the event of CNRRA's failure to fulfill several of its long-standing and almost forgotten commitments before a certain date, the local CNRRA offices have been rushing the loading of supplies for Communist areas. It is said that Jackson set the Red quota this time at 15,000 tons, and three LSTs are being loaded with the greatest speed. However, in their haste to get the ships loaded, CNRRA is reported to have dumped in a lot of heavy, useless machinery which the Reds will get whether they want it or not.

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It is reported that Dr. Hu Shih, president of Peita and former ambassador to the United States, has lost much of his former popularity with the Peiping student body because of his unqualified support of the recently-passed constitution. It is said that last month anti-Hu Shih posters were plastered on the university walls at night.

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Several German technicians were taken along by the Communists withdrawing from the mines at Tsaohsien, Hopei Province, Tientsin reports say. It is reported that they will be employed as technical experts. Nothing has been heard from the men since.

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Reports from Harbin speak of high cost of living and very low salaries. Trade and commerce are practically at a standstill and robberies are still common. Russian purchasing commissions are said to have stopped the purchase of furs and are now mainly engaged in buying foodstuffs.

Economic Report

FOLLOWING a month of excitement with wild fluctuations in financial quotations and commodity prices, Shanghai markets became quiet during the month of March. Although Dr. T. V. Soong and Mr. Tsuyee Pei resigned from their posts as President of the Executive Yuan and Governor of the Central Bank of China respectively, there has been no change in government policy as embodied in the Emergency Economic Control Regulations, promulgated on February 17.

Dr. Chang Kia-ngau, who assumed his post as the new Governor of the Central Bank of China on March 3, promised to carry on the basic economic policy and declared that "there will be no real victory until economic freedom, a freedom indispensable to all, is attained." Not only has economic stability not been achieved, but the productive capacity in the country has not been restored, continued Dr. Chang. The people's "livelihood is not secure. The people are still living under great anxiety. Further efforts comparable to those made during the war, are necessary."

To cope with inflation, the government must control prices and ration scarce goods. It is necessary to stimulate national production and to curtail civilian consumption. The whole process, Dr. Chang predicted, will be a painful one because internal peace and order have not yet been restored. All people must cooperate closely with the government.

Chiang's Edict Broadcast

In an attempt to enforce the regulations of February 17, Generalissimo Chiang Kai-shek, in his capacity as Premier of China, issued identical orders to all provincial and municipal governments which include the following:—

(1) The immediate banning of gold transactions;
(2) The banning of circulation of and transactions in foreign currencies;
(3) The prohibition of strikes;
(4) The prohibition of speculation and market manipulation;
(5) The outlawing of hoarding;
(6) Local authorities will be held responsible for supervising the rationing of daily necessities; and
(7) The maintenance of commodity price at the official levels.

Meanwhile, the Supreme National Economic Council was abolished and in its place a National Economic Council, directly under the Executive Yuan, was organized on March 4, charged principally with assisting in the implementation of the emergency economic program. With Generalissimo Chiang as Chairman and Dr. Wong Wen-hao as Vice-Chairman, the Council has as its members, the ministers of Food, Social Affairs, Finance, and Economic Affairs, the Comptroller of the National Treasury, and the mayors of Nanking and Shanghai.

The Council's first job was the organization of a nine-man Price Control Committee with Dr. Wong Wen-hao as Chairman and Dr. Wang Yun-wu as Vice-Chairman. The committee will supervise the implementation of the emergency economic measures and control of commodity prices. Readjustment of commodity prices and public utility charges must be decided upon by this committee.

"Gold Rush" Arrests Total 4

Aside from these measures, government authorities continued their investigations into the activities of banks, financial brokers, and businessmen in connection with the "Gold Rush" in February. So far one Chinese, Chang Lien-sen, manager of the Tung Fung Yu Gold Shop and chairman of the Shanghai Gold Merchants' Guild, has been arrested on charges of manipulation in the gold market.

Lin Feng-pao and Yang An-jen, manager and assistant manager of the business department of the Central Bank of China, were arrested also but released on bail on the personal guarantee of Dr. Chang Chia-ngau. Both of them will appear before the local court for trial in the near future.

In addition, one foreigner—a Netherlands subject—Frederick Mysberg was arrested on charges of speculation both in gold and foreign exchange before and after February 17. Mysberg's trial began March 22.

Press reports state that many more so-called "tigers" will be arrested in connection with the "Gold Rush" and it is common knowledge that many high government and military officials bought gold bars during the rush period.

Colossal Sum Remains Frozen

With trading in gold and foreign currencies banned. huge sums of idle capital have been frozen. However, it has become more and more apparent that speculators and investors who need cash are forced to sell their holdings of American currency to the Central Bank of China at CNC$11,640 for US$1.

Although many are selling tens of thousands of American dollars to the Central Bank of China, few are selling gold bars to the Government bank. It is generally believed that the official price of gold, as fixed by the authorities at CNC$4,800,000, is too low and that few are prepared to give up their gold holdings at the present time and at the present official rate.

Due to this belief there was a rumor current in mid-March to the effect that the exchange rate of American banknotes would be decreased from CNC$12,000 to CNC$9,000 or even CNC$8,000. This rumor, however, has been repeatedly denied by spokesmen of the Central Government in Nanking.

As trading in gold and foreign currencies is not permissible, speculators have shifted their attention to the stock market. Business on the Shanghai Securities Exchange increased in volume and quotations increased. Wing On Textiles rose from CNC$2,280 on February 22 to CNC$2,575 on March 1, and to CNC$3,300 on March 12. On March 20 they dropped to CNC$2,530. Daily turnover on the Exchange increased from 10,000,000 shares to as many as 80,000,000 shares. This increase was also caused by the suspension of black market dealings in stocks and shares which was prevalent till the middle of March when police raided a few black markets.

Forward Buying Profitable

One of the reasons business on the Exchange was so active during the month was the fact that large sums of money found no outlet in Shanghai. Banks found it very profitable to buy shares for forward delivery (one week only) and sell shares for spot delivery. In this way, the banks could make a 15 to 25 percent profit. Many banks, including the Sin Hwa Trust & Savings Bank, the National Commercial Bank, the Shanghai Commercial & Savings Bank and others, were reported to have engaged in this practice, involving large sums of money.

Not only did quotations increase under such buying and selling; the volume of business also rose sharply. The police visited the Exchange several times in the early part of March when quotations were soaring, but such visits failed to depress prices as trading in the Exchange was legal. However, police visits did succeed in stamping out the black market dealings, thereby increasing the volume of business on the Exchange.

Quotations of stocks and shares dropped in earnest only in the third week of March, when the Exchange decided to increase the margin for forward trading by 10 percent cash. This made it difficult for many operators, and liquidations caused a heavy decline in quotations. Stocks are not expected to rise very much in the next few months, according to well-informed circles, as commodity prices have been dropping continuously since February 17. Many operators are naturally anxious to pocket their profits instead of holding on to securities.

CNC$200 Millions Absorbed?

Although figures are lacking, it is estimated that no less than CNC$200,000,000,000 is being absorbed by stocks and shares. Besides the large sums of capital immobilized as a result of the government prohibition of transaction in gold and foreign currencies, it is estimated that Shanghai has a total idle capital amounting to CNC$2.000,000,000,000. As no outlet can be found, more money is reported to have been remitted to Hongkong during the last two weeks of March. One report estimated that during the third week of the month as much as CNC$30,000,000,000 was remitted to Hongkong from Shanghai.

The money situation in Shanghai during March was not tight. Black market interest rates fluctuated around 15 percent per month.

Reasons for the "loose money" situation included:

(1) Strict enforcement of government regulations against speculation and hoarding so that large sums of unemployed money cannot be utilized;

(2) More money is being sent to Shanghai from interior cities because of spreading military activities;

(3) No money has been called in by the Central Bank selling gold bars, because of the change in the government's gold policy as of February 17; and

(4) The strict control of imports has greatly limited the volume of trade.

Commodity prices dropped in general during the month of March, despite the loose money situation in town, for various reasons, including low purchasing power, lack of transportation facilities to ship goods into the interior, etc.

However, the most important factor is probably the excessive increase in prices during the "Gold Rush". When gold increased to the maximum of CNC$9,800,000 in the early part of February, commodity prices followed, and kept on increasing after gold trading was prohibited.

When the authorities started to investigate the hoarding of commodities and ruled that commodity prices could not be increased without official permission, many speculators and hoarders began to sell. This general trend depressed the market and caused a considerable decline in prices. For instance, the price of newsprint which rose to CNC$160,000 per ream, dropped to CNC$100,000 by the third week in March. The price of dyestuffs fell by 50 to 60 percent for some popular brands during this period. Chemicals, soap, matches, cigarettes and other daily necessities also dropped. As mentioned, this decline was not so much due to the strengthening of the fapi nor to an increase of production, but to the selling of commodities by speculators and hoarders and the excessive increase in prices during the period of the "Gold Rush" in February. This must be considered a natural reaction.

The following table lists some of the leading commodities in Shanghai:

Commodity	Aug. 1937 CNC$	Aug. 24, 1946 CNC$	Nov. 26, 1946 CNC$	Jan. 27, 1947 CNC$	March 24, 1947 CNC$
Rice	10.50	58,000	56,000	88,000	110,000
Wheat flour	3.83	55,800	20,000	32,000	53,000
Bean oil	20.57	81,500	135,000	150,000	320,000
Sugar	23.85	200,000	165,000	135,000	220,000
Raw silk	710.00	3,500,000	3,800,000	5,000,000	7,500,000
Coal	16.25	470,000	800,000	960,000	1,500,000
Ruby Queen cigarettes	3.00	14,200	16,300	24,000	35,700
Matches	66.54	600,000	620,000	960,000	1,355,000
KB soap	6.60	47,500	47,500	120,000	207,000
20's Yarn	295.00	1,700,000	2,550,000	2,540,000	3,500,000
Newsprint	4.00	27,000	23,000	50,000	98,000

COTTON YARN REMAINS FIRM

This does not mean that the authorities have not had difficulty in forcing down commodity prices. In the case of edible oils, coal, sugar, and other necessities, the City Government of Shanghai tried hard to increase the supply of stocks and lower prices. Even now, the authorities still face the problem of forcing down cotton yarn prices, which remained firm during the month of March.

While the official price of 20's cotton yarn by government purchase for the month of February was CNC$2,500,000, it increased to CNC$3,000,000 in March, but the black market price was over CNC$4,000,000 and the cost of production was around CNC$3,800,000. It was all the more difficult to curb the price of yarn, as prices of these products in Kwangtung and the South Seas were far above Shanghai's black market.

Although smuggling of yarn products to the south has been greatly decreased, government agencies are reported to have exported considerable quantities to Siam and Hongkong at a handsome profit. The authorities are trying to stabilize yarn and cloth in the Shanghai market and at the same time to export these products to the south. Police visited the yarn exchange repeatedly in the middle of March and the market was ordered to suspend business for two days when black market dealings were reported. It was permitted to reopen only when it promised not to allow any trading at five percent above the official price.

Utilities Denied Rate Increases

While endeavoring to reduce commodity prices on the one hand, the authorities are finding it very difficult to hold down public utility charges on the other. Since the boom in commodity prices during the "Gold Rush," and the readjustment of the foreign exchange rate from CNC$3,350 to CNC$12,000, there has been no readjustment in public utility charges.

During the month of March, the managements of these public utilities petitioned repeatedly for permission to increase rates. However, the Price Control Committee of the Executive Yuan ruled adversely and Minister of Economic Affairs Wang Yun-wu promised that the Government would grant subsidies where losses were incurred.

Despite the ruling that public utility charges would not be increased, the passenger fares for the two aviation companies—CNAC and CATC—were increased by 200 percent when they resumed their passenger flights on March 16.

From the number of checks and the sum of money involved in Shanghai Bankers' Clearing House clearances, one can see that business in general was dull in March. This dull business and the general decline in quotations were natural reactions to a phenomenal increase of prices. If the authorities can make good use of the present trend of business conditions by directing the idle capital to productive channels, sale of government owned factories so as to increase the income of the government, and stop the issuance of fapi notes by bringing to an early end the civil war, it will not be hopless to try to stabilize China's economic conditions.

Economic Report—(*Continued*)

Enemy Property Seizures Listed

According to official reports of the Alien Property Administration up to December, 1946 the total value of properties taken over by the Administration amounted to CNC$1,202,477,415,210.67, which belonged formerly to:

Japanese ..	**CNC$868,348,350,481.47**	**72.24%**
Puppets ...	**295,853,840,265.86**	**24.61**
German ...	**38,275,224,463.34**	**3.15**

Besides, the Administration uncovered several other properties that were not reported. The value of such properties amounted to an additional CNC$17,626,554,614.65. The properties taken over have been classified as follows:

Category	Disposed of CNC$	Pending disposal CNC$
Commodities	190,435,990,994.37	128,954,380,947.62
Factories	173,861,339,418.39	274,789,207,766.59
Real estate	6,016,199,537.83	128,735,945,011.70
Gold, silver ornaments ...	150,313,842,942.63	14,669,748,138.12
Wharves, warehouses ..	1,085,413,000.00	100,950,000,000.00
Water transport facilities	8,599,466,267.60	5,809,959,561.40
Foodstuffs	5,539,866,531.82	4,589,485,722.83
Fuel	2,352,843,263.95	1,721,839,234.58
Currency	3,684,967,327.99	1,936,345,788.20
Educational facilities	3,251,425,540.00	4,013,872,207.20
Farms, fisheries ..	220,510,553.10	3,808,906,298.55
Land transport facilities	5,972,524,822.00	1,111,147,616.00
Furniture	1,183,324,423.20	557,990,436.47
Securities	2,750,000.00	2,348,218,627.00
Air transport facilities	3,981,000.00	12,077,000.00
German property .	29,491,119,622.47	8,784,104,840.87
Total	582,015,545,195.35	682,793,229,198.14

If the Government can dispose of the remaining CNC$682,793,229,198 worth of alien properties this year as well as the government owned factories, such as the China Textile Development Company and the China Tobacco Company (the former was estimated to be worth CNC$4,000,000,000,000) it will realize almost half of the total expenditure budgeted by the government for the current year. The announced national budget was CNC$9,200,000,000,000.

However, if these alien properties and the government owned factories cannot be disposed of and if the civil war continues, the present downward trend of commodity prices will be but a temporary period of lull before another heavy storm, as the note printing machines will be kept very busy by the authorities to meet the unlimited increase of expenses.

Import Control Report

ON November 17, 1946, Dr. T. V. Soong, then President of the Executive Yuan, issued a statement in which he said that the shortage of goods which China had been denied during the war years was mainly overcome by "substantial commercial imports, supplemented by generous UNRRA relief supplies....", and the Government thought fit, therefore, to direct its attention to the revival of domestic production and to this end was instituting a system of selective importation. This was to be achieved through the expansion of the licensing system in operation prior to November 17, 1946, instituted on March 1, 1946, to cover all imports.

All imports were then divided into four categories. Dr. Soong declared that this differentiation took cognizance of the fact that certain import items were at present more necessary than others, and consideration was to be given to the importation of necessities and raw materials and other legitimate requirements of domestic producers. He further stressed that the importation of machinery and capital goods was to be given top priority, while non-essential imports were to be banned.

On the whole, the tenor of his statement was to underline the urgency of domestic industry invigoration and expansion.

Official Inaction Aids Black Market

The official analysis of the situation which led to the institution of the Revised Temporary Foreign Trade Regulations was also given by Dr. Soong in his resolutions introduced in the Executive Yuan. Among other points he stressed that the absence of an open market for foreign exchange transactions brought about a stalemate in foreign trade, with industrial and commercial circles adopting a wait-and-see attitude, creating an obstacle to China's economic reconstruction.

The fact that no official action had been taken for some time gave rise to speculation and fostered the growth of the black market. Gold and US dollar prices were affected and commodity prices rose steadily.

Among the initial steps was the division of all imports into the following three classes:

a) Industrial and daily necessities which the people may purchase and import at any time without the approval of the Government.
b) Imports allowed only after approval on application, such as tobacco, gasoline, motor cars, woolens, and silk goods.
c) A number of prohibited imports which are classed as luxuries.

To implement the control of imports a Temporary Import Planning Committee has been created to investigate statistics of imports, to regulate purchases abroad and to effect the subdivision of imports into essential and non-essential items.

The Board for the Temporary Regulation of Imports, composed of the Chairman of the Supreme Economic Council, the Minister of Finance, the Minister of Economic Affairs, the Minister of Communications, the Minister of National Defense, the Minister of Food, the Governor of the Central Bank of China, the Chairman of National Resources Commission and the Director-General of the National Relief and Rehabilitation Administration, established the Import Quota Allocation Department and the Import Licensing Department for the purpose of issuing licenses for the importation of permitted goods.

All Import Licenses were delegated for issue to the Foreign Exchange Examination Department of the Central Bank of China in respect of the importation of goods in the so-called Schedule III. Goods under this schedule may be imported subject to the consideration of the bank, which in fact signifies that no certainty whatsoever is being given importers who may be eager to bring goods under this category into China.

Goods Schedules Given

Here is the list of goods as classified by the Board for importation:

Schedule I (Capital Goods.)

Tariff No.

244	Agricultural Machinery and parts
245	a. and b. Electrical Machinery for Power generating and transmission, such as Dynamoes, Motors, Transformers, Converters, and parts.
246)	Machine Tools and Machine Shop Tools and
247)	parts.
252	Machinery NOPF (i.e. pumping, printing, paper-making, textile machinery etc.) and parts.
255	(Part) Steamers, complete and parts or materials thereof, NOPF.
248	Prime Movers, i.e. Gas Engines, Oil Engines, Steam Engines, Hydraulic Turbines, Steam Turbines, Turbo-generator Sets and other prime movers, combined with Generators or not, and parts thereof.

181)
188)
257) abc
588) Railway and tramway supplies.
249 Steam boilers, Economizers, Super-heaters, Mechanical Stokers and other Boiler Room accessories and parts.

No quotas have been instituted for the items listed above in Schedule I. There is the stipulation, however, that all purchases abroad of capital goods under this category, exceeding US$2,000 or equivalent value, shall be subject to prior approval by the Board. Before completing purchases abroad, importers are to submit their applications for consideration by the Board, together with full particulars, name of country of origin and terms of payment and shipment. The Board may then call for further information, as desired.

Thus it appears that the suggestion that the people may purchase "industrial necessities at any time without the approval of the Government," is limited to the value of US$2,000.

It is also stipulated that goods imported for industrial and/or trading purposes by companies and institutions controlled or financed by the Government, as also Government departments, shall be subject to the same licensing procedure as goods imported by private enterprise.

Special Treatment For Government's Needs

Goods imported by Government departments, for public or official use, shall require the prior approval of the Executive Yuan which, when granted, shall be considered as a sort of mandate and instruction to the Licensing Department.

Thus, it appears, that while formally the Government departments are in the same position as private capitalists, in practice the procedure is somewhat simplified for them.

Schedule II

Tariff No.

656 (part) Cinematograph Films, developed.
532 a & b. Kerosene Oil.
256 b (part) Passenger Motor Cars (other than those on the prohibited list: Automobiles with 7 passenger capacity or less whose net f.o.b. factory cost to dealers exceeds US$1,-200 or equivalent.)
397 Sugar.
423)
425) Tobacco Leaf and Stalk.
482 Aniline Dyes and other coal tar dyes NOPF.
440 Ammonia, Sulphate of.
130 Artificial Silk Yarn.
618 Cement.
603) a & b.
607) Coal and Coke.
71 Raw Cotton.
426 to 439)
441 to 449)
451)
453) Chemicals.
454)
455 to 460)
463)
465 to 480)
450 Fertilizers.
357 Flour, wheat.
520 a & b. Gasoline, Naphtha, Benzine, minerals.
108)
109) Gunny bags, new and old.
521 Grease, lubricating, wholly or partially mineral.
498 Indigo, artificial.
644 a, c&d. India-rubber and Gutta-percha and manufactures thereof.
98 Jute, raw.
529 a & d. Liquid Fuel (Fuel Oil).
563)
649 Machine Belting and Hose, other than those made of Rubber, and Leather Belting.
147 to 180)
182 to 187)
189 to 214) Metals.
216 to 225)
227 to 238)
240)
541 Oils, Fats and Waxes, NOPF.
534 a & b. Oil, lubricating.
545 to 556)
558 to 560) Paper and Wood Pulp.
461, 464, 481 Pharmaceuticals.
384 a & b. Rice.
663 Starch.
510 Sulphur, Black.
511 Tanning Extracts, Vegetable, NOPF.
580 to 587)
589 & 590) Timber.
395 Wheat.
112 & 113 Wool and Wool Waste.
114 a & b. Woolen Yarn and Thread, pure or mixed.

Goods in this schedule are subject to import quotas set by the Board and allocated by the Allocation Department. The Allocation Department is to submit the quotas to the respective trades with the direction that each trade apportion its quota among importers registered with the Board in respect of that particular trade. This apportionment, however, is subject to the approval of the Allocation Department.

For this category of goods, import licenses may be issued at the beginning of each quarter or "at any other convenient time," to cover goods to be imported in the quarter directly ahead.

On February 17, the Board of Temporary Regulation of Imports announced the following quotas to cover the importation of goods in Schedule II, for the period from February to April 1947.

It will be seen from the table below that a number of items, although previously classed in Schedule II, and therefore subject to import quotas, have been suspended for the above mentioned quarter. This suspension, however, is said to be temporary, and informed quarters stress that the present suspension does not signify a ban on importation in future quarters.

Commodity Group

		(In US$ or equivalent)
1.	Gasoline, Naphtha, Benzine, Mineral; Liquid Fuel (Fuel Oil) and Kerosene Oil	12,075,000
2.	Cotton, Raw	40,000,000
3.	Rice, Wheat and Wheat Flour	20,000,000
4.	Leaf Tobacco	8,000,000
5.	Jute, Raw, and Gunny Bags	1,250,000
6.	Coal and Coke	500,000
7.	Metals	3,750,000
8.	Chemicals	2,000,000
9.	Paper and Wood Pulp	3,425,000
10.	Timber	1,830,000
11.	Wool and Wool Waste and Woolen Yarn and Thread, pure or mixed	1,400,000
12.	Aniline Dyes and other Coal Tar Dyes, NOPF, and Sulphur Black	2,275,000
13.	India-rubber and Gutta-percha and Manufactures thereof	1,100,000
14.	Oil, Lubricating, and Oils, Fats and Waxes, NOPF	1,160,000
15.	Machine Belting and Hose, other than those made of rubber, and Leather Belting, Starch, and Tanning Extracts, vegetable NOPF	345,000
16.	Sulphate of Ammonia; Fertilizers	(suspended
17.	Artificial Silk Yarn	565,000
18.	Pharmaceuticals	(suspended)
19.	Cement	(suspended)
20.	Passenger Motorcars, other than those on the prohibited list, (Schedule IV) and chassis thereof	(suspended)
21.	Sugar	(suspended)
	Total:	US$99,675,000

Import Control Report—*(Continued)*

Distribution Of Cotton Not Detailed

It is not entirely clear how, for example, the distribution of imported raw cotton is to take place between government owned textile plant and private owned mills. Dr. T. V. Soong, in his resignation speech before the Legislative Yuan, on February 28, said that the Chinese Government had had to import US$175,000,000 worth of raw cotton during 1946.

He also stressed the extreme profitability in operation of the China Textile Development Corporation, a Government concern, formed partly with Chinese and partly with Japanese cotton mills, and revealed that the net profit for 1946 of the corporation amounted to CNC$400,000,000,000, all of which went to offset the Government budget deficit. At the same time he predicted that the net profit would reach CNC$1,000,000,000,000 in 1947.

If Soong's figures are taken, the average monthly import of raw cotton in 1946 came to US$15,000,000, and the fact that the Government expects a huge profit in 1947, may to some extent explain why US$40,000,000 is being allocated for the three months of February to April.

According to an estimate of the *Sin Wan Pao*, US$40,000,000 will buy a little over 230,000 bales of raw cotton. The requirements of all the local cotton mills have been registered at about 370,000 bales and inasmuch as the foreign exchange quota cannot at present be increased, the allocations of cotton will be reduced.

Plan For UNRRA Cotton Outlined

This deficit may be partly covered by UNRRA shipments of raw cotton, which are expected to total 240,000 bales by the end of April, i.e. the first quarter. The *Shun Pao*, on March 12, reported that the UNRRA cotton will be distributed through CNRRA on the basis of the total number of bales ordered, less cotton quota allowed under the import control regulations. Furthermore, the paper stressed that the import quota in question is first approved by the Textile Guild, which gives a double check on the consumption of raw cotton of every single mill.

Here is an approximiate table of cotton ordered and permitted for export, on the basis of which UNRRA cotton is to be distributed:

	Bales Permitted For Importation	Actually Allocated in March
Chinese Private Mills	78,909 bales	29,627
Foreign Mills	4,971 „	1,866
Government-owned Mills ..	189,015 „	70,968

On February 7, the Import Quota Allocation Department issued detailed instructions both to cotton mill owners and to importers of cotton. Therein the department stated that Allocation Certificates are to be issued by the Cotton Import Allocation Committee especially formed to study this complicated issue. The basis of allocation, it was said, would be the participation by mills in the authorized block quota (in this case US$40,000,000, to buy an estimated 230,000 bales) in the ratio of the operated spindles of each mill to the total spindles operated. Moreover, from the gross allocation thus made to each mill there shall be a deduction of any visible supplies of cotton stocks and forward commitments for which pre-zero (November 17, 1946) import licenses have been granted. For the net quantity so determined Allocation Certificates will be issued which shall serve as the basis for importation applications.

Another part of the instructions stipulates that the Import Quota Allocation Department reserves the right to direct mills to allocate their purchases of cotton among the several producing countries in such "currencies as the Central Bank of China may determine." Moreover, mills are prohibited from disposing of cotton supplies to others without the prior permission in writing of the department.

INSTRUCTIONS TO COTTON IMPORTERS

Here follow the full instruction to raw cotton importers announced on February 7:

1. With immediate effect, Applications for Import Licenses must be submitted to the Import Quota Allocation Department by mills and Import Licenses will be issued to them.

2. Pre-Zero Licenses will be issued only in respect of such transactions as had been approved by the Foreign Exchange Examination Department of the Central Bank prior to 17th November, 1946. All other commitments will rank as POST-ZERO, and the issue of Import Licenses in respect of them will be governed by the following regulations:—

(a) (1) The authority to buy foreign exchange in payment of such purchases will be based on the New York (or Bombay) quotation for the month of shipment ruling on the day on which the application for an Import License is made.

(2) To comply with the condition that Licenses will be issued to mills, cargo which has been sold to other sources should be re-sold to mills.

(3) Unsold cargo afloat as of 24th November 1946 may be sold to mills to which Import Licenses will be issued.

(4) In no circumstances will Import Licenses be issued in respect of unsold cargo unshipped as of 24th November 1946. (b) Quota for the ensuing quarter will be issued to mills in the near future. Visible supplies, i.e. stocks and approved pre-zero purchases, will be taken into consideration in the allocation made to each mill. Applications for Import Licenses in respect of cotton under Par. 2 (a), above, will rank as post-zero and will be entertained by the Import Quota Allocation Department only to the extent of the quota allocated to each mill. Importers are therefore advised when selling or re-selling cotton in the terms of the above paragraph to satisfy themselves that their buyers are mills which are short of cotton for near positions. Importers must make their own arrangements with mills for the mills to apply for Import Licenses in respect of all post-zero commitments. The Import Quota Allocation Department will accept no responsibility for any question that may arise in consequence.

3. Mills are being directed in future to confine their purchases to importers of cotton registered as such with the Board for the Temporary Regulation of Imports.

4. All applications wrongly submitted as pre-zero will be returned to the applicants.

Paper Allocations Strongly Protested

Representatives of the various "trades" filed petitions for increases as soon as the import quotas for the current quarter were announced. The most vehement protests against the low quotas came from the local Chinese press.

According to the *Wen Wei Pao*, a total of 1,000 tons of newsprint was allocated for the monthly consumption of private papers at US$160 per ton, while the Ministry of Information is to receive 550 monthly. The *Wen Wei Pao*, in particular, declared that it is to receive only three percent of its total requirements.

A petition was sent by the local rubber merchants asking that the import quota be increased to US$2,000,000 as against the US$1,100,000 announced. This petition pointed out that the amount allocated for import in the present quarter covers only 10 percent of requirements, with the Great China Rubber Factory alone consuming 220 tons of raw rubber per month. The Shun Pao estimated that rubber processing factories in the whole of China require at least 33,445 tons of raw rubber every month.

The restrictions on the importation of newsprint were construed by some quarters, in particular the liberal and left-wing press, to be designed as a curb on the freedom of the press by forcing papers to cut down their size and eventually go out of circulation due to losses incurred.

Following considerable criticism the Board announced that while it is impossible to raise the quotas for the current quarters, efforts will be made to increase it in the next to meet public requirements.

According to the *Sin Wan Pao*, 42 firms have been allowed to import lubricating and fuel oil, and gasoline, but the list of names has not been made public, for unspecified reasons. On the whole, no official reason has ever been given why a list of qualified importers has never been published. Due to this, individual importers are reticent on the subject and refuse to give information as to the actual distribution of quotas in the various "trades" or guilds, as the case may be.

Appeals from all quarters were answered by Director Lee of the Import Quota Allocation Department, according to the *Ta Kung Pao*. He said that while the demand for higher quotas was in essence reasonable, yet, owing to China's limited foreign exchange resources, "these quotas cannot but be enforced."

Lee estimated that while China's incoming foreign exchange would amount to approximately US$200,000,000 this year, mainly from overseas remittances, and to a lesser extent from exports, the import requirements necessitated the procurement of about US$470,000,000 worth of foreign exchange. The only way to bridge the gap, he said, was to economize on imports which course necessitated the enforcement of restrictions.

Method Of Selection Criticized

General criticism has been voiced not of the size of the quotas, but of the manner in which certain products were excluded and others boosted. J. R. Kaim, *China Press* Financial Editor, for example, wrote in his column of February 25, that the present licensing system is based on general considerations, rather than on accurate studies of actual facts, and that more scientific selection is needed. He especially pointed to the chemical line where the present quotas according to several doctors, "may be often against the interests of the population without aiding local producers."

Importers claim, according to Kaim, that the Government failed to differentiate between products in every line of import. While certain types of textile products have been well differentiated, manufacturers are not satisfied with the manner in which certain basic raw materials have been classified.

In the chemical line, as mentioned above, doctors stress that certain remedies, now banned from importation, cannot be duplicated locally, but they, nevertheless, remain vital remedies. The medicos urged the Government to differentiate between the preparation of "popular compounds," and specialties which from a scientific point of view are considered unique.

Schedule III (a)

Tariff No.		
274		Agar-Agar, in bulk.
629	a-f	Asbestos and manufactures thereof.
542		Books, Printed or Manuscript, Bound or Unbound (excluding note-books, ledgers and other offices, school and private stationery).
338		Barley, Buckwheat, Maize, Millet, Oats, Rye and Grain, NOPF.
630		Barometers, Thermometers, Drawing, Surveying, Medical, Nautical, Optical, Surgical, Dental and other Scientific Instruments or Apparatus, and parts or accessories thereof.
258	(part)	Bicycles, and parts thereof.
342		Bran.
631		Building Materials, NOPF.
543		Charts and Maps (including Outline Maps, Relief Maps, Globes and Models, and Charts for Educational purposes, such as the teaching of anatomy, etc.)
262		Coal-burning, Oil-burning and Spirit-burning Stoves, Cookers, Radiators, Steam Heaters, and similar appliances, and parts thereof.
103		Canvas and Tarpaulin, of Hemp and/or Jute, mixed or not mixed with cotton.
76	a.b.c.	Cotton Thread.
672		Dextrin.
483-497)		Dyes, Pigments, Colors, Tans and Tan-
502-509)		ning Materials. Paint and Paint Materi-
512-518)		als and Varnishes.
263	a.b.c.	Electrical Materials, Fixtures and Fittings for Wiring, Transmission and Distribution.
264		Electric Cookers, Fans, Flashlights, Irons, Lampware, Radiators, Toasters and other similar Electric appliances and parts thereof.
265		Electric Accumulators, Batteries, Condensers, and parts thereof.
620		Emery and Glass Powder.
636	a.b.	Emery Cloth.
254		Fire Engines, Hydrants and other Fire Extinguishing applainces and parts thereof.
285)		
288)		Fish, Salt.
104		Flax Piece Goods, White Plain, mixed or not mixed with cotton.
105		Flax Piece Goods mixed or not mixed with cotton, NOPF.
266	a-d.	Files of all kinds.
358		Flour and Cereal products, NOPF.
267		Gas Burners, Cookers, Heaters, Lamps, Ranges, Water-heaters, and other similar Gas-burning appliances and parts or accessories thereof.
268		Gas-Meters, Water-Meters, and other similar measuring instruments.
613		Glass, Window, common.
640		Glue.
522-528		Gums and Resins.
642		Gypsum.
126	b.	Hat Bodies, of Felt.
106		Hessian Cloth.
365		Hops.
501		Inks of all kinds.
452		Insecticides and Disinfectants.
672		Ivory Nuts (vegetable ivory) for making buttons, etc.
594		Kodak
564		Leather, Sole.
565		Leather, NOPF.
372		Malt.
373		Medical Substances, Vegetable (Crude) NOPF.
243)		
273)	a.b.	Metal Ware, NOPF., and Metal Manufactures, NOPF.
323		Milk and Cream, evaporated and sterilized.
324		Milk Condensed.
325		Milk, Food (including Dried Milk, Lactogen. Glaxo, etc.)
396		Molasses.
256	(part)	Motor cycles, and parts and accessories thereof.
269	a.b.	Needles, Sewing and Machine.
544	a.b.	Newspapers and Periodicals.
326		Oil, Cod-Liver.
531		Oil, coconut.
533		Oil, Linseed.
146		Ores of all kinds.
617		Optical Lenses, polished and unpolished, and spectacle frames, and parts thereof.
561		Paperware and all articles made of paper, NOPF.
256 c	(part)	Motor vehicle parts and accessories for replacement purposes only.
381	a.b.	Pepper, in bulk.
605		Pitch and Asphalt.
659		Printing and Lithographic Materials, NOPF.
598	a.b.c.	Rattans.
401		Saccharine.
536		Stearine.
250		Sewing and Knitting Machines and parts thereof.
139		Silk Bolting Cloth.

Import Control Report—*(Continued)*

672	Silk Worm Eggs.
599 a.	Straw, Panama Straw and the like.
664 b.	Synthetic Resins and other Plastics (such as Celluloid, Bakelite, Galalith, etc.) including Lumps, Bands, Bars, Rods, Plates, Sheets, Tubes, Powder, etc., i.e. not as finished articles.
606	Tar, Coal.
271 b.	Telephonic and Telegraphic Instruments and parts thereof.
272 a.b.	Tins, empty, for kerosene oil.
537 a.b.	Turpentine.
78) 101)	Twine and Cordage (including rope).
251	Typewriters, Automatic Sales Machines, Calculating Machines, Cash Registers, Copy Presses, Check Perforators, Dating Machines, Duplicating Machines, and similar office machines for clerical or accounting purposes, and parts thereof.
538-540	Wax, Bees, Yellow, Paraffin and Vegetable.
600 a-h.	Wood.
601 b.g.h. i.k.l.	Woodware.
124	Woolen Blankets and Traveling Rugs, pure or mixed.
127	Woolen Clothing, and all other woolen articles of personal wear and parts or accessories thereof, NOPF.
123	Woolen Felt and Felt Sheathing.
119) 122)	Woolen Piece goods, Materials for use in manufacturing processes, and parts specifically required for repairs and for replacements purposes, NOPF, in Schedules, I, II, and III (a).

Schedule III (b)

This Schedule includes all goods other than those classified in Schedules I, II, III (a) and IV. Pending further notification the importation of goods in this Schedule is temporarily suspended.

Goods listed in Schedule III (a) can be imported when applications for such importation is approved by the Import Licensing Department. From the experience of importers who have tried to apply for such permits it is gathered that every particular case must be strongly proved to receive such permits. Obviously, in special cases, such as a recent permit granted for the importation of radio tubes worth about US$200, falling in this schedule, large scale importation of items in this category cannot be envisaged for the time being.

When the Board first drafted its regulations it unwittingly created a loophole for "illegal" importation of every kind of goods, by specifying that designated banks may grant foreign exchange for imports not exceeding US$2,000. It is said that many importers took advantage of this loophole by subdividing their orders into separate shipments, and thus managed to secure large quantities of foreign exchange originally allocated for importation of goods under other schedules.

When the Central Bank got wind of this it began to cut down on these "not exceeding US$2.000 imports," with the result that today, banks are not permitted to grant ANY exchange for imports without a ruling of the Central Bank.

On the whole, importers declare that the only sure imports today are those on which quotas have been set. Applications may be filed for items listed on Schedules I and III (a) and no answer ever received.

EFFICIENCY CONSPICUOUSLY ABSENT

This silence on the part of the import control authorities extends even into the quota sphere, so much so that firms applying for import quotas whose applications have been actually rejected are not advised of the results and continue to shower the banks with applications.

The only sign of success in the import quota field is a letter from the bank advising of the granting of a permit. However, the whole procedure is so inefficient that the fact that no notification has been received does not necessarily signify that the application has been rejected. It may turn up any day, almost.

Another negative feature of the entire system, possibly a most temporary one, is the fact that although quotas for the various items for import under Schedule II have been made public, no allocation to actual importers has as yet taken place. Prominent in these items are rubber, and wool yarn for which a total of US$2,500,000 has been allocated. These importers are still waiting, and their opinion is that this delay is the result of the confusion which arose after the resignation of former Premier T. V. Soong.

The question of allocating import quotas on the basis of pre-war and 1946 importations, and the registration of importers have drawn varied criticism from all quarters. The fact that criticism has not been heavy is due to the non-publication of lists of registered importers. "Otherwise," one importer, who was successfully registered, said, "everyone who is not on the list would start criticizing."

1946 Trade Unfair As Yardstick

This same importer said that granting import quotas to various importers on the basis of 1946 trade is not very fair inasmuch as last year was an "unfair business year." He explained that in the United States part of 1946 passed under the banner of export controls and this, placed "legal" importers, with sound prewar factory connections, at a disadvantage, vis-a-vis brokers who bought goods on the open market—for almost any price—and managed to import them to China. He pointed to the motor car business, where factory representatives definitely came out second best last year.

Recently charges have appeared in the local press to the effect that Government-owned and financed enterprises were getting "priority" treatment in the granting of exchange and quota allocation. These were vehemently denied the Central Trust, the Yangtze Development Board, and the Director-General of the Customs Administration, but the refutations were lacking in detail.

Most of these criticisms were aimed at the existence of Government purchasing agencies infringing on private enterprise in the import field. No specific cases of favoritism, however, appeared in the press.

One other protest was made against the policy of the Central Bank of China in fixing the period of settlement for foreign exchange purchased at 90 days. H. C. Chang, chairman of the Importers and Exporters Guild, said that this practice often leaves no time for the disposal of goods.

Schedule IV

Tariff No.	
275 a.b.c.	Awabi
299	Asparagus.
256 b. (part)	Automobiles with 7 passenger capacity or less, whose net f.o.b. factory cost to dealers exceeds US$1,200 or equivalent, and chassis thereof.
276 a.b.c.	Beche de Mar
303	Birds' Nest.
304	Biscuits.
306	Caviar.
312	Confectionery.
633	Curios and Antiques.
634	Damascene ware, Satsuma were, and Lacquer ware.
635	Decorative or ornamental materials or products, NOPF., (including spangles, tinsel and wire, metallic trimmings, etc.)
77	Imitation gold or silver thread, on cotton.
136	Imitation gold or silver thread, on silk, pure or mixed.

645		Jewelry and ornaments, NOPF.
80)		Lace, trimmings, embroidered goods, and
102)		all other materials used for decorative
115)		or ornamental purposes; and all products
137)		made wholly thereof. (Cotton, flax, hemp, jute, wool, silk.)
650		Manicure sets and parts thereof; powder puffs and cases and vanity cases.
579	c. (part)	Manufactures of tusks.
576		Musk.
653		Pearls, real or imitation.
635		Perfumery, cosmetics.
664	a.	Plastic handbags, satchels, and raincoats.
658	b.	Precious and semi-precious stones, (not including uncut and unpolished.)
296)		
297)	a.b.c.	Sharks' Fins.
138		Silk Knitted tissue, pure or mixed.
140		Silk velvets, plushes and all other pile cloths, pure or mixed.
142	a-h.	Silk piece goods, pure or mixed, NOPF.
144		Silk goods, and silk mixtures, NOPF.
567)	a.b.	
568)		Skins (furs) and articles made wholly or chiefly of skins (furs) NOPF.
665		Thermostatic containers.
333	a.b.	Tea.
668		Toys and games.
667		Toilet equipment (such as combs, brushes, etc.)
670		Umbrellas and Sunshades:—
		a) With handles, wholly or partly of precious metals, ivory, mother-of-pearl, tortoiseshell, agate, etc. or jeweled.
		b) With all other handles, silk and silk mixtures.
125		Woolen carpets, carpeting and all other floor coverings, pure or mixed.

Items listed under the above schedule are prohibited from importation.

* * *

CONTROL BOARD'S POWERS SWEEPING

Exceptionally broad powers have been granted the Board, and in the general provisions of its constitution it is stated that "There shall be no obligation on the part of the Board and associated organizations to give reasons for their decisions." Also: "The Board shall have the right to establish and to modify as may become necessary, rules and procedure for the enforcement of these regulations."

Complementary to this, the Government has authorized the Central Bank of China to appoint banks that may engage in foreign exchange transactions with the public, known as the "appointed banks," to license exchange shops and persons, to act as brokers and dealers in foreign exchange; to intervene in the financial markets when it deems it necessary to check fluctuations of the rates; and, finally, to suspend or cancel the right to engage in foreign exchange transactions.

* * *

"The main purpose of the government in putting the import restrictions into force is to discourage the importation of non-essential goods, which have been descending upon the Chinese market like an avalanche since V-J Day. Cut off from the rest of the world as she was during the Pacific War, China was crying for all lines of supplies when peace came and the goods that arrived were absorbed like water by a sand pile. It soon became evident, however, that the tide of incoming shipments, consisting chiefly of consumer's goods and luxuries, was rapidly growing into a serious menace, causing the market to be flooded with undesirable products and threatening to drive all native goods from the market." Thus wrote the *China Trade Monthly* in an editorial of February, 1947.

Excess Of Imports CNC$1,025,000,000,000

What the journal meant by a tide of imported goods, and also what Dr. T. V. Soong meant when he said that "this shortage was overcome by substantial commercial imports,...." is best demonstrated by the January-December 1946 import surplus. According to the Customs trade returns for December 1946, the foreign trade of Shanghai which in reality constitutes more than 85 percent of the entire China trade and sets the pattern for other ports, was thus expressed:

Imports for 1946	**CNC$1,280,916,920,000**
Exports for 1946	**255,303,759,000**
Import Surplus	**CNC$1,025,613,161,000**

Any way you look at it, more than CNC$1,000,000,000 in import surplus definitely constitutes "substantial commercial imports."

Having arrived at this situation, China's economic experts attempted to undo the harm resulting from indiscriminate importation during one year of the post-war period. Among the "remedies" attempted was the ill-fated Export Subsidy Plan, which provided for a "bonus" of 100 percent above the official exchange rate of CNC$3,350 to US$1, granted at the expense of importers, who would have to pay a surcharge of 50 percent on duties levied. Within a few days of its promulgation it was largely nullified by the "discovery" of the United States 1930 Tariff Act which decreed: "Any dutiable goods imported into the United States on which any form of subsidy is granted in the country of origin is liable to an additional duty equal to the full amount of such bounty."

This latter development has been only one instance in which the economic philosophies of the United States Government and the Chinese Government have clashed openly. Whereas the United States has time and again expressed its intention to stand for expanding world trade, and therefore, against any kind of barriers or tariffs, or for that matter control, whether on imports or exports, the Chinese Government is heading in exactly the opposite direction. The regulations designed to control imports are the most rigorous and far-reaching ever instituted in China to date. In particular, quotas on imports, by which governments set absolute limits on the amount of goods that may be imported into a country during any specified period, are regarded by American trade experts as the worst form of interference with world trade.

NOTICE TO SUBSCRIBERS

In response to requests from subscribers to our Daily Translation Service, a number of additional copies of Monthly Report for March have been printed and are available at our offices.

China's Net Direct Imports from Foreign Countries: Value of Merchandise: by Groups.

Value in thousands of Chinese National Dollars (000 omitted).

Group No.	1946												Total
	January	February	March	April	May	June	July	August	September	October	November	December	
	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	
I	8,150	6,214	1,678	2,747,814	44,726	20,505	19,498	280,146	70,332	240,872	173,610	130,044	3,743,589a
II	35,717	1,639	16,795	7,125,690	351,017	2,613,891	7,902,210	7,640,318	3,263,552	6,453,865	552,248	1,407,582	37,364,524a
III	1,082	1,055	11,320	2,068	42,356	163,235	101,778	839,810	363,779	110,121	172,770	1,209,710	3,019,084
IV	8,146	1,024	4,444	5,170	48,969	114,707	72,284	2,881,966	60,071	51,630	356,872	102,878	3,708,161a
V	5,993,822	9,137,939	24,901,355	52,147,929	51,855,163	48,220,604	32,501,726	19,303,017	40,511,398	25,873,994	17,861,927	8,608,554	336,917,428a
VI	19,463	17,956	303,126	189,254	163,859	1,214,448	258,002	610,637	1,197,367	1,123,315	868,564	348,546	6,314,537a
VII	38,818	16,470	79,316	129,820	228,513	723,560	1,889,471	1,767,368	4,165,348	3,527,603	2,520,461	1,838,776	16,925,524a
VIII ..	32,112	49,967	366,916	631,398	629,803	2,427,146	4,349,812	4,647,415	11,989,770	20,909,031	15,506,165	12,897,481	74,437,016a
IX	16,204	9,875	47,064	20,481	2,695	121,843	81,607	13,561	577,812	176,613	41,010	130,811	1,239,576a
X	188,662	260,592	1,300,001	2,501,633	2,910,414	6,421,921	4,957,939	9,965,923	13,042,847	11,687,478	16,733,176	9,301,609	76,272,195a
XI	—6,398	47,605	672,534	1,689,386	2,227,302	2,943,103	1,553,200	4,570,641	6,378,102	11,488,417	7,826,858	3,641,051	43,031,801a
XII	2,319	300,103	131,779	765,209	2,755,877	6,851,602	6,701,610	8,760,716	7,510,901	22,434,855	30,599,808	11,090,634	97,905,413a
XIII ..	288,606	429,605	1,153,102	1,846,542	906,226	3,212,328	2,742,796	4,959,583	10,250,892	8,571,855	10,292,617	6,603,829	51,257,981a
XIV ...	77,931	53,821	260,713	476,211	350,407	1,272,023	755,153	956,497	1,853,474	1,794,358	1,903,615	1,925,607	11,679,810a
XV	335,000	482,323	568,908	374,914	1,113,126	5,760,428	2,870,175	3,084,753	5,675,392	5,577,354	2,227,290	3,519,936	31,589,599a
XVI	29,213	25,431	539,199	308,962	507,746	1,788,508	1,458,422	3,854,816	7,818,888	2,850,544	13,386,288	6,188,016	38,756,033a
XVII ..	139,905	175,009	225,650	713,670	1,651,456	2,175,335	1,031,041	1,746,283	5,342,262	2,012,256	1,254,892	1,715,102	18,182,861a
XVIII ..	375,079	647,793	714,733	517,221	608,531	873,167	516,965	450,741	756,453	592,262	650,145	683,169	7,386,259a
XIX ..	13,631	198	64,699	63,766	97,070	94,410	112,815	85,664	108,976	904,111	330,535	312,711	2,188,586
XX	12,229	41,234	108,157	97,777	52,588	221,151	81,345	55,476	230,661	190,753	250,102	138,840	1,480,313a
XXI ..	110,689	200,877	152,312	1,538,097	768,183	4,723,130	1,663,263	3,119,104	13,971,924	9,352,181	9,443,045	10,440,400	55,483,205a
XXII ..	358,135	306,654	1,638,913	3,776,270	2,613,338	8,591,777	8,040,138	13,474,250	17,900,863	16,742,265	12,400,925	9,304,270	95,147,798a
XXIII .	191,039	263,574	933,538	2,008,413	1,515,156	5,194,263	3,895,337	5,837,910	11,300,231	10,612,174	9,716,246	9,878,723	61,346,604a
XXIV ..	1,594,198	2,586,271	3,507,628	7,105,341	11,237,452	16,176,334	14,551,164	14,810,440	32,122,193	23,795,970	23,434,085	23,154,906	174,075,982a
XXV ..	366,750	295,827	2,687,638	1,308,243	2,717,177	6,067,400	3,815,664	10,299,854	17,757,011	16,758,993	19,695,786	13,501,222	95,271,565a
XXVI ..	146,687	151,701	380,039	361,732	740,937	2,749,908	2,117,952	2,444,360	5,803,592	5,206,695	3,066,612	1,714,972	24,885,187a
XXVII .	..	40	3,531	442,335	260,188	502,452	971,475	2,841,343	3,733,862	2,436,966	9,006,686	4,928,437	25,127,315a
XXVIII .	49,477	39,365	80,597	216,195	152,918	657,498	659,393	923,145	1,351,604	1,491,129	808,751	621,671	7,051,743a
XXIX ..	52,333	88,521	6,415	23,065	73,666	661,209	421,950	154,048	2,300,897	1,306,782	1,402,979	1,351,634	7,843,499a
XXX ..	24,764	11,825	19,493	30,921	27,109	159,455	183,620	243,093	820,827	1,502,384	742,687	686,224	4,452,402a
XXXI ..	6,768	12,252	88,604	241,417	2,272,562	973,899	636,595	553,745	932,122	379,852	748,351	753,912	7,600,079a
XXXII .	242,605	602,096	2,112,504	3,919,437	1,847,431	5,177,315	4,650,742	9,293,249	16,730,170	13,177,351	13,251,071	8,475,606	79,479,577a
Total .	10,753,136	16,264,856	43,082,701	93,326,381	90,773,961	138,868,555	111,565,142	137,469,872	245,893,573	229,334,029	227,226,177	156,606,863	1,501,165,246

See Keys To Groups Nos. I to XXXII on Page 14.

China's Net Exports to Foreign Countries: Value of Merchandise: by Groups.

Value in thousands of Chinese National Dollars (000 omitted.)

Group No.	1946												Total
	January	February	March	April	May	June	July	August	September	October	November	December	
	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$	C.N.$
I	89,145	67,556	1,201,950	121,837	5,802,441	4,901,880	5,706,662	16,152,551	13,386,229	9,870,280	14,594,886	15,933,484	87,828,901
II	174	193	1,141,271	—66,375	2,088,944	699,017	4,112,919	6,502,842	5,796,948	1,648,438	691,234	492,548	23,108,153
III	79,115	77,717	163,729	100,598	126,875	88,703	87,102	161,084	275,785	168,525	151,742	368,823	1,849,798
IV	47	..	454	1,959	56,311	85,709	107,857	354,136	196,432	281,448	724,842	1,692,866	3,502,061
V	56,135	102,647	151,317	25,825	51,161	32,010	504,029	40,692	450,656	40,079	394,862	278,429	2,127,842
VI	3,661	2,586	10,484	16,591	8,133	98,265	49,926	57,574	47,544	60,980	145,672	182,933	684,349
VII	300,716	241,292	425,532	203,862	307,877	380,209	290,801	620,626	622,498	859,494	1,116,611	1,608,530	6,978,048
VIII ..	519,030	410,818	756,734	1,092,111	1,384,489	2,362,404	888,391	1,608,793	1,803,384	1,356,859	2,376,732	1,892,932	16,452,677
IX	457	4	5	4,006	361,232	2,155,953	3,538,560	9,461,716	12,304,179	5,515,943	17,101,584	20,950,037	71,393,676
X	105,625	53,122	50,578	42,753	238,751	208,798	56,195	232,256	291,295	461,259	354,028	1,032,158	3,126,918
XI	6,977	11,506	11,831	11,134	89,153	57,155	35,807	105,795	139,925	220,113	246,391	258,803	1,194,590
XII	..	..	..	893	37,711	6,408	4,987	880	37,188	21,915	10,761	480,136	600,879
XIII ...	5,630	25,292	25,379	8,657	140,830	81,991	280,218	1,473,424	3,972,790	2,157,088	3,096,486	4,072,832	15,340,617
XIV ...	22,744	97,358	229,766	61,912	139,872	172,546	188,956	484,653	177,618	56,116	1,126,142	225,034	2,982,717
XV	280,270	174,258	507,896	369,286	460,504	778,555	420,793	865,571	1,177,757	962,859	1,024,882	970,983	7,993,614
XVI	89,789	41,520	80,355	224,891	251,890	300,157	342,088	422,890	605,659	491,613	1,349,054	687,629	4,887,535
XVII ..	13,607	14,171	31,872	57,022	71,879	140,340	76,920	99,757	114,784	98,528	183,790	163,989	1,066,659
XVIII ..	72,547	1,406	102,582	71,183	80,136	609,459	177,819	296,415	441,245	558,156	909,112	938,995	4,259,055
XIX ...	248	67	315	1,853	1,469	3,294	3,734	1,306	1,808	3,269	6,685	11,435	35,483
XX	20,173	40,680	99,890	205,990	240,077	320,455	260,134	407,962	419,576	336,960	462,751	366,843	3,181,491*a*
XXI ..	124,079	89,622	229,409	366,903	279,104	299,527	309,651	606,851	567,461	619,314	840,003	896,700	5,228,624
XXII ..	981,734	854,356	597,525	2,217,757	3,201,986	816,295	7,182,629	8,579,344	6,011,076	1,333,685	4,273,606	3,593,648	39,643,641
XXIII ..	1,002,730	760,171	407,476	934,368	1,359,115	287,006	1,737,787	1,763,517	2,731,856	2,096,876	1,977,872	1,367,414	16,426,188
XXIV ..	78,434	27,841	24,862	153,681	205,124	261,704	381,379	2,308,117	5,639,215	1,610,749	3,694,387	1,843,036	16,228,529
XXV ..	1,753,591	467,848	642,847	119,446	821,397	395,002	701,133	1,157,469	1,873,652	1,088,457	1,793,527	1,321,586	12,135,955*a*
XXVI ..	9,979	14,120	1,036,151	87,905	216,933	267,058	788,603	2,907,319	3,051,272	5,176,190	6,320,072	3,361,541	23,237,143
XXVII .	16,815	34,633	39,215	33,906	51,855	67,757	107,687	142,246	214,090	153,031	198,251	252,476	1,311,962
XXVIII .	38,167	43,695	85,249	124,646	236,062	223,143	299,791	609,759	494,636	436,757	618,246	476,620	3,686,771
XXIX ..	34,036	442,575	75,490	64,804	97,589	1,010,166	621,525	1,158,452	1,671,046	1,621,978	2,622,929	3,925,545	13,346,135*a*
XXX ...	33,908	19,882	42,208	13,199	44,792	19,990	33,149	50,935	225,149	47,039	86,026	167,178	783,455
XXXI ..	597,678	427,307	1,087,725	818,376	1,419,746	1,134,505	1,215,407	1,789,279	2,613,882	2,451,209	3,594,629	4,338,602	21,488,345
Total .	6,337,241	4,544,243	9,260,097	7,490,979	19,873,438	18,265,461	30,512,639	60,424,311	67,356,635	41,805,207	72,087,795	74,153,765	412,111,811

See Keys To Groups Nos. I to XXXI on Page 14 (overleaf).

Keys To Import & Export Groups In Charts On Pages 12 & 13

Import Groups

GROUP	
I	Cotton Piece Goods, Grey.
II	Cotton Piece Goods, White or Dyed.
III	Cotton Piece Goods, Printed.
IV	Cotton Piece Goods, Miscellaneous.
V	Cotton, Raw; Cotton Yarn, and Cotton Thread.
VI	Cotton Manufactures, Sundry.
VII	Flax, Ramie, Hemp, Jute, and Manufactures thereof.
VIII	Wool and Manufactures thereof.
IX	Silk (including Artificial Silk) and Manufactures thereof.
X	Metals and Ores.
XI	Machinery and Tools.
XII	Vehicles and Vessels.
XIII	Miscellaneous Metal Manufactures.
XIV	Fishery and Sea Products.
XV	Animal Products, Canned Goods, and Groceries.
XVI	Cereals and Flour.
XVII	Fruits, Seeds, and Vegetables.
XVIII	Medicinal Substances and Spices.
XIX	Sugar.
XX	Wines, Beer, Spirits, Table Waters, etc.
XXI	Tobacco.
XXII	Chemicals and Pharmaceuticals.
XXIII	Dyes, Pigments, Paints, and Varnishes.
XXIV	Candles, Soap, Oils, Fats, Waxes, Gums, and Resins.
XXV	Books, Maps, Paper, and Wood Pulp.
XXVI	Hides, Leather, and other Animal Substances.
XXVII	Timber.
XXVIII	Wood, Bamboos, Rattans, Coir, Straw, and Manufactures thereof.
XXIX	Coal, Fuel, Pitch, and Tar.
XXX	Chinaware, Enamelledware, Glass, etc.
XXXI	Stone, Earth, and Manufactures thereof.
XXXII	Sundry.

Export Groups

GROUP	
I	Animals and Animal Products (not including Hides, Leather and Skins (Furs), and Fishery and Sea Products).
II	Hides, Leather, and Skins (Furs).
III	Fishery and Sea Products.
IV	Beans and Peas.
V	Cereals and Cereal Products.
VI	Dyestuffs, Vegetable.
VII	Fruits, Fresh, Dried, and Preserved.
VIII	Medicinal Substances and Spices (not including Chemicals).
IX	Oils, Tallow, and Wax.
X	Seeds.
XI	Spirituous Beverages.
XII	Sugar.
XIII	Tea.
XIV	Tobacco.
XV	Vegetables.
XVI	Other Vegetable Probucts.
XVII	Bamboo.
XVIII	Fuel.
XIX	Rattan.
XX	Timber, Wood, and Manufactures thereof.
XXI	Paper.
XXII	Textile Fibres.
XXIII	Yarn, Thread, and Plaited and Knitted Goods.
XXIV	Piece Goods.
XXV	Other Textile Products.
XXVI	Ores, Metals, and Metallic Products.
XXVII	Glass and Glassware.
XXVIII	Stone, Earth, Sand, and Manufactures thereof (including Chinaware and Enamelledware).
XXIX	Chemicals and Chemical Products.
XXX	Printed Matter.
XXXI	Sundry.

Political Report

THE month of March seems to have concluded—for an indefinite time to come at least—the political career of Dr. T. V. Soong, China's wartime premier and brother-in-law of Generalissimo Chiang Kai-shek.

Ever since he took over the presidency of the Executive Yuan from another of the Generalissimo's brothers-in-law, Dr. H. H. Kung, in the critical year of 1944, Dr. Soong was continuously rumored as being on his way out politically. Despite the strongest possible backing from the Generalissimo, he met strenuous opposition from all Kuomintang quarters. The long-predicted exit finally came on March 1, when he announced his resignation in a stormy session of the Legislative Yuan.

Dr. Soong's resignation marked the second time he has quit active participation in the National Government. In 1933, after rising to the post of acting president of the Executive Yuan, he resigned following a disagreement with the Generalissimo. He stayed thenceforth in China's political wilderness for nearly 10 years. The outbreak of the Pacific War and the difficult situation facing China at that time resulted in his return as minister of foreign affairs in 1943. Thereafter, he gradually amassed political power until he became—second only to the Generalissimo—the most powerful man in China.

KUNG FAILS TO RE-EMERGE

While it is admittedly difficult to evaluate the future of Chinese politics, it appears that Dr. Soong's departure from active politics might be more or less permanent. He is likely to follow generally the political fortune of Dr. H.H. Kung, the one-time powerful president of the Executive Yuan, who, despite repeated efforts, again failed to re-enter the government and remains today on the outer fringes of Chinese politics, wielding little actual political power.

Dr. Soong himself indicated after his resignation that he is "out of politics for good." It is quite certain that the combined forces of the CC Clique and the Political Science Group—two of his mortal political enemies—will use every means within their power to see that Dr. Soong has his wish fulfilled for an indefinite time to come.

Looking back at Dr. Soong's political record, it is difficult to see definite evidence of his work during his premiership. Many of the programs he initiated appear

gigantic and far-reaching on paper, but with his departure this month it is difficult for an observer to gauge their definite value in terms of actual benefits to the Chinese nation.

There was, for instance, the US$500,000,000 surplus deal which he concluded with the U.S. government. This would—if properly utilized—form a tremendous asset to China's post-war reconstruction. In actual significance, this deal was one of Dr. Soong's major contributions. But up to now, the actual execution of the transportation and the sorting of these surplus goods remain in a disorganized stage. There is every reason to believe that before they could be shipped to China, these surplus goods would be swallowed up by the elements in their Pacific islands stockpiles.

Set Government Up In Industry

The program for expanding government controlled industries was another of Dr. Soong's major post-war plans. In the China Textile Industries Corporation, the most gigantic of the government-controlled industries, he sank sums of printing press money which were almost too astronomical to compute. But the China Textile failed to stimulate an economic revival of China and while it made money for the national treasury, its total benefit to the nation—in comparison to the actual money spent—remains insignificant.

Dr. Soong, as the representative of the government, was also the recipient of a large amount of investments which the Japanese had piled up in nearly half a century of dynamic work and planning in China. With a careful and practical program, coupled with an honest administration, Dr. Soong could have built Chinese postwar industrial revival on the seized Japanese investments in this country. In surveying his work in this connection, however, one can only conclude that a large portion of this Japanese properties has been dissipated.

Dr. Soong's exit came as a culminative effect of a series of events which gradually built the political snowball against him. But the thing which finally brought about the break was probably his decision to put into effect the so-called export subsidy and import surcharge plan. After the plan was formally promulgated as a law, it was found that a United States law enacted as long ago as 1930 called for a countervailing customs charge on any subsidized imports into the United States, thus nullifying the effects of Dr. Soong's plan.

Confusion, Price Boom Only Result

Meantime, the promulgation of the law brought about unprecedented confusion on the Shanghai financial market and a rapid skyrocketing of prices which threatened for a while to run out of control. Attacks against Dr. Soong, which had been softened by the Generalissimo's personal intervention, gathered renewed force. It was apparent that it was politically unwise for the Generalissimo to keep Dr. Soong in his post. Thus on March 1, after an angry Legislative Yuan meeting, Dr. Soong announced his resignation.

Dr. Soong's departure brought about renewed clashes of interest between the CC Clique and the Political Science Group. Gen. Chang Chun, leader of the Political Science Group, was long reported as being groomed for the Executive Yuan presidency. But at the last moment CC opposition was so strong that the Generalissimo thought it unwise to install him instantly in the post. The Yuan presidency was taken over personally by the Generalissimo, with Gen. Chang responsible for administrative affairs.

The fight between the CC Clique and the Political Science Group was evidenced most by the struggle over the governorship of the Central Bank of China. The CC Clique had hoped that a CC man—or at least a neutral man—would be put at the helm of the Central Bank. The Generalissimo, however, evidently thought otherwise. He named Chang Chia-ngau, who is closely associated with Gen. Chang Chun, to the post. This resulted in a CC campaign for a key position in the government's financial setup. Finally, Wu Chen-chang, formerly manager of the CC's Farmers' Bank of China, was named as head of the Central Trust.

CC Looses Broadsides At Rivals

Toward the end of the month, the plenary session of the Kuomintang provided the battle ground for the CC vs. Political Science Group fight. Concentrating its heaviest political guns on every Political Science Group man who came up, the CC launched a concerted attack. Foreign Minister Wang Shih-chieh, Taiwan Governor-General Chen Yi, Northeast (Manchuria) Headquarters Director Gen. Hsiung Shih-hui all became the CC's objectives for bitter attacks.

For the CC's, the campaign was a life-and-death struggle. They foresee that with the scheduled government reorganization, their political influence might take a marked decline. The CEC session, however, enabled them to show that they are still very much in control of Kuomintang politics and the attacks made it clear to all that it would be difficult to put Political Science Group men in primary political power without constantly meeting severe CC opposition. As the CEC conference approached an end in Nanking, the political fight between the two major Kuomintang factions remained in balance.

Within the party, the CC continues to wield tremendous power and it appeared evident that a basic liberalization of the National Government continues to be a difficult—if not impossible—task.

Break With Reds Complete

Meantime, the situation with the Communists has completely departed from the realm of politics and become solely a military question. During the month, Communist delegations in Nationalist areas were asked to withdraw, thus marking a complete break. Toward the end of the month, the Nationalist forces took Yenan, which, despite Nanking's claim of a major military victory, was of no immediate significance in the total Communist-Kuomintang quarrel.

The fall of Yenan, long expected by all, including the Reds themselves, would hardly bring about a Communist willingness to submit to Nationalist terms. Hence, the Nationalist capture demonstrated anew that the present KMT policy of using military force as a means of settling the political issues is not likely to bring about substantial results. It is almost certain that, despite confident Nationalist predictions that an early liquidation of the Red armies is to be expected, war will continue almost indefinitely until a political solution is forthcoming.

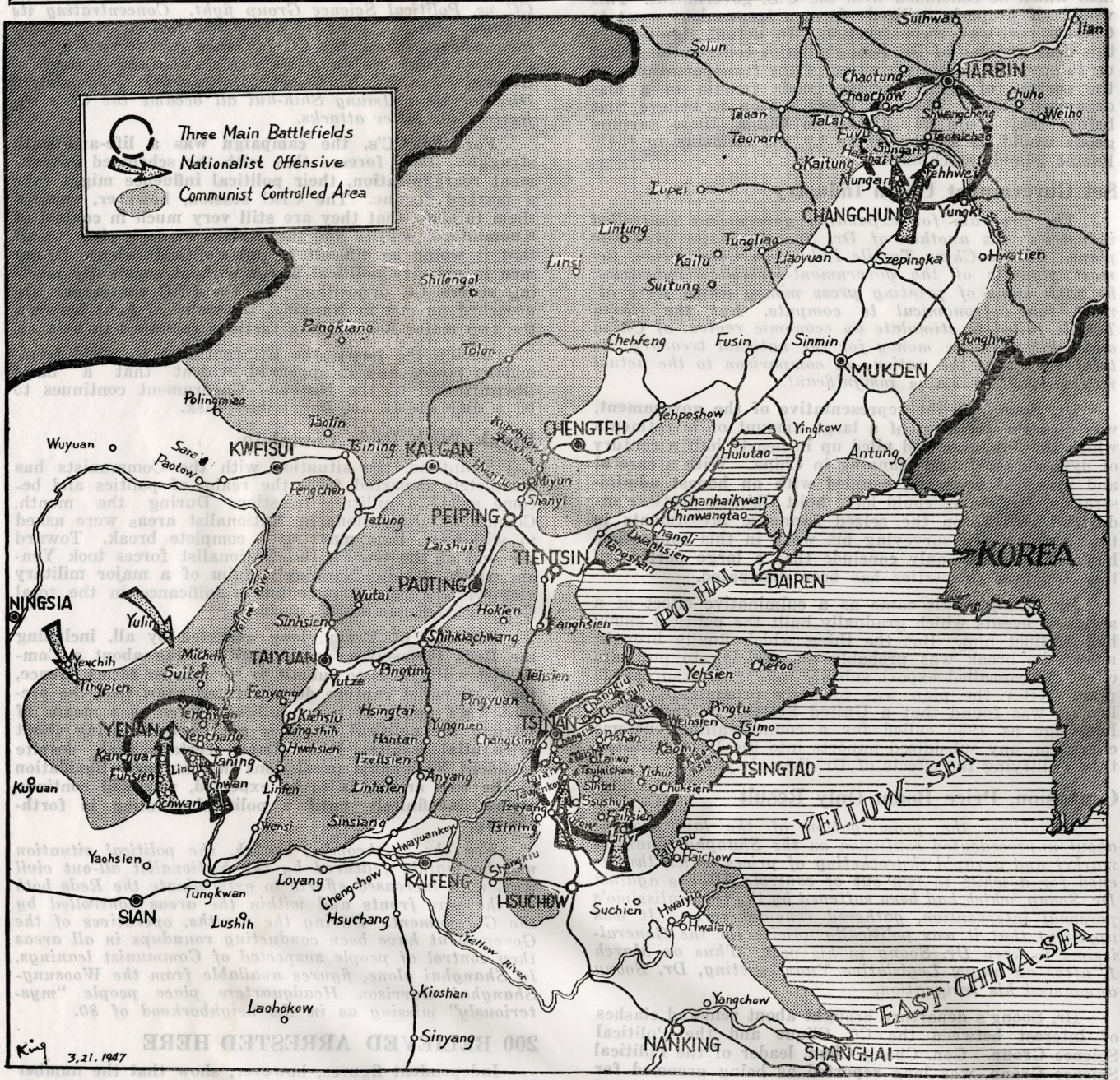
For the forthcoming month, the political situation will be mainly featured by the Nationalist all-out civil war, with increased efforts to exterminate the Reds both on the war fronts and within the areas controlled by the Government. During the months, operatives of the Government have been conducting roundups in all areas they control of people suspected of Communist leanings. In Shanghai alone, figures available from the Woosung-Shanghai Garrison Headquarters place people "mysteriously" missing as in the neighborhood of 80.

200 BELIEVED ARRESTED HERE

Independent figures, however, show that the number of "missing persons" is considerable larger, probably in the neighborhood of 200, but this figure was without the support of official confirmation.

Negotiations with the minor parties—with the Democratic League standing aloof—for the reorganization of the government were still lacking a decisive conclusion at the end of the month. The Social Democrats, who have already indicated their willingness to join the Government, were still insisting, without definite result, that the non-Kuomintang parties be allowed to participate in provincial and municipal government affairs. For the moment the influence of the minor parties appears insignificant and when the reorganization of the Government finally materializes, it will probably come with changes and additions to the Government lineups mostly of the window-dressing variety.

Battlefields In China's Civil War



Military Report

THE Nationalist capture of Yenan on March 19 was the most important military development of the month, and for that matter, of the 20 months of civil war that flared up immediately after V-J Day.

General Hu Tsung-nan's crack divisions, which throughout the Japanese war watched the southern boundary of the Ninghsia-Shansi-Kansu Border Regions in which Yenan is located, launched the final blow on the Red capital on March 14 and entered the cave city on March 19.

Advancing without any publicity, Hu's troops maneuvered into two strategic striking positions—Yichuan and Lohchuan, 80 miles southeast and 85 miles due south of Yenan respectively. Then the Kuomintang's official Central News Agency went into action, broadcasting to the world that the Communists, massing 100,000 under General Ho Lung, were attacking the government positions and that they had been thrown back.

In a counter-attack, Central News continued, Gen. Hu's troops advanced to Lincheng and Kanchuan, im-

portant outer defense bastions shielding the southwestern and southern approaches to Yenan.

General Chen Cheng, chief of the general staff of the Nationalist Army, broke his long silence and announced to the Central Executive Committee of the Kuomintang, meeting in a plenary session at Nanking, that his forces had driven to within five miles of Yenan at 8 a.m., March 19. The same afternoon, the capture of Yenan was officially announced.

The official communique claimed that the city was entered at 10 a.m. and that the Communists suffered 20,000 casualties. Thousands of prisoners were taken.

Editorial Reaction Very Sober

Pro-government newspapers in all the principal cities issued extras, hailing the capture of the "Red lair." The morning newspapers the following day followed the same pattern but most of the editorial comments on the victory were sober as compared to the Central News claims of the crushing nature of the Communist setback. Most of the newspapers, including the Kuomintang dominated sheets, pointed out that China's unity and peace depend more on political reforms than on military conquests. The gain in the military field should be followed up by political "new deals" for the nation, in their opinion.

Most comments admitted that the fall of Yenan did not mean the end of the civil war.

General Chen Cheng, however, was more optimistic. He told a press conference held March 20 that the Nationalists can crush the Communists main force within three months. What is more, he issued what amounted to be a declaration of war on the Reds—emphasizing that Nationalists would keep on suppressing the "armed rebellion" until the Reds laid down their arms.

He admitted, however, that the liquidation of the small isolated Communist pockets would take time.

Meanwhile, Gen. Hu Tsung-nan's troops hotly pursued the fleeing Communists, the main force of which headed for the Shansi border, thus giving rise to the speculation that the Reds plan to battle their way across Shansi and Honan provinces to join Gen. Liu Po-cheng's armies in Western Shantung.

As the Nationalists screened the captives at the Yenan stockade, rumors gained circulation that Mrs. Mao Tse-tung, wife of the Communist leader, is among the prisoners. These rumors could not be confirmed. Mrs. Mao is a former film actress.

* * *

RED DRIVES IN MANCHURIA FOILED

BLOOD also flowed in Manchuria, where, according to Nationalist reports, two "spring offensives" by Gen. Lin Piao's Communist armies were frustrated both times with extremely heavy losses.

The first Communist offensive toward Changchun and Kirin—capital of the Manchurian province of the same name—was launched on February 20. At least six Communist divisions crossed the frozen Sungari and struck at several points. On February 25, according to pro-government reports, the Reds captured Nungan, 40 miles northwest of Changchun.

Another column, advancing along the Changchun-Harbin Railway, bypassed Tehhui and were reported to have reached the outskirts of Changchun. Tehhui was surrounded and pounded by Red artillery.

International complications stepped in as the Communists drove within the Changchun outskirts. Two American assistant military attaches, Major Robert Rigg and Captain John W. Collins, leaving Changchun in a jeep to inspect the front, were surprised by a Communist party and captured. The Communists, following American representations at Yenan, promised to release the two officers at Harbin, but up to the time of writing, they were still in Communist hands. The fall of Yenan apparently caused some dislocation and delayed their release.

Gen. Tu Yu-ming, commander-in-chief of the Nationalist forces in Manchuria, launched a counter-offensive early in March. Crack divisions striking out from Changchun soon joined forces with the Tehhui defenders while other units recaptured Nungan. By March 4, Changchun headquarters announced the return of normalcy to the Manchurian capital.

Nationalists Cross Sungari

The Nationalists pursued the retreating Communists across the Sungari and established a bridgehead on the north bank of the river. For a period, there were rumors that the Nationalists were heading for Harbin. In fact, Gen. Tu's headquarters was quoted as saying that it would take only about a week to capture Harbin, if the offensive was launched.

Despite the great publicity given the "spring offensive" and the subsequent counter-attack, reliable neutral sources said that the Communist campaign was not on such a large scale as the government reports indicated.

The second "spring offensive" followed along the same lines. The new attack was supposed to have been launched March 10. The Communist columns were said to have followed the same routes. Some 13 Communist divisions were said to have been engaged in the offensive, concentrated between Nungan and Tehhui. By March 17, General Tu announced another important victory with the Communists suffering heavy casualties. Gen. Tu also announced that he expects a lull on the Manchurian front because of the thawing of the Sungari, rendering it difficult for the Communists to cross the river.

* * *

SHANTUNG THIRD BATTLEFIELD

IN Shantung, heavy fighting raged throughout the month, according to reports from both Nationalist and Communist sources.

Following the capture of Linyi, the former Communist headquarters town, in southern central Shantung, a strong Nationalist force drove to Laiwu and Hsintai area, northwest of Linyi and southeast of Tsinan.

By the end of February, the Communists claimed a "major victory." The Nationalists were said to have run into a trap and to have been subjected to a bloody massacre. Three divisions were claimed to have been wiped out and Gen. Li Hsien-chiu, a Nationalist commander was "captured" although he later turned up with a slight wound. The Nationalists admitted some reverses, but said that the divisions battled their way out and rejoined the main forces in Tsinan.

This battle was followed by a Communist attack on Tsinan, driving to within a few miles of the Shantung provincial capital. The menace became grave on February 24—just as Generalissimo Chiang Kai-shek personally visited the city.

The Communists were beaten off.

Two other drives developed, meanwhile. The Communists in Eastern Shantung launched vigorous attacks on the eastern section of the Tsingtao-Tsinan Railway, capturing Kaomi and threatening Kiaochow, 38 miles west of Tsingtao.

Fighting Along Tsinpu Railroad

On the Tientsin-Pukow Railway, the Nationalists drove northward seeking to blast open the Hsuchow-Tsinan section of the Tsingpu line. Encountering stiff resistance, the Nationalists captured Taining and closed in on Taian, only 25 miles from Tsinan. The Nationalists hope to blast open the entire Tientsin-Pukow Railway by the end of the month.

With the Communists ejected from the Yenan pocket, the largest and most important Red Army concentration in China proper now appears to be in Shantung. Observers expect decisive battles in that coastal province.

Shanghai's Chinese Press Report

SHANGHAI'S Chinese newspapers today face the most critical period of their existence since Japan's surrender as a result of the sharp decline in advertising revenues and shortage of newsprint.

With the exception of the Big Three *(Sin Wan Pao, Shun Pao* **and** *Ta Kung Pao)*, **which still manage to keep their journalistic heads above water, the smaller dailies, numbering 15, face the increasingly grimmer prospect of being wiped off the Shanghai scene by the current financial riptide.**

The evening papers--crowded by five publications in a limited field --- are especially hard hit. Dependent almost entirely on street sales, with only a limited number of home deliveries, many of these papers may not survive the financial strain during the next few critical months

All Linked With Kuomintang

While generalizing may perhaps be a dangerous way to evaluate Shanghai newspapers, the following points may perhaps be brought out as a guage for the local Chinese newspaper business:

1. *Financially and in advertising revenue, the field is almost completely and indisputably dominated by one paper, the Sin Wan Pao, which gets about 70 cents of every newspaper advertising dollar spent in Shanghai;*
2. **Politically, with only rare exceptions, the papers are all directly or indirectly linked with the Kuomintang;**
3. In newspaper craftsmanship, there has been a marked improvement in editing, reporting and the use of news photos as compared with pre-war days, although hampered by adverse financial outlooks, further improvement along these lines are apt to be slow and painstaking in the future;
4. When compared with the situation elsewhere in China, the Shanghai newspapers have a wider range of freedom in their news and editorial columns, and it may be said that the present status will probably be the highest level of freedom the Chinese press can achieve for some years to come.

Sin Wan Pao China's Biggest Paper

The *Sin Wan Pao*, which presently claims a circulation of 230,000, is undoubtedly the largest newspaper in China. It was established by the late John C. Ferguson, American missionary educator, who later became an adviser to the Chinese Government. For many years it remained under active American management, until it was bought by a combine formed by the late Sze Liang-tsai, owner of the *Shun Pao*, and the Wang family.

During the Japanese occupation years, the Sin Wan Pao continued publication under a management installed by the puppets. The original owners fled abroad, but despite this fact, the Government upon returning to Shanghai felt that the newspaper should be banned from publication.

Negotiations, however, subsequently resulted in the sale of a major portion of the shares to an anonymous group closely linked with the Government. Today, the paper, rich with profits from advertising, is operated with Y. M. Chien, well-known Shanghai banker, as the chairman of the board, and with Cheng Tsang-po, US-educated member of the National Government's Control Yuan, as the Editor-in-Chief.

AD RATES AT ALL-TIME HIGH

On a normal day approximately 65 percent of the contents of this paper is made up of advertising. At the present moment with the current restriction on the size of daily papers, the *Sin Wan Pao* is publishing a 12-page paper. Advertising rates, highest among all Shanghai newspapers, are at $35,000 per line of seven inches.

Distinguished chiefly for this display of advertising, the *Sin Wan Pao*, under the direction of Managing Editor Thomas Chao, long-time Reuters correspondent in Nanking, has managed in recent months to put out a lively and crisply written newspaper. Its commercial and economic news still ranks as the best feature of the paper while its local coverage is also succeeding in maintaining a place in a highly competitive field. Its national correspondence and its feature sections, however, remain undistinguished.

Shun Pao Claims 170,000 Circulation

The Shun Pao, which claims a circulation of 170,-000, is the second largest Chinese newspaper. In advertising content, it is far below the Sin Wan Pao. The daily ratio is presently about 40 percent of display and classified advertising and official notices to 60 percent of news and features. Advertising rates are about 10 to 20 percent cheaper than in the Sin Wan Pao.

The case of the *Shun Pao* **is almost similar to that of the** *Sin Wan Pao.* **Published during the Japanese occupation by a group which took its orders from the Japanese Navy, the paper was subsequently taken over by a Government group, which bought the majority ownership of the paper from Y. K. Sze, son of the late Sze Liang-tsai, at a price far below current values.**

Pan Kung-chan, former Bureau of Social Affairs commissioner of the Municipality of Greater Shanghai under Mayor Gen. Wu Te-chen, was made president and editor-in-chief of the paper. Pan, who is also head of the Shanghai City Council, is usually classified as a member of the Chen Brothers Group and his affiliations are often apparent in the editorials of the paper. Similar CC connections can be traced to the *Sin Wan Pao*, although this link-up is not as apparent.

In the editing, reporting and correspondence, the *Shun Pao* presents an appearance of a wide range of coverage, although usually its efforts are manifestly uninspired. Its local news is rated as one of its best features, although as a result of limitation of space recently, its complete coverage of spot news and its feature stories have been reduced to a great extent.

Ta Kung Pao Still Best Edited

The *Ta Kung Pao*, which claims a circulation of approximately 90,000, is still rated as the best edited newspaper in China. In craftsmanship, its political correspondence and its dispatches from abroad are still the best to be found in Chinese journalism. It is erroneous, however, to rate the *Ta Kung Pao* as free from the customary control and influences of the Government. Its editorials, usually written in punchy modern Chinese prose, criticize the Government often, but they never exceed customary KMT confines which would make the *Ta Kung Pao* an anti-Government paper.

During the recent Taiwan uprising, *Ta Kung Pao,s* **connection with the Political Science Group, appears to have prompted it to whitewash editorially Gen. Chen Yi's administration in Formosa.**

The Ta Kung Pao continues today under the control of Hu Ling, one of the three original publishers of the paper in its early Tientsin days. The Shanghai edition is being edited by Wang Yung-shen, who formerly was editor-in-chief of the Ta Kung Pao's Chungking edition.

Wen Wei Pao Lusty Newcomer

The newspaper which arouses the greatest amount of journalistic curiosity in Shanghai is probably the *Wen Wei Pao*, which is usually classified as a left-of-center liberal newspaper. Distinguished for its anti-American views and its attacks on the Kuomintang, the paper has often been erroneously classified as an organ of the Democratic League.

A glance at its organizational charts reveals that many of its board of directors and chief shareholders, are leading Kuomintang men. These include Keh Ke-shin, former secretary-general of the Shanghai Kuomintang Headquarters, Feng Yu-cheng, director of the

Shanghai Office of the Ministry of Information, and several others. Also among the shareholders is Yu Sheng-wei, son of the late Yu Ya-ching. Publisher Yen Pao-li (former employee of government railways) and Editor Hsu Chih-chen are also known to have good Kuomintang connections.

Active direction in news display and reporting at the *Wen Wei Pao* is today under Ma Chi-liang, a close associate of David Kung and until recently editor of the *China Times*, a Kung paper. Ma's entrance at the *Wen Wei Pao* brought suggestions that young David Kung is connected somehow with the paper financially.

The Wen Wei Pao today has a circulation of around 40,000, catering mostly to the student groups. Because of its liberal atmosphere, it is gaining a larger following and threatens to take over a part of the former readers of the Ta Kung Pao, which many believe to have gone conservative. Many people in newspaper work in Shanghai think that the liberalism of the Wen Wei Pao is merely an useful business stock-in-trade, used chiefly to invade the field formerly held by the Ta Kung Pao.

In crucial political issues it is known that the editors of the *Wen Wei Pao* are "open" to the "suggestions" of the authorities. This fact was demonstrated in a singularly clearcut manner during the Whangpoo Police Station riot of the so-called street stall peddlers. The *Wen Wei Pao* was urged to publish, on the day following the riot, an official version of the incident and it did.

Despite this link with the powers-that-be, the Wen Wei Pao is still one of Shanghai's few organs of liberalism. In a journalistic atmosphere heavy with Kuomintang propaganda, this youthful liberal publication furnishes a refreshing breath of liveliness to Shanghai Chinese newspapers.

CC Clique Paper Well-Edited

Apart from the foregoing papers, the only journal worth serious attention in Shanghai is the *Tung Nan Jih Pao* (South Eastern Daily). Technically one of the best edited papers, it is closely linked with the CC Clique. Its publisher, Hu Chien-chung, was formerly a member of the Ministry of Information staff and worked for some time in the Chungking *Central Daily News*. The *Tung Nan Jih Pao's* head office is located in Hangchow, where for many years prior to the city's occupation by the Japanese it published a widely-circulated edition.

Distinguished chiefly for its sports page, the paper has a clientele which rises and falls with the news trend on the sports front. On a day when there is a good sports story, the paper's circulation might even pick up an additional 10,000 or more. Customarily, however, the paper hits close to the 30,000 mark and at that figure it is difficult for it to break even.

The *Tung Nan Jih Pao* is also making a good showing in its local coverage, devoting more space to local news than any of the major papers. In advertising, however, the journal is selling at a low rate and nets only a small amount of revenue. On an average day, its advertising volume is only 12.5 percent of the total contents.

Another CC Clique paper is the Shang Pao (Commercial Daily), which is purportedly the official organ of the Chinese Chamber of Commerce. Technically, the paper is doing a fair job of reporting commercial, financial and economic news, but thus far it has failed to attract any great attention from the local merchants and financiers, who continue to prefer the Sin Wan Pao's financial section. The Shang Pao has a circulation of about 30,000 and is reported to have been dropping off slightly during recent months.

Organ Of Defense Ministry

The organ of the Ministry of Defense in Shanghai is the *Peace Daily*, formerly the *Shao Tang Pao*. While this paper has a limited circulation within the city, it is known to have a large circulation in the country areas around Shanghai. This is due chiefly to its tactics in pushing circulation by the use of uniformed personnel. The Shanghai edition of the *Peace Daily* is said to be around 50,000.

Other Shanghai morning papers include the *Yih Shih Pao*, the Catholic daily, with a circulation of 10,000, the *Chen Yen Pao*, a paper connected with the San Ming Chu I Youth Corps, with a circulation of around 40,000, the *Chung Hua Shih Pao*, organ of the Young China Party, with a circulation of about 10,000 or less, the *Lih Pao*, the CC Clique's paper for the labor unions, with a circulation of about 20,000 and the *Front Daily*, a paper which was at one time owned by Gen. Ku Chu-tung, with a circulation of between 20,000 and 30,000.

Tea Report

TEA, which was once China's pride second only to silk, is now one of the country's sorrows. There was a time when people abroad labelled all black tea "genuine China tea" to indicate excellence. Later they distinguished between three kinds of tea—India, Ceylon and China. Even when Japan developed her tea trade to an unprecedented extent, no one spoke of Japanese tea; it was accepted as China tea. Since those days matters have altered.

The decline of China's tea trade may be attributed to three factors: In the first place, some of the country's best tea producing areas have been devastated by war. Secondly, even before the war the quality of China tea had sadly declined. Thirdly, as with other exports, China's tea has risen in price out of all proportion to its excellence.

A few figures will illustrate the decline of the tea trade. In 1938 China exported 416,246 quintals of tea; in 1939 the figure was almost halved—225,578 quintals. In 1946 China exported 45,535 quintals, or about 11 percent of the 1938 figure.

Best Customer Undetermined

It is impossible to determine what country was China's best client in pre-war years as almost 50 percent of recorded shipments were destined for Hongkong, and further research would be necessary to discover to what countries they were transshipped. Aside from the Hongkong cargoes, a large proportion of which were probably sent to Britain, China shipped to practically all the nations of the world, France and her territories being the leading customer.

At present Egypt appears to be the greatest buyer of green tea, Britain of black. The French territories are handicapped by French foreign exchange regulations. Barter arrangements, said to be under discussion, have not yet been concluded. The high cost of Chinese tea is believed to be the greatest obstacle to these plans.

Anhwei, Fukien, Kwangtung, Hupeh and Hunan are still China's most important tea centers, but crops are reported to be poor in quality and quantity. While usually the first of the four yearly crops is the best, tea dealers claim that the present first crop is inferior to fourth crops produced 10 or 20 years ago.

Ceylon Tea Better, Cheaper

Had China's internal situation in 1946 been propitious she would have found a ready market for black tea, as shipments from India were restricted. Since the end of the year, however, Indian and Ceylon tea can be shipped freely, and it is of a better quality and lower in price than the China product.

Furthermore, importers abroad continue to claim that shipments of Chinese tea are no more uniform in quality than they were before the war. They aver that cargoes fail too often to correspond to samples submitted, while classifications and denominations (such as "gunpowder," "Pekoe," etc., on the one hand and "Keemun," "Paklun," etc., on the other) are often misused.

Foreign firms in China are reported to have only trifling tea stocks on hand. Chinese dealers have mortgaged large portions of their stocks with the Farmers' Bank. Exporters claim that to obtain samples of such mortgaged cargo is almost impossible; either dealers hope to obtain better prices by selling through the bank, or the bank anticipates a larger profit by exporting than by the simple financial transaction. At any rate, with the establishment of the new exchange rate of 12,000-to-1, dealers depending upon the Farmers' Bank failed to submit samples to Shanghai exporters.

Exchange Complicating Factor

This indicates that most dealers believe the new rate of exchange will improve the trade. This may be so at least for a few weeks or months. Nevertheless, the tea importing nations have already bought large quantities of tea from India and Ceylon. News from Persia and other Middle Eastern countries indicates that they are already overstocked.

North Africa would be a likelier prospect were the French foreign exchange system less complicated. When a dealer in North Africa receives a sample of tea from China and decides to order, he may do so only after receiving assurances from the French authorities that exchange is available. As this process requires at least a fortnight, this in addition to the time required in mailing the sample, the price in China may have changed several times before the order is cabled.

Thus while one heavy tea consuming area is overstocked the other is handicapped by the mechanics of the transaction. These factors would be less decisive were the quality of China green tea not considered poor. Persia, Iraq, and the French-controlled north African countries would be willing to pay high prices for good green tea. They are not eager to buy the low grade offered.

Further Price Increases Certain

The short-lived export subsidy policy which was adopted by the Chinese government shortly before the new exchange rate was inaugurated will be recalled. While the TT rate was around CN$3,350-US$1, the exporter received CNC$6,700. Although the measure was in effect for only a few weeks some tea prices rose 100 percent and more.

A certain quality of Keemun-labelled tea which at the beginning of February sold for CNC$300,000 per picul (110 lbs.) reached CNC$750,000 by February 17. A medium quality black Taiwan tea increased from CNC$130,000 by 50 percent during the same period, while a brand of Broken Pekoe soared 85 percent. A poor quality of Foochow tea, which had been offered for CNC$150,000 rose to CNC$300,000 at which price there were no buyers.

With price rises hardly exceeding or not even reaching 100 percent, a 358 percent increase in the exchange rate might be expected to offer the exporter a good chance of profit. However, indications are that prices will increase further, and even dealers independent of the Farmers' Bank are not eager to offer their tea. Nor is it easy to obtain guarantees of delivery and standards.

Shanghai tea traders claim that of the 4,500 quintals of tea shipped to the United States in 1946 a large portion was forwarded on behalf of government sponsored organizations on a consignment basis, and that only a fraction of the amount was marketed at the expected prices. In some cases, prices in America are believed to have been below the calculated CIF quotation.

India's Purchases Up In 1946

The Indian market is said to have been better. India, greatest competitor of China's tea trade, is also a considerable consumer of Chinese tea. In 1946 India bought more than before the war; almost 13,000 quintals were marketed there. The principal reason for this state of affairs is that China tea is used in coloring certain kinds of Indian tea. Furthermore, much China tea is bought by Indian merchants for transshipment. For whatever reason Indians buy Chinese tea, they bought six times as much in 1946 as in 1939.

Nor was India the only country whose recent purchases surpassed prewar figures. Northern European countries also bought tea, Sweden alone purchasing 1,000 quintals of black tea. It is said, however, that part of the cargo shipped to northern Europe was destined for central Europe and paid for by relief organizations. If so, such shipments should not be considered genuine trade transactions.

This writer has seen statements from western European traders, describing the quality of tea shipments arriving from China. They were not flattering, but were to the effect that in view of the high price already prevailing the quality even of the sample should have been better, but the sample "apparently has been obtained from a Chinese paradise, whereas the cargo was dispatched from a Chinese hell."

OUTLOOK FAR FROM PROMISING

On the whole, business with Europe is hardly promising. Germany as a consumer is out of the picture, nor was she ever a great customer. In 1938 Germany purchased 4,700 quintals of China tea compared with America's 21,600 quintals. Poland, Czechoslovakia and the Slav Balkan countries are reported to obtain tea from Russia, Greece and Turkey. According to news dispatches they have bought small quantities of Indian and Chinese tea through Hongkong.

Trade with Australia has been negligible and there seems little prospect of improvement. There is more likelihood of commerce with the South Seas, where Japanese tea played an important role prior to the war. Much of such "Japanese" tea originated in Taiwan, but was shipped from Japanese ports. Dealers doubt that tea from Japan itself will gain commercial importance in the near future, so there should be good prospects for Taiwanese tea in such countries as the Philippines and the Netherlands Indies.

The main problem remains, however, whether China will be able to offer a reasonable quality at reasonable prices. There is a question whether Taiwanese tea, often sold on foreign markets as Ceylon tea, will be tested for quality severely enough. While Japanese firms formerly marketed this particular kind of tea, Chinese authorities and dealers have yet to establish new contacts.

Still, prospects for Taiwan tea are better than for other kinds produced in China. Prices have advanced less than has the continental product, as will be seen in the following comparison.

Price Ceilings Not Enforced

At the beginning of this year when China tea was already considered too expensive, one Keemun blend sold on the Shanghai market for CNC$970,000 per picul. At that time the black market rate for the American dollar was around CNC$6,000. A few days after the devaluation of the CNC the same blend was offered at CNC$1,900,000 an increase of almost 100 percent, while the U.S. dollar gained only 80 percent. During the same period the Taiwan product only gained between 45 and 50 percent. The only drawback was that it was of a comparatively low quality.

If it was not easy to market continental Chinese tea by the end of 1946, it will be much more difficult with prices outstripping the rise of the American dollar. The Government has not enforced ceiling prices, as some exporters hoped, for some of the most typical export goods. Indications are that nothing of the sort will be done in the near future, and exporters are not optimistic.

Wholesalers are still reluctant. They are afraid that commodity prices will increase to such an extent that to sell at the present rate will result in an actual loss. When Hangchow tea reached CNC$2,000,000 per picul only a few days after the introduction of the new rate of exchange, dealers did come out with samples. These were presented for quick business on a cash basis but transactions are said to have been very limited. On February 19 this product rose in price by another CNC$100,000; nevertheless business remained dull and turnover slight.

Still the fact remains that hundreds of samples were sent out by exporters in the second half of February when foreign currency appeared to have gained in purchasing power. At the time of writing those samples had only just reached their destinations, and results will not be apparent for some little time yet. Whether or not the Farmers' Bank itself sent out samples of mortgaged cargo could not be ascertained.

Japan May Reenter Export Field

Figures are not available indicating present total production of tea in China nor were exact figures available before the war. It was estimated that production exceeded 75,000 tons per year, of which 41,600 were exported in 1938. If that is correct, China occupied third place among tea producing countries, with India and the Netherlands Indies being first and second, and Japan fourth place. Present Chinese production on the continent is estimated at hardly more than half the prewar figure. Experimental laboratories are said to exist in Taiwan only.

Under such conditions considerable effort will be required to restore China's prewar tea exports, to say nothing of increasing them. As has been mentioned, there is practically no Japanese competition at present and as trade in the Netherlands East Indies is still far from normal, Chinese exporters have a better chance now than they will have in a year or so.

News received by local traders with Japan indicates that green tea is now produced there for export and the Japanese are said to be preparing a tea export campaign. If, as the same sources claim, the Japanese succeed in producing 35,000 tons of tea (which is still open to doubt) this will correspond to their 1930 production—about 45 percent lower than their latest prewar figure; that is about three times as much as Taiwan used to put out under Japanese rule. Before the war the Japanese exported about half of their own production and 90 percent of the Taiwan crop.

Chinese exporters hope that it will take the Japanese some time to reorganize their tea exports, and that the Netherlands Indies trade will not be restored immediately. In the meantime, they hope, commerce with Britain will become more normal and exports to the United Kingdom will improve. However, one need be no pessimist to forecast many obstacles to the achievement of these hopes.

With a view to reviving the export trade, a Tea Export Board was established some time ago by the Central Trust of China, the Farmers' Bank and the Central Bank of China. Three meetings with tea merchants during February revealed, however, that the Farmers' Bank tea loan of 1946 had not removed the most important difficulties, nor had steps been taken to standardize Chinese growths.

In spite of all efforts the Board failed to come to terms with producers and exporters regarding the most urgent problems, namely, determination of selling prices, classification of grades and fixing of price ceilings. As long as no price levels are established (not only for tea but for all commodities and services connected with the tea trade) improvement will be difficult to achieve.

Aviation Report

PRIOR to the general grounding of passenger planes ordered by the Ministry of Communications on January 6, 1947, following a series of disastrous plane crashes in various parts of the country, air travel to a number of remote corners of China, such as Lanchow and Kunming, was considerably cheaper than any other form of transportation. This is borne out by the figures of per mile charges maintained at a low level by the authorities and increased only more than a month after the official hike in the exchange rate of the American dollar in terms of Chinese national currency.

A responsible official of one of the two Chinese aviation companies here—the China National Aviation Corporation and the Central Air Transport Corporation—has provided *Monthly Report* with what he considered would be an equitable per mile rate, taking into account the high cost of operation of airlines in this part of the world.

He began with the statement that aviation companies in the United States—where gasoline can be obtained almost as easily as coca-cola, at practically every airport, with a gasoline truck backing up to the plane—lost money when they attempted to carry passengers at US$0.04½ per mile. He said the two China companies were charging only half of this—CNC$250 per mile—at the present CNC$12,000 official exchange rate.

The official then pointed out that gasoline in the United States apart from being easily procured, costs around US$0.12 to US$0.14—100 octane—at any place in the continental United States.

US$0.30 To $3 Per Gallon In China

Now, gasoline in Shanghai is priced at US$0.30 per gallon, but this is not true of all places in China reached by the two airlines. A gallon of gasoline, if any is available in Peiping costs US$0.40; in Hankow, US$0.70; in Chungking, US$2.00 and more; and about US$3.00 in Kunming. Other places outside China, serviced by the two Chinese companies—Calcutta and Hongkong—register US$0.60 and US$0.70 per gallon, respectively.

With the passenger rates maintained at the ceiling of about CNC$250 per passenger mile, it is difficult to see just how the aviation companies could possibly continue to operate, let alone make a profit in carrying passengers, especially after the recent change in the foreign exchange rate.

The main item in the cost of operation being gasoline—of which about 85 gallons per hour is consumed by a C-47, and more than 140 gallons per hour by the larger C-46—cost of operation increases not in proportion to miles flown, but in proportion to miles FLOWN INLAND.

A typical case is the flight from Shanghai to Tihua in Sinkiang which, according to the aviation management classification, lies in the so-called outer Northwest zone. There are passengers willing to be flown into Tihua in spite of the high costs and the companies are willing to fly them if they pay the cost of gasoline.

Gas And Service Costs Terrific

Here is how one gets to Tihua, or rather how the plane gets there, from Shanghai.

From Shanghai to Chungking two loads of gasoline—around 11 tons—are flown, since there is no other way of getting the gas to the wartime capital. Thence, in two shuttle flights the gas is flown to Lanchow, with the passengers having to wait in Lanchow while the plane goes back for the second part of the gasoline in Chungking. .The same procedure is then followed in flying from Lanchow to Tihua, with gasoline prices rising astronomically as the craft nears Sinkiang. "It is practically impossible to estimate the cost of fuel in Tihua," an aviation executive said.

Apart from this complex procedure involving the carrying of gas, matters are complicated in case of a blown out tire or serious engine trouble: additional

planes are required to service the first plane, thus raising costs of both operation and eventually passenger fare.

Aviation companies in the United States never carry a large stock of spare parts of equipment. All they have to do is to phone the manufacturer and get their items delivered promptly at the airfield or repair shop. In China, on the contrary, everything has to be ordered from overseas—mainly from the United States—involving considerable expenditure in the form of duty, freight, insurance, breakage, etc.

Moreover, despite the fact that in case of breakage or total loss insurance is eventually collected, the schedule of repairs is seriously thrown out of gear, thus further raising costs of operation. "We don't want the money—we want the parts," representatives of the aviation companies declared in one voice.

Gas Evaporation, Leakage Factors

While gasoline has to be airlifted to places like Chungking and Lanchow, the method of delivery to Kunming is considerably more complicated. The gas is first shipped by boat to Hongkong and thence to Canton and Liuchow, where it is loaded on trucks and hauled up to Kunming. The loss in volume resulting from this trip is great, leakage accounting for a large part of the loss. Moreover, the time factor should also be considered.

When all the above factors are taken into account it becomes understandable that there are advocates among aviation circles here to institute a zone fare system which would automatically hike the per mile rate a certain established percentage as the route extends further inland.

Here is an approximate table of how this proposed system would work:

(All in CNC dollars)

	Coastal Shanghai-Hankow	Central Hankow-Chungking	Northwest Chungking-Lanchow	Southwest to Kunming
Present rate per-mile passenger	250—282	250—282	250—282	250—282
Proposed Increase	200%	100% above coastal	50% above central	100% above NW

This table amply demonstrates that flying in China at the rate prevalent prior to March 15, 1947, was definitely cheaper even than walking, for shoe leather worth CNC$250-CNC$282 is liable to be expended every mile or so on the walk from Shanghai to, say, Lanchow.

If these increases are granted the aviation companies—although they don't expect to get these margins—the per passenger mile rate in the various zones, marked 1-4, would be: Zone 1, US$0.07; Zone 2, US$0.14; Zone 3, US$0.21; and Zone 4, US$0.42.. All figures are approximate.

Inasmuch as gasoline costs from three to four times higher in Lanchow than in Shanghai, it is only reasonable that the rates reflect this state of affairs as existing along the coast and in the far interior.

Flat 200% Increase Granted

There are other circles within the aviation business which advocate a flat rate of US$0.08 per kilometer, which is equivalent to approximately US$0.126 per mile. Compared with Philippine airline charges, which are around US$0.20 per passenger-mile, even were these increases granted, the companies would still be hardly able to cover their operation expenses.

When the rates were finally increased on March 15, and the passenger flights resumed after a six-week grounding order, it transpired that the new levels were considerably below those asked, especially so if the zone fare proposal is considered.

The Ministry of Communications granted a 200 percent flat increase and the new rates thus become:

Shanghai-Peiping ....CNC$ 770,000
Shanghai-Canton .....CNC$ 710,000
Shanghai-Chungking .....CNC$ 800,000
Shanghai Kunming .....CNC$1,120,000

An aviation company official revealed that these new rates would not enable the companies to cover their purchases of needed foreign exchange.

From the new rates it is evident that the exorbitant cost of gasoline in Kunming, for example, is not taken into account by the Ministry of Communications, and the probable result will be that the companies will tend to concentrate their operations along the coast. This, no doubt, will greatly harm the development of aviation where it is needed most—in China's vast interior.

Friction may develop between the aviation companies and the ministry if something is not done to bridge the gap in revenue and expenditure. It was even said in some quarters that the long delayed resumption of passenger flights was mainly due to the government's reluctance to grant the necessary rate increases.

LATEST INCREASE INADEQUATE

Thus, if it is realized that spare parts in China cost twice as high as in the United States; the transportation of pilots and their families about 50 percent above Stateside; wages reckoned in U.S. dollars about 50 percent higher; cost of gasoline a number of times higher, depending on the place; storage of spares, and all other maintenance and operation charges proportionately higher than in the United States, it will be clear that the hiking of the rates up to US$0.06 per passenger-mile hardly solves the problem. It is indeed unfair to ask local airline operators to pay their way at US$0.06 per passenger mile when it is said that Stateside operators are losing money at US$0.04½ per passenger mile.

The question of freight is likewise highly unsatisfactory. The present rate, considered adequate at first, still remains at US$4,508 per long ton mile. This comes to around US$0.30 per short ton mile. The question is posed: who and where in China will carry one ton of freight for CNC$4,508, whether by truck, ricksha or coolie?

This state of affairs has been arrived at because rates have been held down, the while the CNC depreciated.

The rates at which the airline companies were expected to carry passengers to such places as Calcutta came to about a third of what aviation charges were in the United States for equal distance. Thus, one of the companies, servicing the Shanghai-Calcutta run, charged the equivalent of US$60 for a distance of about 2,500 miles. At the same time, in the United States, where operation costs have been cut down to a minimum due to competition and efficiency, US$118 plus 15 percent tax is charged for the coast-to-coast hop. The new increase of rates would bring the Shanghai-Calcutta charges to around US$180. Still, considering that gasoline in Calcutta is sold for US$0.70 per gallon—twice as high as here—the rate could still be considered rather low.

CNAC Reequipped During War

Of the two companies operating along Chinese domestic lines, CNAC has been in operation the longer. Having lost all but four of its planes at the time of Pearl Harbor, and later two others, the company was gradually built up through the delivery of lend-lease planes, machine shop equipment and tools, and the necessary ground installations. When the war ended, CNAC began regular flights throughout the country, virtually wherever landing facilities were available.

CATC, on the other hand, is only 15 months old. And this accounts for the fact, that of the 8,100,000 revenue miles flown by both airlines during 1946, CNAC contributed 76 percent and CATC the remainder.

CATC, however, is rapidly expanding its operations and already in the first quarter of 1947, has managed to increase its share of revenue miles to about 34 percent.

Altogether, approximately 9,000,000 revenue miles have been flown by both companies since the end of the war, with CNAC doing about 300,000 per month, and CATC around 170,000.

Another airline which may offer them competition in the passenger carrying business is the Chennault or CNRRA Air Transport which is reportedly applying for permission to fly passengers side by side with its freight operations.

Two Sets Of 1946 Statistics

It is hardly possible to compare the scale of operations of the two companies except through revenue miles flown, inasmuch as they furnish statistics in different lines.

Thus, CNAC says that in 1946, 110,000,000 passenger miles were flown; 3,600 ton miles of air express: 945 ton miles of mail; and 2,015 ton miles of passenger baggage. At the same time, distance flown increased by December 1946 some 19 percent over the preceding January. Revenue was up 50 percent.

CATC, on the other hand, says that in 1946, 47,089 passengers were carried by the company's planes; 3,573 tons of freight; 213 tons of mail; 1,127 of baggage. During the year, passenger traffic increased by 323 percent; freight carriage by 324 percent; mail service by 1,664 percent and distance flown by 180 percent.

It is interesting to note that while CNAC specialized in passenger traffic, CATC concentrated on freight carriage.

Thus, CNAC, CATC, and to a certain extent CAT, have the entire China aviation field, still practically virgin, to themselves to develop. They have no competition but themselves in the domestic field, although they may find it difficult to compete with foreign companies when it comes into their mind to service the Philippine or the trans-Pacific lines.

To date, one of the chief reasons why neither the CNAC nor CATC has been able to resume or start flying to points in the Philippines, has been the friction which arose over the Sino-Philippine treaty. There have been reports of serious difficulties arising on the question of immigration, both in China and the Philippines. It is not probable that Chinese planes will carry freight or passengers to the islands before the treaty issue is satisfactorily settled, informed circles said.

The *Shun Pao*, in its March 11 issue, however, declared that CNAC flights to the Philippines will be resumed "momentarily" as the company has already contacted the Philippine Government for the use of a large field capable of accommodating the Skymasters to be put on the run.

Foreign Airline Links With U.S., Europe

Other, non-Chinese airlines touching at Shanghai are the Philippine Air Lines, the Far Eastern Air Transport, Inc., the Pacific Overseas Airlines, the British Overseas Air Corporation, the Air France, and the Northwest Airlines.

The PAL, a joint Philippine Government-private capital enterprise, at present maintains regular flight service from Shanghai to Manila, Guam, Kwajalein, Honolulu, Oakland and return. The company concentrates on freight carriage, although passengers are also taken. The poor export situation has seriously undermined the outgoing freight business, while the recent emergency economic measures promulgated by the Chinese Government have forced PAL to accept payment for passage or freight at destination or by draft only.

This appears to be the only way of solving the difficult currency situation, PAL expenditures are covered by payment in either U.S. dollars or Philippine pesos and inasmuch as no actual operation expenditure is involved in Shanghai it would be ruinous for the company to accept CNC dollars here and then be unable to dispose of them in any manner.

This is the same problem that confronts the shipping agencies here and for that matter all the various enterprises whose main operation expenditure is covered in foreign currency abroad.

POA Under UNRRA Charter

The Pacific Overseas Airlines has been under UNRRA charter since last May, and maintains regular flights to the United States every 10 days. Passengers are mainly UNRRA personnel. Cargo to date has consisted of urgent shipments of vaccines, medicines and other vital supplies distributed through CNRRA here.

The BOAC, which has as its terminus Hongkong, is reported to be planning Shanghai flights under the recently concluded Sino-British air agreement.

The Northwest Airlines has recently completed its second survey flight and plans to inaugurate regular trans-Pacific flights sometime in May, and it is reported that eventually Boeing Stratocruisers will be servicing this line.

Air France at present also staging trial Shanghai-Paris runs, recently sent its third plane with cargo and passengers from France.

FEATI Resuming Service Soon

FEATI, which suspended its regular Shanghai-Manila flights last January, after the loss of its DC-4 "Miss Luzon," which fell into the China Sea while on its way to Hongkong, is planning to resume regular Shanghai-Manila flights in the early part of April. The local FEATI office declared that flights will be resumed with Douglas DC-4s "fresh from the factory."

The Royal Dutch KLM Airlines are also planning to inaugurate a Europe-China line soon.

It is rumored that Pan-American Airways will also have regular service between here and the United States in the near future.

An obscure part of China's budding aviation has been the operation of the Sino-Soviet Aviation Corporation, the only airline linking China and the USSR.

On Hami-Tihua-Ili-Alma Ata Run

According to a statement in the middle part of last year by Dr. George Yeh, Acting Director of the European Affairs Department of the Chinese Ministry of Foreign Affairs, in the United States, the Sino-Soviet Aviation Corporation was officially inaugurated in December, 1930, under a contract signed by the Ministry of Communications of the Chinese Government and the Central Soviet Aviation Administration of the Soviet Government. The corporation has its headquarters at Tihua, Sinkiang, and holds the joint capital of the two governments.

Its planes fly between Hami, in eastern Sinkiang, and Alma Ata, capital of Soviet Kazakstan, via Tihua and Ili. The airline extends over 1,415 kilometers and the entire flight takes about six hours.

The corporation is headed by a Chinese, with a Soviet general manager, and another Chinese as deputy general manager.

Last year the company had only three DC-3 planes. In 1946, its planes flew approximately 200,000 kilometers and carried about 100,000 passengers, 22,000 kilograms of mail and 70,000 kilograms of cargo. These figures are estimates based on Dr. Yeh's half-year figures.

Compared with this far northwest company which has three planes, the CNAC, for example has in actual operation 19 C-46s, 25 C-47s, and four DC-4s, while CATC has 14 C-46s and 12 C-47s.

* * *

Disasters Mar Christmas Day

Six commercial airline crashes which occurred during the period from December 25 to January 28, caused the death of 157 persons. Following the first series of crashes which occurred Christmas Day, the Ministry of Communications set up a Civil Aeronautics Administration, with headquarters at Nanking and a branch due to open in Shanghai soon. The administration has taken as its guiding light the principles embodied in the U.S. Civil Aeronautics Administration which are now being translated into Chinese. This is the result of a general trend evident in China's aviation for a number of years: the gradual approach to American methods of operation, maintenance and regulation, and away from the influence of German, Italian and British methods, which dominated its aviation before the war.

As witnessed an article in the China Weekly Review of January 25, 1947, China's airports, homing facilities and other vital operation particulars are in bad shape. The CAA, therefore, has a big job ahead, but like all government departments today it is said to be seriously hampered by lack of sufficient appropriations.

According to a semi-official source, everything possible has been done to correct the various faults in the field of maintenance and operation of China's airlines. But,

this source added, "you should not expect miracles from an organization which has insufficient funds at present."

CAB To Open Branch Here

A branch of the American Civil Aviation Bureau is to be set up in Shanghai under control of the American Consulate General, for the purpose of handling repair work, radio contact and the inspection of U.S. civilian aircraft calling here. The Executive Yuan has already granted permission for its establishment at this air terminus.

The Ministry of Communications, in forwarding the proposal to the Yuan, stressed that the establishment of the Bureau will aid in the development of civil aviation in China. It was, however, pointed out that the bureau will not encroach upon Chinese sovereignty or upon the interests of Chinese civil aviation.

The proposal was approved on the understanding that China may set up similar agencies in the United States.

New Lunghwa Runway Almost Ready

The construction of a runway 6,000 feet long by 400 wide (150 feet main strip) which commenced in the early days of January, is nearing completion. Cement, of which 15,000 tons was ordered by the Ministry of Communications, is now being laid on the runway with the aid of American cement mixers and other special machinery. Upon completion, planned before the end of May, weather permitting, the runway will be able to accommodate C-54 liners.

Thus, when ready, the Lunghwa airfield will sport two strips: the old one, 4,000 feet long, running east to west, and the new 6,000-foot strip stretching north to south.

It is said that the ministry, which is paying for the construction of the airstrip, also plans to erect a hotel at the airfield.

* * *

CNAC, CATC Routes Listed

Here are a few particulars on lines of operation and personnel of both CNAC and CATC:

CNAC flies the following, round-trip routes:

Shanghai-Nanking-Hankow-Chungking	14	weekly
Shanghai-Tsingtao-Peiping	3	„
Shanghai - Nanking - Hsuchow - Tsingtao-Tientsin-Peiping	1	„
Shanghai - Nanking - Tsingtao - Tsinan-Tientsin-Peiping	2	„
Shanghai-Hongkong	4	weekly
Shanghai-Nanking-Hankow - Kweilin-Canton Hongkong	1	„
Shanghai-Amoy-Manila	2	„
Shanghai-Taipeh	2	„
Shanghai-Foochow-Amoy	1	„
Shanghai-Hankow-Kunming-Bhamo-Calcutta	2	„
Shanghai-Hankow-Sian-Lanchow	1	„
Foochow-Taipeh	1	„
Chungking-Hankow-Peiping	1	„
Chungking-Canton-Hongkong	2	„
Chungking-Kunming	2	„
Chungking-Chengtu	2	„
Chungking-Sichang	1	„
Chungking-Kweiyang	1	„
Peiping-Kweisui	1	„
Peiping-Taiyuan	1	„
Hongkong-Canton-Haikow	1	„
Lanchow-Suchow-Hami	1	monthly

CNAC employs 150 Americans, 80 of them pilots, and about 1,200 Chinese, of them 10 pilots and 35 co-pilots. The maintenance personnel are Chinese, with Americans in charge, while weather and communications are serviced by Chinese technicians.

CATC flies the following round-trip routes:

Shanghai-Nanking-Tsingtao-Peiping	3	weekly
Shanghai-Nanking-Nankow-Sian	3	„
Shanghai-Hankow-Chungking	3	„
Shanghai-Nanking-Tsinan-Peiping	3	weekly
Shanghai-Nanking-Tsinan	3	„
Shanghai-Nanking-Hankow-Chungking	3	„
Shanghai-Nanking	3	„
Shanghai-Amoy-Canton-Hongkong	4	„
Shanghai-Hankow-Chungking-Kunming	3	„
Shanghai-Hankow-Chungking-Lanchow	1	„
Kunming-Liuchow-Canton-Hongkong	2	„
Chungking-Hankow-Peiping	1	„
Chungking-Canton-Hongkong	1	„

Other lines to Hami, Chengtu and Taipeh are serviced when the occasion calls for such trips.

CHENNAULT LINE FUNCTIONING

Apart from these two purely commercial airlines—of which CNAC is 80 percent government-owned and CATC 100 percent—there is the CNRRA Air Transport, organized by Maj. General Claire L. Chennault, after almost a year of negotiation with UNRRA and CNRRA.

UNRRA agreed to purchase 14 C-46s and 5 C-47s from U.S. surplus plane stocks. The contract specifies that on inward flights CAT is to haul only relief and rehabilitation cargo, and CNRRA personnel, and while CNRRA has priority on space at all times, CAT is permitted to carry commercial cargo on outward trips.

Although the contract provides for the termination of CAT operations simultaneously with CNRRA's closure, it is rumored that Gen. Chennault hopes to be able to present an impressive record of CAT operation by that time and thus secure permission to continue operations as a purely commercial concern.

Apart from these three lines operating domestically, other airlines have not been able to start functioning. It is remembered that the Great China Aviation Corporation, reportedly connected with Dr. H. H. Kung, attempted to operate, but after some time was forced out of business by the withdrawal of its license by the Executive Yuan.

Another, more or less privately financed company, the Northeastern Airlines, is trying to go into business and is now awaiting permission to start operations. Although Chinese press reports are optimistic, there is little likelihood that the new company will be able to start its service.

The question of private flying in China is still undetermined. Much interest was aroused recently by the exhibition of a Piper Cub owned by a foreigner here. This gentleman hopes to form a Shanghai Flying Club and plans to approach the CAA for a license. However, the importation of private planes has been neither refused nor granted to date.

The great question in the development of private flying in China will be that of airfields, most of which have been taken under the control of the Chinese Air Force.

RED TAPE DELAYS EQUIPMENT

Although both the CATC and the Chinese Maritime Customs are government departments, the red tape in the latter has been withholding from the aviation company hundreds of tons of urgently needed safety equipment, engines and instruments, according to the March 17 issue of the *China Press*. CATC personnel charged that much needed supplies were lying idle at the Shanghai and Hongkew Wharf, their release delayed by "bureaucratic red tape." Among the items were listed tires and sound-proof fiber glass.

The report added that engines and complete aircraft, until recently banned from importation, are now permitted entry, but it is difficult to obtain the necessary foreign exchange. Captain Moon Chin, operations manager of CATC, said that while only US$140,000 worth of exchange has been granted by the Government so far, the company plans to spend at least US$600,000 on radio equipment alone.

Unlike CNAC, CATC has no provision for engine rebuilding and the delay in receiving the new engines in question is said to be endangering flight schedules, especially so after the March 16 government degrounding order.

A STUDY OF THE PRESENT STAGE OF THE MONETARY CRISIS

By Chen Shao-ping

Ta Kung Pao, March 10, 1947

As the result of acute inflation, the existence of a monetary crisis in China is an obvious and undeniable fact. The continuation and spreading of the civil war, the bloaking communications, dwindling production - all this has combined to aggravate China's economic evils and develop the monetary crisis into anextremely grave phase. A critical study of the present financial and economic phenomena will bring to light the alarming unreasonableness and abnormity of these phenomena. It is for this reason that the economic circles have raised their demand for an ideal new monetary system.

Let us begin with inflation. Ever since theoutbreak of the war of resistance down to the present day, the government finance has been burdened with big deficits, which were invariably met by huge amounts of fapi. Now the so-called "printing press finance" is more pronounced than ever before. According to statistics made public by government officials, the note issue of fapi at the end of 1945 totaled CNC$1,000,000,000,000. An additional CNC$3,000,-000,000,000 were issued by the end of 1946. It is therefore clear that the note issue of fapi at present must not be less than CNC$5,000,000,000,000. Judging from existing conditions, it may be estimated that by the end of this year at least an additional CNC$10,000,000,000,000 will have been issued. The reason will be given later on. This astronomical figure is really appalling and it gives us some idea of the impending economic catastrophe in China.

Price index also registered a dangerous peak. Although the price situation in this country is not so bad as the runaway prices in Germany after the First World War or in Hungary after the second World War, yet the Chinese people have suffered beyond description and they are all longing for the "good old days", when prices of commodities were fairly stable. We give below a table showing the prices of ten selected commodities in 1937 and in February 1947 to enable us to appreciate the changes in prices in the past ten years.

Items	Unit	1937 CNC$	February 26, 1947 CNC$	Increase
Best grade rice	Shih tan	11.05	108,000	9773 times
Wheat flour	Sack	3.88	55,000	14200 times
Bean Oil	per 100 catties	20.57	290,000	14080 times
Sugar	Shih Tan	23.85	190,000	8000 times
Hard coal	per ton	16.25	800,000	49230 times
Cigarettes (Ta Ying Brand)	50,000	300.00	3,170,000	10566 times
Matches	per case	66.54	1,450,000	21340 times
Cotton yarn (double horse brand)		295.00	3,150,000	10790 times
News print	per ream	4.00	120,000	30000 times
Raw silk	per tan	710.00	7,300,000	10270 times

A glance at the above table will show that commodity prices at present have increased, on an average, by 17800 times over pre-war years. The impact of such terribly high prices on China's social and economic conditions can easily be imagined.

Let's look into the expenditures of the government since the founding of the republic and see how inflation stands in this respect.

Year	Expenditures of the government	
1912	CNC$	- - - - -
1913	642,236,896	
1914	357,624,030	
1915	139,036,454	
1916	472,858,584	
1919	495,762,888	
1928	643,351,947	
1927	148,256,001	
1928	432,000,000	
1929	584,002,000	
1930	774,000,000	
1931	893,315,093	
1932	888,937,748	
1933	753,158,701	
1934	1,258,691,807	
1935	1,086,094,813	
1936	1,334,873,290	
1937	1,000,694,496	
1938	836,412,710	(only six months)
1939	1,705,512,819	
1940	3,107,235,403	
1941	10,703,583,783	
1942	17,310,618,342	
1943	- - - -	
1944	- - - -	
1945	190 times as much as 1936	
1946	6,000,000,000,000	
1947 (estimated)	9,000,000,000,000	

The above figures were obtained from reliable government sources. They give us a good idea of how government expenditures have increased by leaps and bounds as the result of inflation.

From 1913 to 1937 government expenditures advanced only twofold, representing a normal increase. But during the ten-year period between 1937 and 1946 government expenditures reported an advance of 6000 times. The estimated expenditures for 1947 are given at CNC$9,000,000,000,000, but past experience indicates that the money is likely to be used up within six months. The total expenditures for the whole year cannot be less than CNC$20,000,000,000,000. The revenues of the government, including enemy property and bonds, total at most CNC$10,000,000,000,000. It is therefore only to be expected that the government will print CNC$10,000,000,000,000 worth of banknotes. In otherwords,

the note issue this year will exceed that of last year by 300%. Basing our assumption on the relationship between the increase in the note issue and the corresponding increase in commodity prices in the past, we may make a bold guess that prices at the end of this year will probably have increased by 10,000 times over the pre-war years.

If the civil war continues to drag on and inflation has its own way, my guess may prove conservative and short of the mark.

The Chinese national currency also had dropped to an alarming extent in terms of foreign exchange. Before the war, the foreign exchange rate was CNC$3.30 to the United States dollar. Later on, it changed to CNC$40, CNC$500, CNC$2,020, CNC$3350 and finally to CNC$12,000 to the dollar. In spite of the repeated readjustments in the foreign exchange rates, the economic situation remained as bad as ever. It is feared that another readjustment will have to be made within six months. It is now quite clear that the present monetary system is incapable of stabilizing the value of the national currency in terms of foreign exchange.

Despite the several readjustments made, the foreign exchange rates are still far behind the sky-rocketing prices of commodities. So far as the purchasing power is concerned, there has remained a great difference between the internal purchasing power and the external purchasing power of the Chinese national currency. This difference has resulted in a marked unfavorable balance of China's foreign trade. China's exports and imports for 1946 were CNC$300,000,000,000 and CNC$1,500,000,000,000 respectively. That is to say China last year lost US$400,000,000 because of this import excess.

Incoming remittances from overseas Chinese also declined last year. The following table was compiled by the Overseas Chinese Remittances Division of the Bank of China.

Month	Remittances (Unit: Chinese $
January	CN$ 87,273,298
February	42,611,217
March	4,748,940,000
April	8,619,609,930
May	6,725,763,456
June	5,790,334,839
July	4,061,720,261
August	8,300,993,615
September	7,291,107,234
October	7,112,501,242
November	4,703,110,015
December	3,678,487,442

The figures given in the above table do not give us an adequate idea of the whole picture, for the foreign exchange rates last year was revised three times. According to my calculation, the overseas Chinese remittances in January 1946 totaled only US$25,000,000, an insignificant fraction

when compared with the import excess. In the pre-war years, remittances from overseas Chinese often covered one third of China's import excess. The rapid decline in remittances from abroad will be a great blow to China's economy in the future.

The government was perfectly aware of the many dangers that have arisen out of the uncertainty of currency. During the past several years the governmenthas adopted a series of measures for averting these dangers. It has not only failed to attain its objective, but it has also created many new difficulties. It seems to us that the government is now at a loss, at least on the following economic problems.

1. Price policy. The price problem is the core of China's economic problem at present. Notwithstanding its repeated efforts, the government has failed. Present indications are that the price policy of the government has failed. Present indications are that the price policy of the government cannot determine prices. On the contrary it is the prices that have determined the price policy of the government. It is no exaggeration to say that the price policy of the government has ended in complete failure, and the suppression of hoarding remains a dead letter.

As can be foreseen, the provisions for price control and the fixing of wages as stipulated in the recent emergency economic measures will not help much. The reason is not hard to explain. On the one hand, the government is printing more and more banknotes, and on the other it uses political power to control prices. These two simply run counter to each other. You are turning out banknotes in large quantities and at the same time you want to prevent depreciation of the banknotes. Would it not be a miracle? Therefore, the price problem will continue to cause a lot of big headaches to the government in the future.

2. Rate of interest. The manipulation of the rate of interest is a very important factor in finance. But up to the present day, the government has not as yet decided upon a clear-cut policy on this question. Dedicate relations exist between the rate of interest, profit and commodity prices. The policy of the Central Bank with regard to the rate of interest has not only failed to control the financial market, but it has been compelled to resort to passive measures, vacillating between high rate of interest and low rate of interest, with the result that usury runs rampant at the expense of the bona fide industrialists and businessmen.

3. Rate of Foreign Exchange. In view of the fact that China's foreign trade was burdened with a big import excess, which presented a serious threat to China's national economy and international payments, the government thought it necessary to pay much attention to the rate of foreign exchange. In this connection, it aimed at killing three birds with onestone. To be more exact, the government intended to make use of the rate of foreign exchange to curb imports, to promote exports and to increase

incoming remittances from overseas Chinese. But unfortunately, these hopes were all dashed to the ground. In the course of 1946, foreign exchange rates were readjusted three times, but American goods continued to pour in, Chinese exports were far from prosperous and overseas Chinese remittances registered a sharp drop at the end of the year. That fact is that any unreasonable jump in the rates of foreign exchange can do no good at all. Perhaps, the government has come to understand this. But the situation is now out of its control. The prices of commodities are going up each day, and the rates of foreign exchange have got to follow in February, The rate suddenly jumped from CNC$3350 to CNC$12,000 to US$1. The future tendency seems to be that the government knows perfectly well that any increase in the rate of foreign exchange is bound to affect prices andmake the crisis more acute, but the rate of foreign exchange must be increased if it is to follow the sky-rocketing of prices. It simply cannot be helped.

To sum up, China's present-day economic problems must be tackled as a whole. No stop gap will help. The basic cause lies in inflation, which in turn leads to sharp depreciation of currency, thus undermining the whole monetary system. Therefore the fundamental solution consists in creating a stable and powerful new monetary system.

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FREEZING OF COST OF LIVING INDEX OPPOSED BY WORKERS

By Chen Ching-mei

Ta Kung Pao, March 4, 1947

Following the increase of gold and commodity prices, the Government issued on February 17 a set of Emergency Economic Control Measures, aimed at stabilizing the general economic situation. Among the measures, one called for the freezing of the cost of living index. According to the regulations, the cost of living index for January, 1947, will be adopted as the ceiling wage for the workers in factories and commercial establishments and the basic pay of these workers will not be increased.

The general reaction of the workers to this regulation is opposition, as commodity prices have increased many times compared with prices of January, and the Government is unable at present to force commodity prices down to the January level.

More than two hundted thousand productive laborers in this city expressed their opposition to the freezing of the index. Sentiment among these laborers runs high and the Shanghai Labor Federation has become very active. On February 21, a meeting of the board of directors and supervisors of the Federation was held, in which a resolution was passed, requesting the government to unfreeze the cost of living index. On the next day, Sui Ziang-yuen, chairman of the board of directors of the federation and twenty labor representatives petitioned the city government, the Bureau of Social Affairs and went to Nanking to repeat their requests to the Central Government. These actions of the Shanghai Labor Federation were fully supported by the different labor unions in Shanghai.

In view of the wide differences in commodity prices, the Bureau of Social Affairs announced on March 1 that employers must pay their workers a subsidy of CNC$73,000, representing the differenoes in prices of six different kinds of necessities, including rice, salt, sugar, coal, edible oil, and cloth, which workers require monthly. This measure did not meet with the approval of the workers. The mechanic union, the rubber factory workers union and many others protested against this measure and demanded the unfreezing of the cost of living index, so that wages may be paid according to the index.

There are now in Shanghai 215,650 industrial workers. According to the government regulations, factory owners must recompense the workers for the loss of wages by a ration of daily necessities as a result of the freezing of the cost of living index. The daily necessities of these 215,650 workers in a month will include 172,500 piculs of rice, 10,782 piculs of edible oil, 12,173 tons of coal, 10,782 piculs of salt, 1,078,250 feet of cotton cloth and 2,156 piculs of sugar. Problems connected with the purchase and distribution of these necessities will be a headache for the officials of the Bureau of Social Affairs and the factory owners. Mr. Wu Kai-shien, commissioner of the Bureau of Social Affairs, has already pointed

out in this connection that it will be very difficult to obtain goods of identical quality for distribution and this fact alone will greatly complicate the distribution work, not to mention possible corruption or irregularities by persons entrusted with the work of distribution.

As a matter of fact the CNC$73,000 subsidy announced by the Bureau of Social Affairs is but payment of wages according to the cost of living in another form. This changed form only reduced the amount of wages as the cost of living index is compiled according to the prices of 58 different kinds of daily necessities, while the CNC$73,000 subsidy announced by the Bureau of Social Affairs for the month of February is based on six commodities. To the laborers, this means a great deal loss in pay.

If the Government is capable of lowering prices to the Japanese level, the freezing of the cost of living index is unnecessary, as wages will be paid according to the January index. As the Government cannot stabilize commodity prices to the January level, wages must be paid according to the cost of living index. This is also the reason why the laborers demand that the cost of living index must be unfrozen.

Nor do factory owners favor the freezing of the cost of living index. In the past year, they have paid their workers according to the index and the number of disputes has been decreased. Without the index figure as a basis for the payment of wages, it is feared that more labor disputes will be staged by the workers in the future, causing serious complications on the labor front, which will prove to be very disadvantageous to the development of industry in this country.

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BRITISH AND AMERICAN ECONOMIC CONTRADICTIONS IN CHINA

By Ching Ben-li

Ching Chi Chow Pao
(Economics Weekly). Vol. 4, No. 10

The United States entered into the second World War later than other nations and during the holocaust her territories were never devasted in any sense. Speaking of quantities of her industries between 1939 and 1944 there had been an increase amounting to 120 percent and in 1944 her production amounted to US$200,000,000,000. Quick war-time profits caused her capitalists to accumulate great wealth, Ten percent of her population came to possess 60 percent of her bank deposits. As soon as the war was concluded U.S. capitalists' first concern was to protect themselves from a possible economic collapse at the expense of the workers and common people. Another important thing they did was to enlarge their markets and influences abroad, thus sacrificing British interest, and bringing about economic discord between the two countries. One year after the war, American monopolistic capitalism found its way to China, thus further aggravating the situation.

It will be recalled that when British imperialism started an offensive attack against China by occupying Hongkong, Weihaiwei and Kiulung Island, with Shanghai as its base of operations, penetraling deeply into areas along the Yangtze, the United States still had no chance to partake in the aggressive action. It was not until the latter advocated the "Open-door" and "Equal Opportunity" policy that the Americans began to extend their influence on Chinese soil. But at that time the Americans were still far behind the British.

The British started the construction of the Kiulung Railway in 1898 while indirectly financing the Pehning, Shanghai-Nanking, Kwangchiu and Shanghai-Hangchow Railways through a Sino-British company. A British company got hold of the Taoching Railway while another one ran the Pukow-Tientsin Railway. The Peiping-Nankow Railway was then a joint concern of the British and French with the Hongkong & Shanghai Banking Corporation (British) participating in its financing. The U.S. was then only allowed to invest in the Canton-Hankow Railway together with the British, German and French banks. The British also opened coal mines near the Kainang, Ping-Han, and Pukow-Tientsin Railways. They obtained control over two other famous coal mines, and the Chiaoto and Mentoukow Railways. The United States was then forced to be merely a bystander. From the signing of the Treaty of Nanking until the first World War (70 years), the British always had the upper hand in economic aggression having first established shipping firms (in 1865) in Hongkong, Canton and Amoy a lead which was later followed by the Jardine & Mathesons and Butterfield & Swire firms. It was also the British who were the first foreigners to establish banks in China such as the Chartered Bank of India, Australia and China in 1857.

The situation was changed after the first World War, when the British and Americans were still busy with reconstruction. The Japanese seized the first opportunity while the war was still going on to compete with the British, and soon prevailed. At the same time the Americans resumed their economic activities in China. According to a statistical report compeild by a foreign economist, British investments in China in 1902 amounted to US$260,300,000 or 33 per cent of all foreign investments in China. The Americans' share was only US$19,700,000, or 2.5 percent. In 1914 British investments reached US$607,600,000 which was equal 37.7 percent of all foreign investment in China. American investments amounted to US$49,300,000 which amounted to only 3.1 percent of the total foreign investment. Until 1931, the British were still in the lead:

Foreign investments 1931

British investments: US$1,189,200,000
(36.7 percent of total foreign investments in China)

American investments: US$196,800,000
(6.1 percent of total foreign investments in China)

According to the report issued by the American Far Eastern Economic Mission, in 1935, British investments in China proper amounted to US$1,000,000,000 while those of America were US$200,000,000. The same report reveals also that the Americans during the same period loaned to Chinese US$50,000,000 for buying cotton and wheat US$30,000,000 for opening an aviation company, US$15,000,000 for highway construction and US$4,000,000 for an aeroplane factory. The grand total amounted to more than US$90,000,000. Adding this figure to US$200,000,000 (as above-mentioned) the total American investments in China amounted to only US$300,000,000 which sum is much smaller than the British investment funds.

According to a statistical report compiled in 1936 by the East Asia Research Bureau, a Japanese organization, the British were dominant :

Comparative Shipping Investment Figures
of Britain and United States
(Chinese dollar unit)

	Ships	Wharves	Godowns	Total
Britain:	79,654,785	22,054,634	30,199,704	131,909,123
U.S.A.	16,710,178	4,353,670	5,597,408	26,661,256

Tonnage of ocean-going Ships of Britain &
United States in China

	Tonnage	Percentage of total
Britain:	16,158,051	35.72
U.S.A.	3,120,875	6.90

Tonnage of British & United States Ships in Ports

	Tonnage	Percentage of total
Britain:	41,187,464	41.38
U.S.A.	650,604	0.65

British and American banking investments in China in 1936:

	No. of banks	Capital	Percentage
Britain:	7	1,055,629,000	55.3
U.S.A.:	4	236k865,000	12.4

British and American Banking Investments in central China

	Capital	Percentage of total
Britain:	858,324,000	58.0
U.S.A.:	195,308,000	13.2

American capitalism expanded greatly during the First World War. Total figures of Sino-American trade between 1913 and 1935 are listed below: (Customs Liang unit)

Year	Annual Totals
1913	73,077
1914	81,444
1915	97,622
1916	135,903
1917	155,746
1918	135,820
1919	211,354
1920	210,331
1921	265,330
1922	266,583
1923	281,251
1924	291,711
1925	285,666
1926	337,760
1927	288,546
1928	332,746
1929	368,679
1930	364,286
1931	441,546
1932	329,169
1933	263,552
1934	366,167
1935	311,340

By studying the above figures, we know that U.S. trade in China had been growing gradually since 1913, In some cases the figures surpassed those of British traders; i.e. in 1919 U.S. trade surpassed that of the British: (Unit: Customs Liang or Ounce)

British Trade:	177,524,488
U.S.A. Trade:	211,355,383

Identical Figures for 1930:

British Trade:	170,926,983
U.S.A. Trade:	364,286,017

Although Americantrade in China surpassed that of the British but druing the above mentioned period, it was not the U.S. but Japan that competed with theBritish. After the September 18th Incident, it was apparent that the Japanese wanted to defeat China. Under such circumstances, the British and Americans joined hands in order to handle Japan, but since the conclusion of the Second World War this fundamental situation has greatly changed:

The violent change in the situation was important, for the downfall of the Japanese empire was favourable to the U.S. Furthermore the Chinese government since then has adopted a stronger pro-American policy. All this indicates that western imperialists have alternately fought and cooperated with each other in their colonization campaign, but now the Americans have monopolized business, which fact is intolerable to the British. In shipping the Americans have already taken the place of the British. The following tonnage figures covering the period between January and September of last year indicate this tendency:

	tons	percentage of total
U.S.A.:	3,107,427	44.7
Britain:	1,865,913	26.7

Corresponding figures for September of 1946

	tons	percentage of total
U.S.A.:	411,716	43.9
Britain:	243,331	26.0

The above figures show that the situation was quite different from that existing in 1936 when the British held full sway.

As to imports, American goods have almost monopolized the China market. This fact is indicated by following figures. In September of 1946, China's total import business amounted to $245,800,901 of which 62.56 percent came from the U.S. (Imported U.S. goods amounted to $154,384,837) Between January and September of 1946 our total import trade totalled $997,587,169 (with U.S. goods amounting to $574,157,521) This means that 57.55 percent within China's imports for these nine months, came from the U.S.. These figures do not include those U.S. goods coming through Hongkong. This shows that the U.S. has got control of the China market. The following facts indicates that the Americans are manipulating businesses in China:

1. The Sino-American Industrial Corporation and American-Asiatic Insurance Company, (American) are doing import and export business in addition to insurance. Their branches have been established in all big cities here. They have plenty of communication facilities and sometimes can avoid taxation.

2. The Americans have invested US$60,000,000 in the Canton-Hankow Railway which was orginally financed by the four official Chinese banks. This means that the U.S. influence has beenextended to the Pearl River regions.

3. American capital has also been invested in our state-owned enterprises, such as the China Petroleum Company, Central China Steel and Iron Company (which belongs to the Natural Resources Committee), and many other businesses such as power supply, textile, machinery etc.

4. The Yung Li Company has borrowed US$16,000,000 from the Americans with the Min Sen Company following suit.

5. The Americans have even invested capital in our cinema business as examplified by M-G-M's US$5,000,000 investment.

Besides all these advantages, the Americans have signed an aviation treaty with us that enables them to land planes here freely. They have also participated in the Sino-American Commercial Arbitration Society and got some control over the foreign exchange business.

In fact, the Americans had already started their monopolistic business in China during the war against Japan. Some U.S. experts came to China to establish a war-time production and transportation bureau. There were other indications also that the Americans, considered the industrialization of China as a important post-war enterprise. After the conclusion of the second World War, they have sent China US$1,000,000,000 worth of materials. This amount is even bigger than the sum loaned to China during the Pacific War, Later, China obtained US$865,000,000 worth of surpluse goods from the Americans. Finally, the Americans signed the Sino-American Commercial Treaty with China thus bringing China under their monopolistic control.

The British are very jealous as the Americans have deprived them of practically all their rights in China. The Americans have started a big engineering project in Wuchow and Huangpu and paid two thirds of the capital of the Canton-Hankow Railway. British interests in south China will be lost. The British have severely criticized the Sino-American Treaty. The British and Americans have started disputes openly and the former have even gone so far as to have suggested that Britain, the U.S. and Soviet Russia should jointly discuss the Chinese question. As our country is being gradually turned into a colony we should not neglect the far-reaching importance and danger of all these developments. The Americans will continuously monopolize our economic interests and there is bound to be big contradictions between our people's economic interests and U.S. capitalistic monopoly. At the same time we should not fail to realize that there also will be greater contradictions between the interests of Britain and the U.S.

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Weekly Quotations

March, 1947 - In C.N.C. dollars

	Unit	3 th Monday	4 th Tuesday	5 th Wednesday
1) Bonds C	(per one share)	8;200	8;100	8;100
2) Wing On Textile	"	2;500	2;830	2;700
3) Mayar Silk	"	5,200	5,450	6,000
4) Standard Shirt	"	640	685	670
5) Chin Foo	"	630	710	690
6) Wing On Company	"	495	450	490
7) Ewo Cotton	"	19;000	19;000	18;700
8) Wheelock	"	59;000	57;000	54;000
9) Rice	Hectoliter	110;000	110;000	110;000
10) Wheat Flour	bag	45;000	45;000	45;000
11) Yellow beans	50 kgs.	79,500	77,500	74,000
12) Peanut Oil	"	280;000	250;000	250,000
13) Yarn 20's	bale	3,300;000	3,300;000	---
14) Cloth 12 lb.	piece	143;000	150;000	145,000
15) Raw Silk 20/22	picul	8,600;000	8,500;000	8,400;000
16) Coal	ton	1,700,000	1,700,000	1,700,000
17) Matches(Nanking)	case	820,000	820;000	820,000
18) Soap(Koo Ban)	"	240,000	230;000	230,000
19) Cig. (Ruby Queen)	50,000	3,440;000	3,280,000	3,240;000
20) Newsprint	ream	130;000	120;000	120,000
21) Quinine	1000 pills	440,000	440,000	450,000
22) Cement	bale	85;000	85;000	85;000
23) Nail(1 inch)	drum	300,000	300,000	300,000

Continued -

	6 th Thursday	7 th Friday	8 th Saturday	Weekly	Last Week	Last week and this week averag
1)	8;000	8,500	8;900	8;300	7;250	14%
2)	2;620	2,740	2;900	2;715	2,283	19%
3)	6,250	6,500	7,100	6,083	5,143	18%
4)	735	830	880	740	586	26%
5)	780	860	880	758	507	50%
6)	540	660	590	538	446	21%
7)	18,200	18;800	19;800	18;913	16,768	13%
8)	56,000	60;000	64,000	58,333	53;667	9%
9)	110;000	108;000	110;000	109;667	110;000	---
10)	45;000	45;000	45;000	45;000	30;000	50%
11)	74,000	74;000	77;000	76;000	79;667	- 5%
12)	255,000	265,000	287,000	264,500	257,500	3%
13)	---	---	---	3,300;000	3,228;400	2%
14)	149,000	140,000	138,000	144,167	137;500	5%
15)	8,600,000	8,600;000	8,500;000	8,533,333	8,416;667	1%
16)	1,700,000	1,700,000	1,700;000	1,700,000	1,700;000	---
17)	800,000	790,000	790,000	806,667	825,000	- 2%
18)	220;000	215,000	210;000	224,167	222;500	1%
19)	3,170,000	3,190;000	3,185;000	3,250,833	3,350,000	- 3%
20)	115;000	115,000	120,000	120,000	129,167	- 7%
21)	450,000	450;000	450;000	446;667	428;333	4%
22)	85,000	85;000	85;000	85,000	80;000	6%
23)	300,000	300,000	290,000	298,333	333,333	- 1%

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PROSPECTS FOR PRICES AFTER THE PROMULGATION OF EMERGENCY ECONOMIC MEASURES

By Chi Chung-wei
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1. Stabilization after sharp advance

Thanks to the February 17 promulgation of the emergency economic measures by the National Government, the fantastic rise in commodity prices after the Chinese new year has subsided. The prohibition of public sale and purchase of gold and foreign currencies has curtailed the influence they had had in the boosting of prices. This is one of the principal factors that has succeeded in bringing the storm to an abrupt end.

On the other hand, the rise in prices after the lunar new year was attributed in a large measure to psychological factor and it had already reached the saturation point of inflation. It is therefore only to be expected that the slight setback or blow should have resulted in a recession.

What's the real situation on prices before and after the last crisis? Let us study the general retail price index for Shanghai and see how the situation stands.

According to reliable and conservative statistics compiled by a certain economic research institute, the general retail price index in Shanghai at the end of the lunar year was 6800 times as much as that for 1937. However, it increased at the end of January 1947 to 7900 times. Then it advanced again in February, and reached the peak of 12,900 times on February 12.

Immediately after the promulgation of the emergency measures, the prices of commodities took a downward plunge. There was a period of relative stabilization between the last two weeks of February and the first week of March. At present, the general retail price index is 11,000 times higher than in 1937.

Fuels head the list, recording an increase of 33,000 times. Metals follow a close second, representing an increase of 19,500 times. Building materials advanced by 15,500 times and food increased by 10,600 times.

The following table gives us some idea of the important items of commodities in the past three months.

Items	Unit	Jan. 31	Feb. 11	March 14	Increase
Bonds C (per $100)		CNC$8,000	CNC$3,500	CNC$9,300	116%
Wing On Textile	share	328	1,445	2,860	345%
Mayar Silk	"	2,400	4,200	8,370	349%
Rice(1st.)	Hectoliter	84,000	140,000	103,000	122%
Wheat Flour	bag	25,000	30,000	53,000	212%
Yellow beans	50 kgs.	48,300	85,000	79,000	163%
Tsingtao Cooking Oil	"	195,000	270,000	270,000	138%
Yarn 20's	bale	3,050,000	4,500,000	3,360,000	110%
Coal(Kaiping)	ton	650,000	920,000	950,000	146%
Firewood	50 kgs.	8,000	10,000	16,000	200%
Coal(briquettes)	"	22,000	25,000	28,000	127%
Matches	case	650,000	880,000	780,000	120%
Soap(Koo Ban)	"	143,000	310,000	205,000	143%
Cig.(Ruby Queen)	"	2,700,000	3,800,000	3,290,000	122%

A glance at the above table will show that most commodities have increased on an average of 100 per cent while stocks have advanced as high as 300 per cent, as the result of manipulation by holders of floating capital.

2. Causes for Relative stabilization

As I have already stated in the preceeding paragraph, the separation of gold and foreign currencies from prices has contributed considerably toward holding down commodity prices. However, there are still two important factors. One is outside pressure and the other is a general decline of the purchasing power of the people.

By outside pressure, I mean the vigorous measures taken by the government to probe the gold rush case, to supervise the transactions in the open market, and to use political and military power to control prices. All this show of the Big Stick was very useful in bringing the unscrupulous businessmen back to their senses.

In spite of the fact that most prices of commodities increased one or two hundred per cent within a single month, the wealth of the people recorded a sharp decrease. This is especially so when gold, foreign currencies and living index were frozen by government order, and the purchasing power of the people was thus greatly curtailed. During the past weeks there has been a general depression in the local business market. Cotton yarn and cotton cloth were in short supply some time ago. But now they are said to be a drug on the market. As a result, several factories have been forced to shut down.

Half a month ago most people preferred to hoard goods. Now the situation is different. Many shops and companies are ready to dispose of their goods at greatly reduced prices. We see big sales everywhere these days. Although commodity prices have ceased going up, interest rates show no signs of dropping. Under such circumstances it is no wonder that some commodities will continue to decrease in price.

3. Upward Trend in Prices Remains Unchanged

It is a fact that commodity prices in Shanghai remain comparatively stable these days. But it must be pointed out that beneath this calm surface there are some disturbing factors that once let loose would have the effect of boosting up prices all over the country.

First of all, it is interesting and significant to notice that notwithstanding the relative stabilization in Shanghai, prices are gradually climbing up in other places, especially in north China where war is in progress. When rice dropped to CNC$110,000 per picul in Shanghai, a sharp advance was reported in leading cities in north China. It was CNC$210,000 in Tientsin, CNC$195,000 in Peiping, CNC$256,000 in Tsingtao and CNC$435,000 in Tsinan. So far as grains are concerned, the prices in North and South China have gone up instead of falling off.

The same is true of cotton and fuels. Cotton is CNC$440,000 per picul in Hankow, CNC$380,000 in Tientsin, CNC$500,000 in Peiping, Tsingtao, Lanchow and Chengtu.

In Peiping, coal rose from CNC$130,000 per ton on February 1 to CNC$240,000 per ton on March 4. It was CNC$320,000 in Tientsin and CNC$500,000 in Hankow.

The rise in commodity prices in other cities is bound to have an effect here in Shanghai. In the first place, it is sure to raise the prices of raw materials and thereby increase the costs of production. For example, if prices for cotton, soyabean and wheat in other cities should increase, it need hardly be said that prices for cotton yarn, cooking oil and wheat flour in Shanghai would follow suit. If the government authorities in Shanghai insist on their price-control policy, it would lead to a complete stoppage of supply of raw materials to this port from other cities, and curtail the outflow of raw materials from this city.

Secondly, the prices of grains have been rather low in comparison with other commodities. In Shanghai, rice increased only 20 or 30 per cent this month as compared with January, 1947. In Chungking, rice is still CNC$40,000 per picul. It is an abbormal phenomenon that rice prices in the rice-producing areas are much too low. Judging by the conditions in the rural districts around Shanghai, land cultivation has proved to be a money-losing business. Unless something is done in time the situation in the countryside will continue to deteriorate.

It is quite possible that when the transplanting season comes there will be a violent skyrocketing of rice prices. Such being the case, its effect on commodity prices as a whole cannot be overlooked.

Thirdly, the sources of supply of raw materials and fuels required by industry in Shanghai are two: the provinces in the interior and foreign countries. As the result of war devastation and diminished production, the prices of raw materials in the provinces in the interior are getting higher and higher. Imports from foreign countries, due to strict restrictions on applications for foreign exchange, have been greatly curtailed. It is feared that the lack of important raw materials such as raw cotton, wool, rubber, artificial silk, tobacco leaf, chemical materials and coal will be felt some day. If this day should come, many factories would be forced to close down and prices would shoot up in no time.

Fourthly, the government has decreed that the public utilities shall not increase their rates in spite of the recent adjustment in the rate of foreign exchange, and that the government will pay them subsidies to enable them to meet their deficits. But it is open to doubt how long the government can continue to do so in view of the present financial difficulties. If in the long run the government is forced to give up its subsidy policy, and all public utilities including railway, electricity, gas, water, street car, bus service, telephone, postal service and telegraph hike their rates, it is only to be expected that commodity prices in general will be affected.

Fifthly, inflation is still going on as evidenced by the easy money markets in Shanghai and elsewhere. An easy money market is a hotbed for rising prices. If the government authorities have no means of tightening up the money market, then it is not easy for them to hold down the prices of commodities. In addition, when usury is rampant businessmen and merchants will be compelled to increase their prices if their prices if they are to pay their interests to usurers and cover up their original costs of production.

4. What Has the Future In Store ?

The present relative stabilization is a temporary phenomenon. As we have already explained, it has been brought about by the application of political pressure and by a general decline in the purchasing power of the public. But this phenomenon cannot last long.

To tell the truth, we cannot see the slightest ground for optimism in the future. Government control or no government control, the situation is bound to deteriorate. Although gold and United States currency notes are, for the time being, separated from commodity prices and thus prevented from doing harm, what guarantee is there that they will not stage a comeback when the opportunity presents itself?

To sum up, China's economy has reached the end of a blind alley. The price problem is no exception. The application of compulsion will not avail. The fundamental cure lies in reopening the door to peace in politics.

* * *

THE QUESTION OF JAPAN'S WAR INDEMNITIES

By Chao Cheng-pong
Ta Kung Pao, February 26, 1947.

1. Quantities of Japanese Indemnity Goods.

It has been stated in the Postsdam Declaration that it is one of the duties of Japan to indemnify allied countries with goods and industries. After the unconditional surrender of Japan the question of paying indemnities in goods has been the main topic of disucssions among the allies. In 1945 an American survey mission went to Japan and all provinces in northeastern China to determine Japan's ability to pay indemnities and the damager done to Japanese industries. The mission later arrived in Nanking to discuss the same question with Chinese government officials. After returning to the States, the mission issued a report on their findings on December 6 of the same year. It is recommended this report that indemnity obligations be discharged as follows:

(a) Japan's heavy industries should be reduced by 50 percent(about 350,000 or 400,000 machines). The operation of all military and aeroplane factories must be stopped and their equipment must be removed to the allied nations.

(b) Japan is to retain for herself only 2,500,000 tons of her annual total steel and iron production of 12,000,000 tons.

(c) Operation of 20 shipping dockyards is to be suspended.

(d) Operation of 50 percent of Japan's power companies is to be suspended.

(e) Operation of 20 out of 41 caustic soda and chemical plants is to be stopped.

The revised mission report published on December 26 in 1945 contained more details with more descriptions.

After the publication of the mission's report, the supreme allied occupation authorities in Tokyo made a careful survey and ordered the Japanese to surrender 682 ammunition factories, research offices and aeroplane factories. Up-to-date figures for Japan's indemnity potential, announced by Allied Headquarters in 1946 are listed below:

Factories for the supplying of the Japanese air, military and naval forces, and their research laboratories, number 466. Besides these there are 31 axletree factories, 24 dockyards, 42 soda factories and 23 ferrous sulphate factories. There are also 85 machine manufacturing factories, 20 power companys, 230 civilian-owned firearm factories and 21 steel and iron factories. (The total number is 943)

Comparing Japanese productivity in 1944(one year before war's end) with the above indemnity goods the following ratio figures show the percentage losses of Japan:-

Name of Industry	Percentage Losses
Machinery factories:	80%
Steel and iron works:	75%
Locomotives:	80%
Passenger cars:	60%
Freight cars:	50%
Shipping dockyards:	60%
Textile & Spinning:	67%
Chemical factories:	50%

2. Reasons for Japan's Delay in Indemnifying

Although more than one year has passed since the end of the war, Japan's indemnification problem has not yet been definitely settled. This is a matter of great regret on the part of the allied nations. The question will affect the situarion not only in the Far East but all over the world. Its uncertainly reflects the confused international situation in the Far East.

There are two chief reasons for the delay, namely, the problem of fixing the definite quanfity of the the indemnity goods and the removal of machines from the northeast and Korea by Soviet troops.

As to quantities, the U.S. mission's report suggests that Japan's war industries be reduced by 75 percent. She is to be allowed to retain 3,000,000 yarn spindles so that she will be self-sufficient in clothing. The terms are severe enough, but those who understand the Japanese psychology are arguing that there are still shortcomings which may give Japan a chance to rehabilitate. It is said that although Japan is deprived of the right to resume operations of her pre-war industries, she still possesses a very strong trading potentiality. This unfavorable phenomenon is unexpected by the general public. The fact is that the Japanese are a hard-working people who are perfectly willing to be thrifty in order to increase their exports. Japan is still considered to be a big future competitor in the Far Eastern market. Her recent exportation of cotton yarn and artificial silk to China is said to be an alarming example. Even Japanese observers say that with the indemnification offerings, the situation in China and the Philippines will not be as good as expected because of the lack of technicians in these countries. The contiuous civil strife in China makes investment prospects, doubtfu. The Japanese are only too glad to sacrifice their old machines which were overworked during the war.

Why are the Americans lenient to the Japanese so that the latter may regain power? It is because the U.S.A. wants to support them to keep Soviet Russia in check. The fact that the Soviets have imprisoned 1,000,000 Japanese troops in Siberia where they are forced to work in war industries has econraged the Americans to punish the Japanese lightly. In other words, Washington is suspected of intending to make use of a former enemy's man power and wealth in order to cope with Moscow in futmre. Therefore, the conflict of opinions over the indemnity distribution between the U.S. and Soviet Russia is one of the stumbling stones to satisfactory distributions of indemnity goods.

Another reason for the delayed indemnification procedure is that the Soviets have taken ¥120,000,000,000 worth of machines from the northeastern provinces. If China wants to regain her pre-war productive power, as a result of Soviet Russia's action in moving away such big quantities of machines from the northeast, she will take at least 20 years. Moscow's action against China is even more important than the indemnity question itself.

China's industrial equipment and Japanese factories in the Northeast are the products of hard work by the Chinese people. As China and Soviet Russia are both victorious allies, the latter should not have taken away machines from the former's territory. If the Soviets want to develop their war industries in Siberia they may just as well ask for Japanese indemnity. There is absolutely no reason for Soviet Russia to have taken machines from the Chinese, for as allies both are bound by treaties. Therefore as patriotic Chinese we should insist that the Soviets must return whatever they have taken away.

In a word, unfavourable relations between Soviet Russia and the U.S.A. have caused the American mission to think that the removal of industries from the northeast by the Soviets is an important move in war tactics. To be prepared to handle the Soviets in future, the Americans cannot help being lenient to their former enemy, Japan. This is the chief reason for the delay in indemnity distribution.

3. What China May Get Indemnity

Having fought against the Japanese long before the outbreak of the Pacific war, China is entitled to the major share of indemnities. It is estimated that out of 12,000,000 tons of Japanese indemnity goods, 3,600,000 tons will be set aside for China. China may get 30 percent of the total value of the goods, amounting to ¥300,000,000,000, or approximately ¥100,000,000,000.

As to whether or not the above mentioned figures are exactly correct we cannot answer definitely, but of late Washington has proceeded without awaiting settlement of disputes over the indemnity question. To face facts, Washington sent a five-men committee to Tokyo to make a survey and decided to distribute 2- percent of the indemnity goods to the various victorious countries. The Indemnity Committee of the Executive Yuan has also sent five delegates to Japan to receive the first lot of more than 590,000 tons of indemnity goods and to have them transported to China. The Indemnity Committee has mapped out a detailed plan to dispose of these goods. The first consignment will be 140,000 tons of factory machines, 50,000 tons of ship manufacturing machines, 330,000 tons of steel and iron, 20-,000 tons of powerhouse equipment and 17,000 tons of various metals. China will spend CNC$348,400,000,000 for transportation, and CNC$1,702,800,000,000 for reinstallation of these machines. The Ministry of Communications will take care of the importation of the Japanese machines but those to be distributed to the civilian enterprises, the later will take charge of their transportation from Chinese ports to where these machines will be installed.

4. How are we going to make full use of Japanese indemnities?

This is our golden opportunity to develop industries and out Government should map out a practical plan to effect national industrialization. In doing so China must first mark out a permanent site for her industrial center and train industrial experts in newly established universities. The idle capital in Shanghai must be used for this purpose and bureaucratic capitalism must be abolished. Domestic industries in Shanghai have organized a committee to handle the Japanese indemnity goods. They are going to establish 10 new factories for manufacturing ships, agricultural implements, power houses, dockyards, etc. Finally we hope that the civil war will be stopped becuase that is the prerequisite for industrial reconstruction, that is the only way to raise China's position in the family of nationa.

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PRIVATE INDUSTRIES IN KWANGTUNG

By CHUNG CHEN-TSUNG

The Economics Weekly, January 30, 1947.

Private industries in Kwangtung are piteous quantitatively, but even weaker qualitatively. According to an investigation, there are altogether about two thousand private-owned factories in the whole province, of which only a very few are operating on a comparatively larger scale, mostly being mosquito plants with simple installations and poor technique. Owing to business losses during recent years, more than half of these factories have closed down one after another, and the ones remaining are only struggling against extreme difficulties.

Most of the private-owned industries in Kwangtung are concentrated in Canton and its neighboring areas and have suffered severe devastation by enemy and puppet circles in the course of the war. Since rehabilitation, most of the factories have found it impossible to resume functioning, owing to the lack of capital, difficulties in the supply of raw materials, and the shortage of machine installations. Generally speaking, those factories that have restored operations are awfully poor in machinery. Judging from the 62 private-owned factories that registered with the Ministry of Economic Affairs from January to June of last year, we can realize how small their capital and production are.

Of these 62 factories, 25 are sugar factories, 13 match factories, 8 cigarette factories, 5 oil refineries, 4 chemical works, 2 rubber factories, an alcohol plant, a paper manufactory, a dockyard, a beverage factory and a canned food factory. By an analysis compiled from various sources we can get the following information:-

1. Speaking from the point of view capital, there are only two factories that are capitalized at more than CNC$100,000,000, namely the Hung Yieh Sugar Manufactory at Tungkun with a capital of CNC$1,200,000,000 and the Huang Chih Sen Canned Food Factory in Canton with a capital of CNC$100,000,000; those factories that are capitalized at more than CNC$10,000,000 include only Yao Chong Kwang Kee Match Factory in Fungshun, the Chih Lee Ho Match Plant in Nanhai, and five others; those with a capital of more than CNC$1,000,000 are also few in number, and others are all capitalized at below CNC$1,000,000. From all these we can imagine how small is the capitalization of private industries in Kwangtung area.

2. Speaking of motive power, the best factories are installed with only seven or eight motors or engines, some of them having but one or two machines.

3. Speaking from the point of view of production, with the exception of the Hung Yieh Sugar Factory which has an annual output of 25,500 piculs of sugars, the average sugar factory has a yearly production of only 2000 to 3000 piculs each. It is estimated that the total output of 25 sugar factories does not exceed 90,000 piculs.

With regard to match production, the annual output of the average factory is around 200 to 300 cases each, while that of cigarettes is usually around 300 c/s each and the Van Kuo and Kuo Hua Factories are the only two factories that produce more than 1000 c/s. The productive power of other factories is also negligible.

Though the above-mentioned 62 factories form only a small portion of all the private industries in Kwangtung, they are sufficient to be representative.

Since rehabilitation, various private industries in the province such as the cigarette, rubber, cotton spinning and weaving, dry cell industries, enjoyed prosperity in the spring of last year, when all industries appeared very brisk, However, owing to financial fluctuations later on, the soaring of commodity prices, the wide dumping of imported goods, exhorbitant tazes, increasing cost of production, wages and various other factors, factories were confronted with extreme difficulties, this finally leading to a decline of industry, and the successive closing-down of plants. It is estimated that during the past year more than half of the factories in Kwangtung have wound up their operations, In fact all of private industry is in a precarious position.

The following is a brief review of general conditions in the cigarette, rubber and cloth weaving industries in Canton during the past year:

1. The cigarette industry - With the conclusion of the war various cigarette factories in Canton enjoyed a brisk business as a result of the wide sale and dumping of their products in different places, with the number of big and small cigarette factories reaching as many as several hundred. However, due to the influx of smuggled imported cigarettes, with the advent of summer, the distribution of domestic cigarettes suffered a serious blow. As a consequence of heavy losses, about 70 or 80 cigarette factories were forced to close down in June and July. It was not until the organization of a Smuggling Investigation Corps by the Canton Tax Bureau and the Custom House that the Chinese cigarette industry again displayed a ray of hope. However, owing to special circumstances obtaining in Canton which is geographically adjacent to Hongkong and Macao, smuggling of imported cigarettes has never disappeared altogether despite the strict investigations carried out. At present smuggling is still rampant. Though prices of imported cigarettes have gone up, yet as Chinese cigarette factories depend upon the supply of foreign raw materials for their production, their prices are simply prohibitive. Indeed the future of the cigarette industry admits of no optimism. Of late it has been reported that American cigarette merchants are contemplating establishing factories in Canton; should this turn out to be true, the collapse of the cigarette industry of Kwangtung province will be speeded.

Rubber industry - Following the recapture of Canton, various rubber factories did a roaring business as their products were distributed far and wide in Hunan, Kwangsi, Kiangsi, Yunnan and Kweichow provinces, However, on account of the subsequent shortage of fuels and the lack of motive power, most of the factories soon entered a state of stagnation, Although during the past several months this industry revived a little bit because of a sufficient supply of electricity and the continuous arrivals of raw materials, yet the flooding of the Shanghai-made products on the market these days has made the rubber industry appear gloomy once. Most of the smaller factories have closed down. It is feared That the rubber industry of Kwangtung province stands no chance of an immediate revival.

3. Cloth weaving industry - As a result of increasing demands on the part of the people, the native cloth weaving industry in Canton did a flourishing business for some time after the war, but later, due to the restrictions imposed by the government on the transportation of cotton yarn and cloths from Shanghai to Canton, the price of cotton yarn shot up with the result that the distribution declined. An investigation shows that in the course of the past two months 60 to 70 native cloth weaving factories have closed down. The depression is deepening just now. If no adequate relief measures are immediately adopted by the government authorities, total bankruptcy of the industry will be unavoidable.

The most difficult problem confronting private industries in Kwangtung at present is the shortage of capital, and it is therefore the hope of the industrial and commercial circles there that low-interest loans can be extended to them by financial quarters so as to enable them to tide over the crisis. On the other hand, the government authorities are also said to be planning to extend production loans with a view to saving the crisis of private industries.

Yet can the "meagre" production loans solve fundamentally the present economic crisis when the civil war is going on so intensely, when currency inflation is getting worse every day, when American goods are so widely dumped on the market, and when rural production is on the brink of bankruptcy ? It would be too naive for any one to think that !

* * *

Weekly Quotations

March, 1947 - In C.N.C. dollars

	Unit	17th Monday	18th Tuesday	19th Wednesday
1) Bonds C (per	$100)	9;300	11;300	10;700
2) Wing On Textile	share	2,980	2,750	2,610
3) Mayar Silk	"	8,550	7,700	6,950
4) Standard Shirt	"	830	730	700
5) Chin Foo	"	775	690	665
6) Wing On Company	"	820	740	710
7) Ewo Cotton	"	19;000	18;100	17;700
8) Wheelock	"	60;000	59;000	57;000
9) Rice	Hectoliter	110;000	110;000	110;000
10) Wheat Flour	bag	45;000	45;000	45;000
11) Yellow beans	50 kgs.	79;000	79;000	79;000
12) Peanut Oil	"	250;000	250;000	250;000
13) Yarn 20's	bale	3,360;000	3,350;000	3,350;000
14) Cloth 12 lbs.	piece	134;000	134;000	134;000
15) Raw Silk 20/22	picul	7;700;000	7;450;000	7;450;000
16) Coal	ton	1,400;000	1,350;000	1,350;000
17) Matches(Nanking)	case	790;000	790;000	790,000
18) Soap(Koo Ban)	"	205;000	205;000	210;000
19) Cig. (Ruby Queen)	50,000	3,300;000	3,415;000	3,530;000
20) Newsprint	ream	103;000	105;000	103;000
21) Quinine	1000 pills	450;000	450;000	450;000
22) Cement	bale	190;000	190;000	190;000
23) Nail(1 inch)	drum	280,000	290,000	290,000

Continued -

	Thursday	Friday	Saturday	This Week Average	Last Week Average	Last Week a This Week Average
1)	13;200	14;100	10;600	11;533	11;500	---
2)	2;670	2;340	2,290	2;667	3;062	-13%
3)	7,200	6,480	6,200	7,180	8,647	-17%
4)	730	650	690	722	867	-17%
5)	695	600	625	675	798	-16%
6)	720	620	620	705	825	-15%
7)	17;100	16;200	16;100	17;360	19;783	-12%
8)	57;000	55;000	54;000	57;000	62;250	- 8%
9)	110;000	110;000	110;000	110;000	107;000	- 3%
10)	45;000	45;000	45;000	45;000	45;000	---
11)	80;000	79;500	80;000	79;300	78;600	1%
12)	250,000	260;000	265;000	254;167	255;667	- 1%
13)	3,360;000	3,360;000	3,360;000	3,356;667	3,322;500	1%
14)	134;000	134;000	134;000	134;000	138;583	- 3%
15)	7,450;000	7,450;000	7,450;000	7,491;667	7;930;000	---
16)	1,350;000	1,350;000	1,400;000	1,360;667	1,583;333	-15%
17)	780;000	780;000	790;000	786;667	790;000	---
18)	210;000	210;000	205;000	207;500	208;833	- 1%
19)	3,410;000	3,545;000	3,540;000	3,456;667	3,286;500	5%
20)	104;000	98;000	96;000	101;500	108;833	- 7%
21)	450;000	450;000	450;000	450;000	450;000	---
22)	190;000	190;000	190;000	190;000	85;000	126%
23)	275,000	275,000	275,000	280,083	283,333	- 1%

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WEEKLY QUOTATIONS

Compiled by the "Economics" Weekly

THE DETERIORATION OF A POLITICAL PARTY

By Professor Wu Shih-chang
Central University, Nanking

The most effective means of destorying a person or a public organization is to make him or it corrupt and rotten. And the means of making him or it corrupt and rotten is also quite simple. Spiritually, what you need to do is to flatter him all the time. You may call him "great," "clear," "capable," "wise" or even "saint-like" or you may describe a public organization as "great," "resolute," "perfect," "progressive" or even as "serving thepeople and the State" or "in the service of humanity." Materially, you just make him or it get much without doing a single stroke of work or get more and work less than others.

The combination of these two means will simply make him or it lose his or its head and become stuck-up and overbearing, endeavouring to keep and increase what he or it has already got and transform himself into a privileged personage. Many scions of distinguished families were spoiled and ruined in this way. The same is true of many organizations which were promising at the very beginning.

Sometimes a nation has been destroyed by flattery and privilege, let alone a person or a public organization. A good illustration is found in this country, which boasts a culture several thousand years old. When the Manchus entered the Great Wall more than three hundred years ago and became the rulers of China, what a youthful and vigorous people they were! But two hundred years of "heroic deeds", "paternal rule" and soft and parasitic life reduced the formerly youthful and vigorous people into a decadent people who did nothing but keep birds and cultivate voice. Today many of the Manchus have gone so far as to disclaim their surnames and deny they are Manchus.

Of course, this is an extreme and typical example. The same thing had happened in each dynasty. The founding fathers were invariably wise rulers of great promise. But then things gradually went from bad to worse and their descendants turned out to be black sheep and brought utter ruin on their heads. History is full of such examples. The pity is that few seem to have profited by the lessons of history.

Just remember what a promising and pushing party the Kuomintang was when it overthrew the Manchu Dynasty. Even during the Northern Expeditionary Campaign, the Kuomintang was full of pep and vigor, high in the esteem of the people. But a brief twenty years' assumption of government power, checkered with long years of aggression from without has reduced the Kuomintang to a rotten state. This is not only a misfortune for the Kuomintang. One wonders whether the Chinese people have any hope of rejuvination.

The average Chinese feels that after the successful conclusion of the Northern Expeditionary Campaign the Kuomintang, in spite of its claim to be a revolutionary party, is not different from the former dynasties in Chinese history. For a revolutionary political party must make a clean sweep of the policies of past governments. In this respect the Kuomintang has failed. The Kuomintang has a set of good political doctrines and has promised the people many rights, but up to now these still remain empty promises. The actual living conditions of the Chinese, not only at present but also in pre-war years, are no better than during the Ching Dynasty. Many promises were made but few of them have been fulfilled. On the other hand, the bad practices of conquerors became prevalent, such as changing Peking into Peiping, introducing a new national flag and a new national anthem, embarking on a huge program of building government offices, etc. The most important thing has been that the members of the Kuomintang have become an exclusive privileged class living off the people.

Eight years of war with Japan confronted the Kuomintang Government with many difficulties. Post-war problems presented a lot of headaches. After half a year's pressure, the fairly satisfactory Political Consulative Conference was finally held. Many people returned to the liberated areas and found enemy and puppet materials piled mountain high ready to be taken over. The people were singing the praises of victory and the government get elated and let the cat out of the bag. The value of the banknotes issued by the puppet governmentwere forced down to demonstrate the worth of the National currency. The government returned in triumph to Nanking in May 1946 amist general rejoicing. And the decisions of the PCC were clean forgotten. Of course there are many causes for the present state of affairs, but the most important one is the vocationalization of the Kuomintang or rather to be a Kuomintang member is a profession.

The vocationalization of the Kuomintang in China is largely due to its capture of political power. When a party out of power relies upon contributions from its rich members or from overseas Chinese, it has to be vigorous and progressive. But when it has captured power the situation is different. The revolution may be unfinished, but the party has got something. Or the division of spoils has been used as a means of encouraging and boosting the party following. When General Tsun Kuo-fang led his men to crush the Taiping Rebellion, he promised to let pillage and loot to their heart's content as soon as they entered the city of Nanking. Even down to the present day, the phrase "Drive on Nanking" is still another term for "getting rich". But this was merely a temporary phenomenon.

One of the principal reasons why China has become so poverty-stricken these days is the so-called "living on the party". This also is one of the principal reasons why the party in power has become so corrupt and rotten and why Chinese politics has been such a sticky mess, with partisan interests standing high above the interests and welfare of the people.

Politics today cannot be separated from political parties. This simply cannot be helped. If the government is a necessary evil as some political scholars have pointed out, then political parties must be necessary means to the evil. Party politics may be divided into two kinds: one party rule and multi-party rule. The Soviet Union of today and Germany and Italy before the war belong to the first category, while such long-established democracies as the United States, Great Britain and France belong to the second category. What the Chinese government and people hope for is a democratic government of the American-English type. It admits of no room for doubt that the Kuomintang's one-party rule is modelled on the Soviet Union. But there is one difference. The political program of the Kuomintang provides for the introduction of constitutional government when the political tutelage period is over, while the one-party dictatorship in the Soviet Union is a permanent institution. Therefore, the Kuomintang still aims at establishing democracy and the political tutelage is only a good process. But the pity is that this process has been much too long and a lot of irregularities have been reported before the final transition is reached. This pains the friends of the Kuomintang and pleases its enemies.

The national treasury during the past years has paid the expenses of two governments, the political administration and the party machine. The former includes the Central, provincial and district governments, while the latter includes the corresponding organs of the Kuomintang. The total number of the staffs of these two organizations must be tremendous. Besides, we have some half-open and half-secret organs such as the so-called "bureaux of investigation and statistics", whose expenses are not included in the national budget. You cannot say that the personnel of the Kuomintang, the San Min Chu I Youth Corps and the various bureaus of investigation and statistics have nothing to do. They are holding meetings, go to their offices daily, and go on their errands. But if you ask what relations their work has to the people and to the State, nobody is able to make any answer. Their work is connected with the Kuomintang and is necessary for the Kuomintang.

To have something to eat is not enough. One has to become a government official and get rich. From the very beginning the Kuomintang has advanced the slogan "The power of the party is above anything else'." Therefore, Kuomintang members are entitled to be government officials and make a living. To become a government official, it is necessary to fill in the application form for party membership. This short cut to fame and wealth has encouraged many a man, young or old, to live on the party or party patronage instead of studying hard to acquire a real knowledge.

Membership is the Kuomintang is the pre-requisite for becoming a government official. It is a permanent mess ticket. The more party members, the better. There is no need to worry about funds, for all expenses are defayed by the National treasury. Some promissing young men simply got tired of their party work and changed to other congenial jobs. Only the good-for-nothings remain within the party and live on the party.

Successful candidates, who have passed the competitive civil service examinations held at regular intervals under the auspices of the Examination Yuan of the National Government, are required to receive special training at the Central Training Center of the Kuomintang, otherwise they will receive no diplomas. But it is necessary to join the Kuomintang before one is allowed to enter the Central Training Center. In other words, no one can hope to be a government officer unless he has joined the Kuomintang.

How can a party and its members with so many privileges avoid becoming corrupt and decadent? I wonder who has forged these two weapons (the defraying of party expenditures by the national treasury and the placing of party authority above everything else) against the Kuomintang.

Because of the fact that so many persons depend upon the Kuomintang for their living it is therefore only to be expected that these party followers should value partisan interests above anything else. When the interests of the party conflict with those of the people, these men will undoubtedly sacrifice the people. The best illustration is found in the insistence of the Kuomintang on retaining the former delegates to the National Assembly and sacrificing the sufferage of the people. Other devices such as government-operated enterprises and control and regimentation may be regarded as examples in which the interests of the Kuomintang and of the people conflict with each other.

Party politics in such democracies as the United States and Great Britain is quite different. Their parties run the government by turns and they don't have such party professionals as we have in this country who rely on their party for their living. They have not as yet invented the trick of defraying party expenses by topping the national treasury. The backbone of their parties is capitalists, who not only can not make money as party members but must contribute money to the party funds.

Party men in the United States and Great Britain have their own legitimate occupations and the party is but a political means and not an end. This is the reason why they don't talk about "the party authority above all else", "the party and the State" or "the party, the military and the state".

Whether this political form is right or not is another question. But since China intends to introduce democracy and constitutional government, the first thing for her to do is to adopt the methods American and British political parties have employed in conducting their political activities.

Now the government wants to hand back the political power to the people. It has done two good things in this respect. One is to discontinue spending money of the treasury on the Kuomintang and the other is to invite the various political parties to participate the Government.

But it is of interest to note that the expenses of the San Min Chu I Youth Corps, which equal in amount the national expenditures on education throughout the country, are still to be defrayed by the national treasury as the Youth Corps has been turned over to the government. As is well known, the San Min Chu I Youth Corps, in spite of its constant friction with the Kuomintang, is none the less an outer fringe organization of the Kuomintang and members of the corps are supposed to be candidates for membership in the Kuomintang. At least the Youth Corps cannot be called a non-partisan body. The Youth Corps, we are told, is devoted to educating the youths of China. But it is rather hard to understand why the professors and school teachers in this country are unequal to this task and why it is necessary to entrust it to the Youth Corps.

Last year the government had already announced the removal of the Kuomintang and the San Min Chu I Youth Corps from the school. Is the San Min Chu I Youth Corps carrying on its education outside on the schools? China is notoriously poor. How is it that the government wastes so much money on the San Min Chu I Youth Corps under the pretence of educating the youth. One cannot help questioning the motives of these people.

To tell the truth, the answer is well known to everyone. The Kuomintang and the San Min Chu I Youth Corps are members of same family. This manipulation is but a device for supporting the Kuomintang in a disguised form.

As to participation in the government by the various political parties, the people cannot help wondering whether the interests of these parties are in accordance with the interests of the people. It is beyond our comprehension that some people are not qualified for government posts except on party recommendations. It is also open to doubt whether we shall have democracy when all the members of the political parties become government officials.

The government at present wants to open political power to party men. But under present conditions in China, the number of party mem constitutes only an insignificant minority of the whole population. The participation of party men in the government may prevent them from making trouble. What else they can do nobody knows for certain. So in spite of the government's talk about turning back the power to the people, the fact is that what the government really wants to do is to share power with the various parties. Before their accession to power, these parties may be working hard and paying lip service to democracy. But as soon as they get in and establish their party offices in the various provinces and districts, it is doubtful that they will really value democracy and the interests of the people above their partisan interests. Where are they going to raise the necessary funds to support their party offices?

Out of our consideration for the party in office and the parties that are ready to get in and with the object of protecting the birth of democracy in this country we suggest that no organization of any party should openly or secretly take money from the national treasury. In other words, no one should squeeze the people. If a political party is to grow and advance, its members must be able to make a living and carry on their respective legitimate occupations besides their party jobs. No party, be it in power or out of power, should make itself a yamen or a labor exchange. Only in this way will it be possible to draw talent into the party organization and transform the party into an efficient machine.

Now that the government has promised to open political power to others, it is necessary to open it to the talents of the country as well as to the so-called party men. The various political parties may take part in the government, but it must be clearly understood that they do so in order to carry out their political programs and not to solve their own "economic problems", still less to obtain jobs for their party members.

Of party politics, the late Dr. Sun Yat-sen said:

"Administration of the State by the party does not mean that party members become government officials, so that China may be saved. It means that China will be saved only when the principles of our party have been implemented and the people throughout the country observe our principles in other words, administration of the State by the party does not mean the administration of the State by members of our party. It means the administration of the State by the political principles of our party."

The above remarks by the late Dr. Sun, although aimed at the Kuomintang, should be borne in mind by all political parties in China.

Note: No criticism of the Communists is made in this article. This does not mean to say that the Chinese Communists are so perfect that no criticism can be leveled. The reason is that I have no idea of the Communist government and the financial conditions of the Communist Party. If the expenses of the Communist Party are defrayed by their government, as I guess they are otherwise their party chest would be a mystery, then the Communist Party should be criticized like others. It is to be hoped that the Chinese Communists will let us who are not living in the "liberated areas" know the real conditions under their rule.

-- Shih Chi (Century Critic) Weekly, Vol. 1, No. 9.

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DON'T SELL YOUR GOLD OR UNITED STATES CURRENCY NOTES

By Dr. Ma Yin-chu
A lecture delivered before the Bankers' Club
of Shanghai on February 27, 1947

Gold should have been concentrated and nationalized. But the government erred itself, in selling gold. Now it is extremely difficult to have it concentrated again.

I don't think it will be easy to concentrate the gold which is now scattered in the hands of the people. How is it to be collected? Is gold to be purchased and concentrated in exchange for banknotes? The more gold you buy, the more banknotes will be required. Who is willing to receive these notes? And because of its usefulness in preserving the value of money people want to keep gold as long as they can, thus making it even more difficult to withdraw it from circulation.

You may suspect that I am trying to wreck the policy of the government. It might be a good thing if gold were really concentrated in the hands of the Government. But the fact is that much of the gold in this country is now in the hands of a few individuals. You need not give them the little gold you have. The current price of gold is CNC$4,800,000 per bar (ten ounces) but the price may go up to CNC$10,000,000, CNC$20,000,000 or possible CNC$40,000,000 some day. Because gold retains its value, it is highly advisable for gold owners not to sell their gold. The reasons may be set forth as follows:

Firstly, China is an agricultural country and depends upon God for her living. Should a bad year come, gold will be highly useful. Each year China's foreign trade shows an unfavorable balance. In the past, this adverse balance was lessened by remittances sent home by overseas Chinese. Now the Chinese in the South Seas are in desperate straits as a result of the postwar depression, and there is very little hope of returning to the "good old days". To cover the import excess much gold and United States currency notes would be required. So these media will be very useful in the future.

Secondly, the prices of agricultural products are subject to constant fluctuations. In most cases, industrial countries rely on agricultural countries for the supply of agricultural products. That is the reason why the Japanese wanted to see an "industrial Japan" andan "agricultural China". But the United States of America is an agricultural as well as an industrial country. She need not use Chinese goods. On the other hand China must use American goods, such as machinery, steel railway tracks, tele-communication materials and equipment, gasoline and electrical materials.

The United States has most of the thing we have in China. American tung oil is not so good as our Chinese tung oil, but the Americans are doing their best to plant tung tress. Besides, they have artificial bristles. For this reason they do not depend on us for the supply of these goods. But we Chinese cannot do without American goods; otherwise our industrialization program would be handicapped. For example

the projected dam at Ichang will cost US$14,100,000,000 and the Chinese government has invited a certain Dr. Savage to take charge of the undertaking. In future more and more foreign currency will be needed. So just hold what little gold and United States dollar notes you have.

Thirdly, it is my belief that the foreign exchange control will not be abolished in the next fifty years. It will remain not only under the present government, but also under any coalition government that may be established in the future. You must know that there is quite a lot of difference between the United States and China. The former produces more than she can consume, the latter is suffering from under-production. So in the United States, consumption has to be encouraged, whereas in this country we cannot possibly do the same. It would be mad and unthinkable to ask the Chinese people to spend as quickly as possible. Now the Chinese people are so poverty-stricken and miserable they have nothing to spend, nothing to consume, nothing to save. Only the rich can practice economy. If the money of the war profiteers, government officials and taking-over officials could be used for paying machinery, locomotives, railway tracks and tele-communications materials from abroad then China's industrialization could be realized. But how can this be done? Foreign exchange must be controlled. The rich should not be permitted to use their money to buy luxuries or consumer's goods from foreign countries.

Therefore, any new coalition government must continue to enforce foreign exchange control to prevent the flight of capital to foreign countries to buy luxuries such as wireless receiving sets, refrigerators or nice movable houses. As long as foreign exchange control lasts, there will be a great demand for gold and United States currency notes. My advice to you gentlemen is to hold on to your gold and United States currency notes for the present and wait until the formation of a coalition government. If you gave up your gold and American dollar notes now they would be used to buy war materials to continue the civil war at the expense of the people. Don't be fools. Wait until the realization of peace. Then your gold and American dollar notes will be used by the new government to buy means of production for the purpose of raising the living standards of the Chinese people.

Fourthly, If you have foreign currencies, you can buy gold. And if you have gold you can buy foreign currencies as you like. But there is one difference. To buy foreign currencies with gold is easy. To buy gold with foreign currencies is not easy.

Fifthly, in view of the unsettled political situation in China, the inflow of foreign capital to this country can hardly be expected. China needs plenty of gold and foreign currencies in the future. So don't squander your gold and United States dollar notes.

Sixthly, troubles are cropping up in this country all the year round. Ever since the founding of the Chinese Republic, we have had no peace. A genuine democratic government can hardly be expected in the near future. As soon as some political trouble comes to a head, flight of capital will begin, either to Hongkong or even to the United States of America. Under such circumstances, gold and the American dollar notes are bound to be things much sought after.

Seventhly, the United States of American was hit by a severe economic crisis between 1929 and 1933. But the coming economic crisis will be more acute and severe, because production in the United States increase from US$80,000,000,000 in 1929 to US$140,000,000,000 in the present post-war years. The greater productivity, the more acute the crisis is likely to be. This is commonly known in the United States as "want in the midst of plenty". In the last economic crisis, the breadlines were a bitter experience.

The outbreak of an econmmic crisis in the United States will inevitably affect China. On the one hand, the United States, because of the crisis, will not import any more Chinese silk or tea. On the other hand, she will dump her goods on the Chinese market. In that case, China will suffer. Even after the formation of a coalition government, the effect on this country of an economic crisis in the United States cannot be avoided. Just keep your gold and United States dollar notes and use them later on.

* * *

REVIEW OF THE GOLD POLICY

By Tan Yih-chin
Economic Weekly, Vol. 4, No. 9

The Government on February 17 made public the economic emergency measures and prohibited the purchase and sale of gold, bringing the much-mooted gold policy to an end. What has this gold policy accomplished? What effect has it had on the national economy? These questions are still interesting to the public and worth examining.

The motives of the government for enforcing the gold policy were to solve the financial and economic difficulties, to curb inflation, to stabilize prices and to enchance the morale of the people. Let us make a study of the actual sales of gold to see what the real contents of the gold policy were.

On June 4, 1943, the government repealed the laws and decress which banned the free circulation of gold. From that time free purchase and sale of gold were resumed. Later on, the government entrusted the Farmer's Bank of China and the Manufacturers Bank of China with the task of selling gold. Some time afterwards, the government bought from the United States US$200,000,000 worth of gold and dumped it on the

Chinese market until June 25, 1945 when the sale of gold certificates was suspended. According to a spokesman of the Ministry of Finance, the carrying out of the gold policy had called in CNC$80,000,000,000 worth of fapi (Chinese national currency). President Chiang Kai-shek in his report to the People's Political Council on July 7 1945 stated that the national government's expenditures for the said year were 190 times as much as the expenditures for the year before the war of resistance. Such being the case, the CNC$80,000,000,000 worth of fapi called in by the sales of gold covered only four months' expenditures for 1945. But as a matter of fact, CNC$80,000,000,000 equalled only the note issue of the first three months of 1945.

During the first six months after V-J Day, there was no marked difference between the amount of gold purchased and that of gold sold. The effect of purchase-sale of gold on the national currency was insignificant. Beginning from march 8 of last year, the government once more sold gold in large quantities. In December of 1946 and January of 1947 no less than sixty thousand gold bars were sold. If we calculate at the rate of CNC$400,000 per ounce, the fapi called each month would amount to CNC$120,000,000,000. But the note issue of these two months was CNC$1,400,000,000,000. In other words, even in the "boom" month the amount of fapi called in by the sale of gold constituted only one sixth of the note issue of the said month. It will be readily seen that in the post-war period as well as during war the sale of gold failed to curb inflation.

How about stabilizing commodity prices? In the winter of 1943 when the government enforced the gold policy with great vigor, prices in Chungking reported an increase of 210 times over the pre-war years and the price of gold was stabilized around CNC$10,000 per ounce, representing an increase of 100 times as compared with the pre-war period. In terms of the national currency, the price of gold was 110% lower than commodity prices.

In June 1945 when the sale of gold was discontinued prices in Chungking increased by 2040 times as compared with the pre-war levels and the price of gold reported an advance of 1700 times. In terms of the national currency, the price of gold was 17% lower than commodity prices.

In March of last year, commodity prices in Shanghai increased 5300 times over the pre-war level and gold advanced by 1500 times. In terms of the national currency, the price of gold was 250% lower than commodity prices.

In the first half of February of this year, commodity prices in Shanghai increased by 13,000 times over the pre-war level and the price of gold advanced by 10,000 times. In terms of the national currency, the gold price was 30% lower than the price of commodities.

A careful examination of the change in gold and commodity prices reveals two things: One is that the prices of commodities did not get stabilized by the sale of gold. On the contrary, they went up more rapidly than ever before. The other is that the sale of gold did not succeed in boosting up the value of the national currency.

Nor has the gold policy been successful in improving the morale of the people. Increased inflation and the continued soaring of prices have convinced the people that it is better to keep goods than money. The sale of gold had the opposite effect of creating more economic difficulties and shaking the faith of the people, as evidenced by the occurrence of a financial crisis in Chungking at the end of 1944 and another crisis at the end of February 1945, which had its origin in the rush for gold. Ever since March of last year every time a tight money market was reported in Shanghai the trouble was invariably caused by the sale of gold The recent "gold rush" broke the dam of China's national economy and would probably have led to great confusion and chaos in society. It is therefore no exaggeration to say that the gold policy not only has not improved the morale of the people, but it has also disturbed public faith.

How is it that the gold policy has failed to produce the desired effects?

Firstly, it should be pointed out that it is bad policy to make use of gold as a means of overcoming financial and economic difficulties. To break the present financial and economic deadlock, to stablize the prices of commodities, to balance the national budget, it is necessary to consider the situation as a whole by beginning with reforming bureaucracy and by formulating and carrying out a practical and reasonable program in accordance with the wishes of the people. Unless the root of the evil is tackled, no patch work or stop-gap will help much in the long run.

Secondly, the authorities committed a series of blunders in carrying out the gold policy. One day they did this. The next day they staged a right about face. This lack of consistency lent weight to rumors and greatly helped speculation.

Thirdly, as far as its effects on the national economy were concerned, the gold policy hastened the concentration of social wealth in the hands of a small number of people, widened the gap between the rich and the poor, sharpened the contradictions between classes and created the necessary conditions for an economic revolution. The recent gold rush wrecked industry and commerce, dealt a heavy blow to the enterprising spirit of the people, encouraged the get-rich-quick psychology and undermined social ethics and justice. In short, the gold policy was a reactionary measure for destroying the national economy and benefiting the bureaucratic-compradore capitalists and the "have's".

However, it must be stated that the gold policy did do some good in diverting part of the floating capital from speculation and hoarding. So far as we know, the discontinuance of the sale of gold is indicative of the fact that the gold reserve of the national Treasury is rapidly running short. The Chinese Government had originally 500,000 ounces of gold deposited in the United States. In 1943, about 5,700,000 ounces of gold were added as the result of the borrowing of US$200,000,000 from the United States, thus making a total of 6,200,000 ounces. After V-J Day, much

gold was taken over from the enemy and the puppets, bringing the government gold holding to a total of about seven million ounces. Although the government has never made public any figures on the amount of gold it has sold, the general estimate is that the government sold during the times of war three million ounces. From March 1946 to February of this year, the amount of gold sold by the government ranged between two millions and two millions and a half.

According to statistics released for publication by the Chinese Maritime Customs, no gold has been imported since May of last year. It is therefore quite clear that the amount of gold reserve of the nationa government is quite limited. To talk about the enforcement of gold policy without adequate gold at disposal is not only foolish but also dangerous. The final suspension of the gold policy brought the policy to a miserable failure.

Some one asks: "Why did not the National Government nationalize gold in addition to prohibiting the purchase and sale of gold?" There were two considerations on the mind of the government. One is political in nature. Big holders of gold are for the most part government officials, privileged classes, compradores and speculative financiers who form the prop and stay of the present regime. It is only to be expected that the government will not make trouble with these people. The other is technical in nature. Now that inflation has developed into a runaway stage, it is extremely difficult to exchange banknotes or government bonds for gold in the hands of the people. Even compulsory enforcement will not avail. Owing to this technical difficulty, nationalization of gold is impossible under present circumstances.

Other may ask: "Now that the purchase and sale of gold has been prohibited, does it mean that there will be no more market in China for gold?" Our answer to this question is in the negative. The gold-smith shops will continue to stay and gold transactions in the black market will go an as usual. The price of gold will keep on advancing as it did in the past. Gold holders are expected to ship their gold to a safer place possibly in non-Chinese territory. Thus a flight of capital is bound to ensue.

Just like the increased note issue, which has made lots of people bankrupt the gold policy has concentrated more than 80% of China's gold holdings in the hands of the privileged group. Things have come to such a pass that the majority of the people have become more poverty-stricken, while a small number of privileged persons have become richer. The day will come when the poverty-stricken majority can live no longer and they will liquidate the gold policy and nationalize gold.

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WHITHER THE KUOMINTANG ?

By Professor Yang Jen-pin of the National Peiping University
Kwan Cha Weekly, Vol. 2 No. 3

The object of Dr. Sun Yat-sen in advocating his San Min Chu I and in establishing the Kuomintang was to serve the welfare of the Chinese people. The San Min Chu I, the Kuomintang, and the Chinese people must coordinate with one another. The San Min Chu I is the ideal; the party is the instrument for realizing the San Min Chu I, the welfare of the people is the objective of the San Min Chu I and of the Party. The San Min Chu I and the party will have no raison d'etre if they lose sight of their objective.

The Kuomintang has been in power for twenty years and it has had both successes and failures. It is precisely because of its successes that the Kuomintang should act cautiously in order that its successes may not be overshadowed by its failures. In spite of the many obstacles which have prevented the Kuomintang during the past twenty years from having its own way all along the line it must be said that the Kuomintang's administration has been fairly free and complete. Twenty years is a fairly long time. Yet the Kuomintang has not kept in line with the welfare of the people and is still far away from the goal which Dr. Sun Yat-sen set for it when he created the San Min Chu I.

Take official corruption for example. Time was when the Kuomintang yelled "Down with the corrupt officials." But today official corruption is the order of the day in Chinese politics, and it has come to taken for granted. It is because of official corruption that conscription has caused a great deal of complaint and bitterness. It is because of corruption that we have experienced an acute man-made shortage of materials. It is because of corruption that communication has been in a state of paralysis. It is because of corruption that opium has not been exterminated. It is because of corruption that education has been reduced to backwardness. It is because of corruption that tax collection has been such in a sticky mess. It is because of corruption that bureaucratic capital has come into existence and sharp fluctuations in gold prices have been possible. In short, corruption has made everything hopeless and helpless. All political programs and plans are idle talks as long as corruption lasts. Who should be held responsible for such corruption in Chinese politics, anyhow?

It is a fact that the political structure has been in the hands of the Kuomintang. We don't want to know the exact membership of the Kuomintang at present. Its membership increased from 500,000 in 1925 to 600,000 in 1926. This shows that the Kuomintang's membership increased by leaps and bounds after the conclusion of the north expeditionary campaign. The fifth Central Executive Committee of the Kuomintang called special attention to the recruiting of new members. The sixth Central Executive Committee reported that in six months 449,477 new members were recruited. The seventh Central Committee reported that great progress had been made in the recruiting drive. It is therefore quite obvious that the recruiting of new members of the Kuomintang was more or less an every-one-is-welcome affair.

The responsible leaders of the Kuomintang were perfectly aware of this at the very beginning. Generalissimo Chiang Kai-shek pointed out in a speech he delivered on the occasion of the founding of the Changsha Kuomintang office in 1926 that the members of the Kuomintang must have noble character, personal integrity, devotion to the cause of the party, self-sacrificing spirits and must not be office-seekers.'

At the same time Generalissimo Chiang Kai-shek stressed that the organization of the Kuomintang was loose, its discipline was slack and most of the members led a fast and loose life.

On January 1939, Generalissimo Chiang at a meeting of the Central Kuomintang Headquarters said:

"The people regard our Kuomintang offices as yamens, our party functionaries as bureaucrats, our party members as belonging to a privileged class. What is a yamen? It is a sink of all corruption, meannes and good-for-nothing. What is a bureaucrat? Bureaucrat is a general term for corruption, lazinass, face-saving, hypocricy and all that sort of thing. What is a privileged class? It is a class of people who lead a loose, parasite, unproductive life at the expense of the public."

The above quotations indicate that the criticism levelled by Kuomintang leaders against their members is by no means less severe than that voiced by outsiders. How is it that there are so many imperfect elements in the ranks of the Kuomintang? Those who joined the Kuomintang before the northern expeditionary campaign were comparartively good members, for at that time they had no special rights to enjoy and had to make sacrifices. Those who joined the Kuomintang after the northern expeditionary campaign were different. Some of them were sincere believers in the San Min Chu I, but others were political opportunists or careerists who wanted to make political capital of their membership in the Kuomintang. These careerists had the San Min Chu I at their fingers' ends and gradually worked their way up into the leadership of the Kuomintang. Since it has been no unwritten law that nobody can hope to become an official of the Central or provincial government unless he is a member of the Kuomintang, membership in the Kuomintang has become a required qualification for government officials. As a matter of fact, membership in the Kuomintang offered the short cut or royal road to government service. Official corruption became rampant, and the Kuomintang and its government fell in the esteem of the people.

Generalissimo Chiang Kai-shek said at opening session of the third plenary session of the fifth Central Executive Committee of the Kuomintang:

"If our party fails to work for the welfare of the people, then it will naturally follow that the people will lose their faith in our party and get disgusted with the revolution. If our party should lose the faith of the people and if the people have no sympathy with the revolution how can the party continue to live?"

On another occasion the Generalissimo stated:

"Precisely for this reason, our party is useless in society. Our party functionaries and our party members stand aloof from the people. They don't know the grievances and suffering of the people, let alone redress their grievances. There exists a wide gap between our party and the people. In fact, our party has failed to help the people and therefore is in no position to lead the people. The people do not know what good our party has done to them. They are not only cool but also hostile to our party."

How to overcome these shortcomings is the business of the Kuomintang itself and is no concerns of ours. The Chinese proverb reads: "The outsider sees the best of the game." I wish to avail myself of this opportunity as an outsider to offer some friendly advice to the forthcoming third plenary session of the Central Executive Committee of Kuomintang.

1. First of all, it is necessary to re-establish party discipline and strengthen the orgainzation of the party so as to make the Kuomintang a political party which serves the welfare of the people. Dr. Sun Yat-sen once said:

"But the majority of our party members have joined the party with the object of becoming government officials, considering membership in the party as a short cut to government posts. Because these people have joined our party to serve their selfish ends, their character is bad and our party is full of vari-colored elements... The most important thing for the present, in my opinion, is to avail of this opportunity to purge our party of these bad characters."

Nowadays, has the Kuomintang the courage to carry out the teachings of its great founder and leader? Once the Kuomintang was so brave as to kick out the well-organized Communist elements. Why it dare not make a clean sweep of these bad characters and allow them to remain in the ranks of the Kuomintang?

2. To win the faith of the people must be the primary consideration of the Kuomintang government in the future. False denials and empty promises are fatal to the prestige and popularity of the government. It must be borne in mind that facts speak louder than propaganda. Only actual practice and concrete facts will be able to convince the people that the Kuomintang is a party that is fighting for the interests and welfare of the people. How to do this is a very difficult question to answer. The people have tasted the bitterness to the dregs and their suffering is unbearable. The people are in bad need of peace. In fighting Communism political means is better and more useful than armed fight. It would be more useful to play clean politics and to improve the living conditions of the people. Such being the case, stretched propaganda and intimidation may be dropped and it would be easy to win the faith and sympathy and support of the people.

3. Now that the Kuomintang has decided to hand back the political power to the people, it must clearly define and regulate the future relationships between the Kuomintang and the party to demonstrate its determination and sincerity in directing the movement for democracy in this country. According to the provisions of the San Min Chu I, the Kuomintang has the duty and obligation to direct the democratic movement. If the Kuomintang does not wish to give up its leadership in this respect it should put an immediate end to the practice of controlling the government by the party or the so-called identity of party and government. Since the Kuomintang has already raised the slogan "The State above anything else", the State must therefore be placed above the Kuomintang and there must be no more talk about "party-State". The functions of the State and of the party must be clearly defined. For instance education belongs to the State and there should be no party education. The fact is that those schools are susally bad where the influence of the Kuomintang is most strong. If the Kuomintang can strengthen its own organization there will be no difficulty in recruiting new members, from among the young students. In that case the San Min Chu I Youth Corps would become a superfluous organization. It is well-Known that the San Min Chu I Youth Corps contains a good number of bad elements, whose arrogant and overbearing attitude often constitutes offers a constant source of friction with the non-partisan students. What is more intolerable and disgusting is that members of the San Min Chu I Youth Corps spy on the teachers and inform against them. Education is a concern of the State and should be respected by the Kuomintang. Only when a clear line of demarcation has been drawn between the State and the party will it be possible for the members of the Kuomintang to know their must's and don't and to lead the people in building democracy in China.

Where is the Kuomintang going in the present rapidly changing Chinese politics? There may be many a road to take, but the object must be only one, that is, to serve the people. The moment it stands away from the mass of the people, a political party will lose its raison d'etre. If the Kuomintang really wants to solve the China problem in accordance with its principles, it must set before it the above stated objective. We have the duty to remind the party in power of the importance and necessity for making highly of the people. It is hoped that the third plenary session of the Central Executive Committee of the Kuomintang will not limit its attention to trivial items to the neglect of the fundamental issue.

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WHAT I SHOULD DO IF I WERE THE PRESIDENT OF THE EXECUTIVE YUAN OF THE CHINESE NATIONAL GOVERNMENT

By Chang Yuan-kao
Shih Chi Ping Leun (Century Critic) Weekly Vol. 1. No. 11

At the very beginning I must make it perfectly clear that I am a member of the Kuomintang. But my connection with the Kuomintang is comparatively slight. I am no die-hard. Nor do I belong to amy clique. I believe in the San Min Chu I and the recently-promulgated new constitution. It is my belief that the Kuomintang after some reorganization is still a party of promise. I don't fear that some day the Kuomintang will be a party out of office. I am opposed to any attempt at turning China into a Soviet Republic.

It is quite unlikely that the government will request me to be the President of the Executive Yuan. If I were the President of the Executive Yuan I should have a practicable plan, clearly-defined duties and rights and appropriate means. Only under these conditions could I consider accepting the offer of the post of the President of the Executive Yuan.

The first question facing the President of the Executive Yuan is whether to fight or not to fight the Communists. If there is any road to compromise, that would be great good fortune for the people and the country. If cooparation is impossible and war is inevitable, in my capacity as President of the Executive Yuan, I should have my way of fighting the Communists. The broadening of the government to include the various parties will become a reality pretty soon. When that government is set up the armies can not be said to be the armies of the Kuomintang. No armed forces of any party should be allowed. That's a univerally-recognized principle.

The door to peace may be opened or closed. But it is extremely difficult for a government to cooperate permanently with a party which has armies of its own and which is uncompromising. Therefore the question for me in my capacity as President of the Executive Yuan is not whether to fight or not to fight the Communists, but how to fight them.

Since the Executive Yuan bears full responsibility for all political, economic, military and diplomatic affairs, it must have full power. The policy must be consistent and its execution must be unified. The Executive Yuan is a giant machine and its many ministries and commissions must be coordinated. An Executive Yuan without full power can never hope to work out comprehansive plans. I am not a military expert, but I must have the authority to control the army. Once the military is separated from politics, it becomes an unbridled wild horse. How can the President of the Executive Yuan prepare for war if he is not allowed to have any say in military affairs?

I must insist on the cut-one's-coat-according-to-the-cloth policy in fighting the Reds. It is quality and not quantity of the army that counts. We must have advance plans for army reserves, army pay and communition. This must form part and parcel of the nationa budget. I am opposed to the buy-one's-cloth-according-to-one's-coat policy in fighting.

Even for a short time I don't approve of staking all man power and materials on a single throw. Once the military budget has been fixed, we must prosecute the war according to this budget. This kind of budgeted fighting will insure slow but certain progress. Swift military victories are precarious. What we need is slow but sure and steady victories.

I must have a clear idea of policies and of my power and duties, otherwise I would rather resign.

As we prefer quality to quantity in the army, the army can only be stationed at the front or at certain centers and along certain lines to meet any possible emergency. The preservation of local law and order must be delegated to the police. Therefore the first thing we should do in this respect is to increase the police force, which should gradually take over the duties of the armies throughout the country. The police should go to the countryside to help the government carry out new policies, preserve local law and order and put down any riots.

In training the police, stress must be placed on the following points:

1. The police must know the law, obey the law and carry out the law.

2. The police must contact the people, learn their grievances and know how to cooperate with the people.

3. The police must have sufficient ability to nip every evil in the bud.

4. The police must have firm convictions, a clear idea of present politics and high military skill.

However, the police must not be political police and their chief duty is to preserve local peace and order.

I would raise foreign loans to buy machinery for national reconstruction.

I would also employ tens of thousands of foreign experts and technicians, Belgians, Dutchmen, Swedes and Danes, to work under Chinese engineers for the development of China's natural resources.

As to my way of doing things, it might be quite novel. Shortly after my assumption of office, I would spend as little time as possible in putting the political machine in working order in the capital. Then I would work together with my ministers formulating a program for inspecting the work of the various provincial governments. By availing ourselves of modern means of communications, my ministers and I should carry on our work in different places in the country. I would spend only one third of my time in the capital, while the rest would be spent in touring and working in the varioul provinces, maintaining my contact with the government offices in the capital by means of telephone. Thus, administrative efficiency may be increased.

During my absence, political affairs should be taken care of by the vice president of the Executive Yuan and all administrative affairs should be attended to by the Secretary General of the Executive Yuan.

The structure of the Executive Yuan must be strengthened by adding 10 assistant secretaries-general to assist in the work. In making appointments to posts in the Executive Yuan, partisan considerations should give way to considerations of talents and experience. I should set an example myself to my subordinates in efficiency and personal integrity.

I would rather turn down the offer of the portfolio of the Presidency of the Executive Yuan if the military question had no hope of settlement and the only thing for me to do were to hold meetings, see visitors and confer with representatives from the various political parties. This would be a fruitless job. I wouldn't accept it, not by any means.

Note: Chang Yuan-kao, writer of this article, is the pen-name of an experienced high official of the Central Government.

* * *

UNDERSTANDING AND MISUNDERSTANDING OF THE AMERICANS CONCERNING CHINA

By Chun Chin

Shih Chi Ping Leun (Century Critic) Weekly,
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The Americans are sympathetic to China. Half a year ago it was unnecessary and commonplace to utter such a remark, because at that time everybody knew that the United States was China's best friend. But today this remark is worth saying. Ever since the establishment of relations between the United States and China, the United States has not only respected China's territorial integrity, but has helped us in international politics to preserve our territorial and sovereign integrity. The facts of the past are well known and need no repetition. Even today there still is some one who occupies our territory and infringes on our sovereignty. The fact speaks louder than eloquence.

However, it must be pointed out that sympathy does not necessarily mean understanding. Understanding is more important than sympathy for the preservation of regular relations between two countries.

The Americans misunderstand China in some ways and understand her in others. They understand that China is in need of modernization and they display full-hearted sympathy. But as to the process and objectives of China's modernization, the Americans do not always understand.

The Americans are believers in liberalism. In the economic field, liberalism means individualism and private property, which, in their opinion, constitute the foundation of national prosperity in the United States and other countries. They fail to realize that the United States is blessed with more natural advantages than any other country in the world. Economic conditions in the United States today are of course better than those in other countries, but the credit for this must not be given to the American economic system alone. Rich national resources are one of the factors. In the second place, industrialization in the United States come comparatively early. About 70 or 80 years ago, the Americans did taste the bitterness of industrial backwardness. But the situation at the time wasn't so bad after all for international competition then was far from keen and the United States was not very far behind the industrially-developed countries. The present difficulties which industrially-backward countries experience are beyond the imagination of the Americans.

The development of economy in this country cannot follow in the footsteps of the United States. In other words, it is impossible to leave everything to private enterprise. There are many undertakings which nobody cares to attempt if the government does not take them on itself. First on the list is the production of war materials. At present or even in the next 20 years no private capitalists will invest their money in the manufacturing of arms and ammunition. The government must establish war industries if China is to build up her national defence. I give war industry as an example not because I believe that national defence should form the primary consideration in the economic re-construction of each country. The so-called [illegible]

defence economy is only an utterly impracticable theory in China and any discussion on the question would be idle and arouse misunderstanding. The Government cannot shirk its duty to build war industries.

The same is true of irrigation, railways, tele-communications, the production of steel and electrical power. To ensure China's national existence, the scope of government-operated industries in China must be much bigger than in the United States.

The facts enumerated above are not very difficult for the Americans to understand. What they object to is the tendency in this direction. Nobody is in a position to define or foresee at present to what extent government-operated enterprises in China will develop in the future. The line of demarcation between government-operated industries and private industries shifts with the trend of the times. But the Chinese must pursue a middle course, keeping an equal distance from the Soviet and American economic systems.

Industrialists need not hesitate because of the fact that the line of demarcation between government-operated and private industries has not as yet been clearly defined. Under existing circumstances, China's economy is unlikely to go to extremes, either right or left. It must be mentioned further that even in the United States and Great Britain it often happens that economic policies cannot be completely decided on for certain period of time. China is the same.

However, plain speaking compels us to state that in theory we Chinese do not favor the ultra-capitalism of the American type. It is our belief that the fruits of the development of China's natural resouces must be enjoyed by the people as a whole instead of being monopolized by a small number of money kings or capitains of industry. When Dr. Sun Yat-sen delivered his lectures before Chinese students in Tokyo on questions of social reform, he advocated socialism. Later on, he used the term "principle of the people's livelihood" in order to make it easier for the Chinese people to understand. Now it is my opinion that in order to clarify our stand and in order to avoid any possible misunderstanding by foreigners, it is better for us disciples of Dr. Sun to make it clear that the principle of the people's livelihood is Socialism.

When talking with American friends, most people liked to conceal the socialist character of government policies or the socialist trend of public opinion in this country. Some people were born of the compradors class and they are worshippers of American capitalism. They do not represent the Chinese people, however. Others suggest that since the Americans are opposed to government-operated enterprises, we should give up or at least reduce for the time being that policy so that we may be able to obtain loans from the United States. This suggestion is simply selling out the Fatherland and cheating our friend and would do more harm than good in the long run.

The best and most proper thing to do in this case is to come out in the open and let it be known we are Socialists. If the United States is willing to help us with modernization she must realize that she is helping China to build up a Socialist State. This work of education must be done sooner or later, and difficulties are expected in the very beginning, especially at the present time when the Republicans have the upper hand in the United States. But precisely for the reason that the Republicans may take over the reins of government within two years, this work must begin and the sooner the better.

Sympathy and understanding in the economic field mean loans. You must pay back the principal and interest at a fixed time after you have borrowed some money from others. In this respect, capitalism and socialism are not different. It is to be hoped that the United States will not compel us to cut down government-operated industries, or discriminate between government-operated and private industries. We hope that the Americans will extend loans to Chinese government-operated industries as well as private industries as long as there is adequate guarantee that the industry is a paying proposition and that both the principal and the interest will be paid.

Many people have registered their opposition to government-operated enterprises on the grounds that the policy would create difficulties in obtaining loans from the United States. There may be some validity in this argument. But I cannot accept the argument that if we openly put Socialism into effect it will be impossible for us to win the sympathy and understanding of the Americans.

What the Chinese and Americans should do at present is to see to it that bad characters of both countries do not act in league. American businessmen in China are perfectly aware that one cannot do any business in China unless one has some political backing., and that once you enjoy political backing of some sort or other you can easily obtain all sorts of privileges or priorities. This is why American speculators have cooperated with Chinese bureaucratic capital making big money. The trouble in this case is that this cooperation cannot be suppressed by existing laws and regulations of either country. Herein lies the real danger to the future of China's economy and to the friendly relations between the United States and China. It is up to the progressive elements of both countries to do their best to remedy the situation by stopping the judicial loopholes and by mobilizing public opinion against foreign and Chinese speculators and adventurers.

Left-wingers in the United States described the Kuomintang as a party of landlords or a party of Kiangsu and Chekiang capitalists. This definition is mistaken, based upon stereotyped Marxist phraseology, not on scientific analysis.

This definition pays too great a compliment to Chinese politics. So far as I know, China's landlords have no organization at all and they don't know how to play politics. If the National Government is really serving the landlord class, then the Chinese landlords should have a lovely time and sing their praises. But the fact is that in the

countryside the landlords are no better than the tenant farmers and they are dissatisfied with the government. I have seen government officials serving their relatives and friends, but I have failed to notice any government officials serving a certain class.

The theory that the Kuomintang is a party of Kiangsu and Chekiang capitalists is just as absurd and false. It is true that capitalists used government power to fight each other. But the time is not yet when the capitalists unite as one man to fight for their interest as a class. The average capitalist is a poor creature. The most he hopes to do is to make friends, with a big shot or two, engage in speculation and make some easy money quickly. The capitalists have no organization and they are ignorant. They have never dreamed of shaping the policies of the Government.

The only way out lies in increased production by means of wide employment of machinery and modern science and in distributing the wealth among the people. The living conditions of the people must be improved at any cost as advocated by the late Dr. Sun Yat-sen in his Three People's Principles.

Why did not the Kuomintang follow the path marked out by its great leader? Isn't this convincing proof that the Kuomintang is a political party of landlords? This is a question which American Left-wingers and I want to ask.

The Kuomintang authorities will probably answer that they have never deviated a step from the path of Dr. Sun. But the fact is that if they have never deviated a step from the path, they have not advanced a single step either. The trouble is not one of class consciousness. The trouble with the Kuomintang is not that it is imbued with a landlord ideology, but that it is not adequately modernized. I sincerely request my American friends of the left wing and my fellow countrymen believe my remarks.

Among the leaders of the Kuomintang there are very few people who have acquired profound modern knowledge and who are also faithful disciples of the late Dr. Sun Yat-sen. The few people who have this modern knowledge do not know how to use their knowledge or they use it to make money, American fashion.

There are only three ways out for China:

1. The Kuomintang must draw into its ranks the enlightened elements and turn over a new leaf.

2. The enlightened elements must unite themselves into a new Socialist party.

3. A Communist revolution of the Soviet type must occur.

* * *

AN OPEN LETTER TO MR. DAVID KUNG

Dear Sir:

We received a letter from you some days ago. As the letter was written on a white piece of letter paper without the letter heading of your company and did not carry your private seal, we thought it a forgery. After reading your advertisement in the Shih Si Hsin Pao (China Times) in which mention was made of your letter to our paper, we discovered that the said letter was really your handwriting. Such being the case, we regret very much our delay in sending you an answer.

1. You state in the letter under reference: "In the past several mosquito papers printed rumors against me. Later on, an agent came to see me and told me that a certain mosquito paper wished me to giwe it a monthly subsidy and it would stop spreading rumors."

Who was this agent, anyway? Did he claim to be the representative of our paper? If so, please ide.tify the guy and let us know. You may rest assured that we will probe the matter to the bottom if you furnish us with the identity of the agent you mentioned. If not, it is utterly impossible for us to prevent bad characters from harming our reputation by claiming to be our representatives.

Since the guy is close to you and has your ear, you must know him intimately. Please hand over this man and we will see what right he has to attack the mosquito papers and state that public opinion can be bought.

If you cannot identify this man, it is quite clear that you are telling lies to the detriment of mosquito papers. In that case you are liable for criminal libel.

2. You state in your letter that our motive in printing the news story concerning you was that we had failed to blackmail you. Listen, Mister Kung, you simply overlooked our stand. Mosquito paper it may be, but our paper is just like the Shih Si Hsin Pao belonging to your Kung family. We belong to the same newspaper guild. We have our own capital and we manage to carry on with a fair margin of profit each month. Don't think that our paper is like your papers which nobody cares to read and which are in danger of going bandrupt and closing down. Our paper is a paper that the readers like and which makes some money. We don't want any subsidy from multi-millionaires or big business, to say nothing of blood-stained bribes. Our only object is to speak for the common people. All bad characters who harm the state and the people are targets of our attacks. Our sole motive behind assailing the big shots involved in the gold rush case was just ice. The man in the street also denounced the persons involved in the gold scandal. Can you say that every Tom, Dick and Harry who attacked the gold profiteers was prompted by motives of blackmail.

3. As regards the cheque for CNC$2,000,000,000, no explanation is necessary. With the Yangtze Development Corporation in your hands, CNC$20,000,000,000 or even CNC$200,000,000,000 would occasion no surprise, let alone CNC$2,000,000,000. What we said was only that the money was used for an unknown purpose. We did not openly charge you

with spending the money in speculation or purchasing gold. Your explanation only serves to arouse suspicion.

There is another point to which we wish to call your attention. Please don't attribute "blackmailing motives" to any one who says things not to your taste unless you have ground for so doing. To correct your mistaken idea, we want to tell you that the publisher of our paper, Mr. Mao Tze-pei, was once caught by the Japs under Japanese occupation for engaging in underground work for the National Government. After V-J Day, Mr. Mao was a member of the Executive Committee of the Shanghai Kuomintang and concurrently director of the propaganda department. Now he is still one of the directors of the headquarters of the Shanghai San Min Chu I Youth Corps.

Editor Wu Chung-wen of our paper was in charge of the propaganda department of the Kiangnan(South of the Yangtze River) Office of the Kiangsu Provincial Government. After the Japanese surrender he returned to Shanghai by order of the government to serve as division chief of the propagnada department of the Shanghai Kuomintang. We don't want to boast of our contribution to the national cause. We only want others to realize that there are faithful workers and patriots among the people who are publishing mosquito papers.

But what about you? What contribution have you made to the state during the past eight year war of resistance? You say in your letter: "I am now doing business strictly in accordance with government laws and regulations. To make money is not criminal."

If so, everything would be all right. But the facts are otherwise. Who installed an unliscensed radio station in Hongkong to do private business and was discovered by the Hongkong Government, which would have inflicted punishment according to law and thus created a scandal? For whom did Lin Shih-liang, manager of the Central Trust, sacrifice his life engaging in smuggling on the Yunnan-Burma Road? For whom did Wang Chan-tze, assistant general manager of the Changkiang Industrial Corporation, become a scapegoat?

You speak of personal character and integrity in your letter, We know perfectly well your personal character and integrity.

Our advice to you is: The best way to stop "rumors" and "slander" is to reflect on yourself and behave.

Otherwise it will be impossible to gag the mouths of others.

Our best wishes for prosperity in your business.

Truly yours,

The Tieh Pao

March 10, 1947.

* * *

PRESENT CRISIS IN THE RURAL DISTRICTS SOUTH OF THE YANGTZE RIVER

By Tang Yun
Wen Wei Pao, February 10, 1947.

This article is based on what I have actually seen in Nanking, Shanghai, Hangchow and Ningpo. I do not know whether the same thing has happened in other rural districts.

The indirect reason for increased poverty and bankruptcy in the countryside was exploitation by the Japs and puppets for eight long years. The immediate causes were heavy taxation, compulsory contributions, requisition by garrison troops, peace preservation corps, bandit-suppression armies, police and local militia.

Another important cause for accelerated bankruptcy in the rural districts south of the Yangtze River was the discrepancy in prices between rice and other commodities. Rice and other agricultural produce lagged far behind the daily necessities as far as the advance in prices was concerned. The follow table shows the rise in prices for some principal commodities.

Items	Unit	Pre-war prices (June, 1937)	Prices at the end of 1945	Prices at the end of 1946	Increase over pre-war price
Gold	per ounce	CNC$114.00	CNC$82,000	CNC$352,000	3098 time
Silver	"	1.60	670	4,000	2500 "
Silk	picul	800.00	450,000	4,700,000	5875 "
Cotton Yarn (20 counts)	bale	180.00	620,000	2,200,000	12333 "
Cloth	piece	4.00	22,000	85,000	21250 "
Rice	Hectoliter	8.00	6,300	59,600	7450 "
Wheat	bag	6.60	6,000	55,300	8385 "
Cooking Oil	50 kgs.	24.00	1,900	130,500	5417 "
Yellow bean	"	6.50	5,000	44,500	6846 "
Soap(Koo Ban)	case	5.00	11,000	85,000	17000 "
Matches	"	6.00	90,000	540,000	11000 "
Candles	"	4.50	10,000	80,000	17778 "

A glance at the above table reveals that the advances in the price for rice, wheat, cooking oil and yellow beans represented only one third of that for cotton yarn. It is very common to hear people in the country say: "Ever since the Japs came we have not been able to buy any clothing and most of us were clad in rags. Now that the Japs are out. We have long wanted to buy some necessary cloths. But the prices of cloth are really alarming. You have got to give them big bundles of banknotes. We tillers of the soil can ill afford it."

Cheap grains have done more than anything else in ruining the peasantry. Therefore how to maintain an equilibrium between rice and other daily necessities is one of the most important problems that should be solved if the present economic crisis in the rural districts is to be remedied.

The second question is that of wages. As I have already stated at the beginning of the article, the situation I refer to is confined to Nanking, Shanghai, Hangchow and Ningpo, where the peasants, in addition to their cultivation of the land, do some additional petty business in the cities by working as hawkers, coolies etc. The daily wage in the countryside rages between CNC$6,000 and CNC$4,000 plus food, while in the cities a laborer can easily earn CNC$10,000 a day. In other words, labor is better paid in the cities than in the countryside. The result has been a steady outflow of labor from the rural to the urban districts, thus giving rise to acute labor shortages in the country. Of course, conscription is also one of the factors that have caused the flight of able-bodied men from the rural districts.

Land cultivation these days has become a money-losing business. Experience in the rural districts south of the Yangtze River shows that the cultivation of a mou of land from sowing to reaping of harvest requires twenty-four days of labor. In other words, if you pay a tou of rice for each day's labor as is the susal practice nowadays in the country, then the cost of production of each mou would be twenty-four tou of rice. But the maximum yield of a mou of land is only twenty-five tou of coarse rice. In lean years the maximum yield is only seventeen or eighteen tou of coarse rice. When coarse rice is grounded into best-grade rice it often loses ten per cent.

According to the above calculation, the tiller of the soil is likely to lose seven or eight tou of white rice for each mou he has cultivated. This is the reason why farmers would rather buy rice than cultivate the land themselves and why landlords preferred to let their land lie waste instead of hiring farm hands to cultivate it.

Most farmers are now trying to get some job or other in the cities. They do not wish to stay in the countryside, because the cultivation of land has turned out to be a money-losing business. For each mou of land, it is necessary to pay two tou of rice in the form of land tax in kind, representing about 20% of the yield of the land. Besides, there are different kinds of contributions and levies, which usually are twice as much as the land tax in kind. All in all, these will take away more than 60% of the yield of the land. The remaining 40% can hardly cover the expenses required for land cultivation.

Nowadays, people don't think as highly of the land as they did in the past. There is a common saying going around in the rural districts to the effect that some day there will be more land than people.

Most of the measures the government has taken were directed against the farmers, such as land registration, examination of title deeds, and so on. The so-called rural relief and agricultural loans were few and far between and benefited only a small number of big shots in the countryside, while the poverty-stricken peasants were left to suffer. In short, when bad politics prevail, the government officials only want to fish in troubled waters and they don't care a damn about the livelihood of the common people.

Dickens once wrote:

"To conceal their hypocrisy in the depths of their hearts and to put on a false showing of sincerity is the worst crime of the so-called upper society. You gentlemen must cultivate the good points and feeling of these people (peasants) so that they may lead a better and happier life, otherwise they may be driven into desperation and would be capable of anything. In that case, you gentlemen would be finished too."

This is the reason why I avail myself of this opportunity to tell"you gentlemen" the actual conditions in the rural districts. Do "you gentlemen" wish to "drive these people to desperation?"

* * *

ARMED RIOTS IN VARIOUS PROVINCES

By Li Kia
Wen Wei Pao, March 3, 1947

(1) SZECHUAN

People's riots have swept over Szechuan Province. Press reports from Chungking andChengtu indicate that the riots in eastern Szechuan have from eight to ten thousand men and rifles scattered through Wuki, Fengji, Yuanyang, Wanhsien, Tahsien, Chuhsien, Kwangan, Yaochi, Linhsui, Hochuan, Tachu, Wushan, Chenkiu, Pishan, Pahsien, Liangshan and Fengtu. Two or three thousand armed peasants in Linhsui, Yaochi and Kwangan are under the leadership of Wu Wei-shen, Wu Hsien-ming and Li Fu-chin with their base and headquarters at Hua Yuan moutain.

Rioters in Tahsien about two thousand strong at the end of last July besiegedthe officeof the special political commissioner for the 15th Area and the government had to use military airplanes to drop arms and foods to the besieged. The armed rioters at Chuhsien under the command of Ko Pong-chi organised themselves into an army.

Armed rioters in southern Szechuan are reported to be six thousand strong, scattered along the Yunnan-Kwei chow-Hunan border and moving about in the area north of the Yangtze River including Kulin, Kusoong, Chunlin, Chihsien, Hsinwen, Iping, Nanchi, Kiangan, Omei, Loshan, Neikiang, Fushun, Yunchang, Lunchang, Kiangtsin, Shushan, Chikiang, Pinshan, Fuhsien, Hanhsien, Chensuin, Yunshun and Shanchi. Their leaders are Chen Hsiang-yuan, Chen Wen-chung, Tsun Chun-wen, Tsun Tsi-min and Chang Chen-pei and they are armed with machine guns, Tommy guns and trench mortars. The armedrioters at Nanchi called themselves "Youth League" and government officials in Fushun also joined this organization. Armed bands under the command of Chen Hsian-yuan at Kulin openly called themselves "guerillas on the Szechuan-Yunnan-Kweichow border." Armed rioters at Chihsien and Hsinwen named themselves "poor relief corps." Two companies of rebels at Yunchang and Lunchang were very active on the Chengtu-Chungking Highway. Armed rioters at Yayang are reported to be armed with 800 rifles and 20 machine guns, overrunning the Szechuan-Hunan border districts.

Armed rioters in Northern Szechuan are the strongest of all, with more than one hundred thousand men and rifles. The majority are poverty-stricken peasants and disbanded soldiers, scattered around Nankiang, Wanchang, Kwangyuan, Tungkiang, Pachung, Lanchung, Changki, Tsaohwa, Chinko, Kiangyui, Paichuan, Soonpang and Pingwu. The main body has its headquarters and base in the dense forests at Nankiang, Wanchang and Kwangyuan. Last June the rioters once laid siege to the city of Tungkiang.

More than one thousand armed rioters at Paichuan under the command of Li Lo are active and represent a constant threat to that city. Another detachmentof armed rioters two thousand strong at Pinwu, north of Paichuan, is reported to have invaded Kiangyui district, about two hundred li northeast of the provincial capital -- Chengtu.

In central Szechuan, three or four hundred rioters at Anlo and Lochi armed with rifles, machine guns and small guns once attacked and occupied the city of Anlo. Rioters at Tungchuan and Fengchi are reported to be doing a lot of harm to the highwy traffic.

In western Szechuan, the strength of armed rioters is 1
estimated to be five or six thousand men, scatteredaround Chungchin, Tayi, Kwanghsien, Minchu, Hsienfang, Hsintu, Pengshan, Chintang, Wenkiu, Chunkiang, Huayang, Jenhsui, Mouhsien, Anhsien, Wenchuan, Minshan, Hengya, Chinyang, Moukung, Penghsien, Tinking, Lushan and Ya-an. Well-known leaders of the rioters are Chen Chu-an, Li Soong Yuan, Wang Mou, Fang Cheng-chen and Chen Tze-wu. On June 11 of last year armed bands under the command of Chen Chu-an engaged the peace preservation corps of the government in a stiff battle. After some fighting a platoon of the peace preservation corps deserted and joined the rioters. A company of government troops at Tayi also mutined and joined the rioters.

(2) SHENSI

Brief reports in the government newspapers reveal that there are at least six thousand armed rioters in Shensi province, scattered in more than twenty districts. The strongest of all are the rioters in southern Shensi, who have already established their "guerilla headquarters" at Chungchenchin, Shanyang district. According to statistics available there are 4700 armed rioters overrunning the country side of eight districts (Shanyang, Shanghsien, Jilong, Peicheng, Fenghsien, Yaoyang, Chenan and Lantien with bases at Shanyang and Shanghsien). Under the leadership of Chiang Hsin-yun, a popularly elected government has been established at Tsai Chia Chuan, Shanghsien. On July 29, 1946, the armed rioteres at Kahsui closed in on the city and the magistrate together with his police commissioner took to his heels. On another occasion, the city of Chenan was occupied with the result that the magistrate was dismissed from his post by the Shensi Provincial Government.

In the Kwongchung area from Huayin in the east to Paochi in the west, armed rioters about one thousand strong under the leadership of Wang Tze-wei and Wang Chen-chi are very active in Weilan, Huahsien, Chishan, Fufeng, Lunghsien, Wukang, Fenghsiang and Paochi, engaging from time to time government forces in regular battles. They are said to be divided into small squads and cause a great deal of trouble to government troops by their hit-and-run tactics and suprise raids.

In Lochuan, Puchong, Ichuan, Tungkwang and Ichun, several bands of armed rioters have made their appearance. On August 17, 1946, a band of these men ambushed at Pin Chou Chen, Ichun district Mr. Fu Yun, special political commissioner for the third administrative area. In the middle of August, 1946, a special service boss Wang Yui-hai was taken and shot.

(3) SIKANG

According to a report by Mr. Chou Shih-lin, representative of Sikang residents in Nanking ever since his assumption of the governorship of Sikang in 1926 General Liu Wen-hui has forced the people to plant opium and has exploited the people. On March 5, 1946, people in Yunchen first raised the standard of

revolt against General Liu, who immediately despatched his 24th division to stamp out the riots. After bloody fighting a regiment of the 24th division was wiped out by the rioters, losing more than five hundred men killed and wounded, while the rioters lost more than one thousand men. More than one thousand buildings were burnt to the ground by Liu's troops in revenge. Small-scale fighting between the rioters and Liu's troops broke out from time to time. On December 3, 1946 several thousand refugees at Tienchun were prevented by Liu's men from returning to their homes and fighting ensued. Up to the present, fighting is still going on in Sikang. A non-partisan organization named "Sikang Political Reform Committee" has been set up to lead the people of Sikang in their fight to protect their lives and property.

(4) KWEICHOW

Armed forces of the people in Kweichow were organized early in the couse of the war with Japan. At Cheking, 300 li from Kweiyang, the provincial capital, the people have their own "army." This "army" was originally created to resist the collection of unlawful taxes and miscellaneous levies by the government. Armed rioters on the Kwei chow-Hunan border are well-orgnized and they are reported to be two thousand strong, and well-armed with forty heavy machine guns in addition to rifles and pistols. They had several big battles with government troops in the latter half of September, 1946.

(5) HUNAN

In Pinghsien, Yunhsien and Kweiyang several thousand people have organized themselves into "paupers' corps" under the leadership of former partisan leaders who fought during the Japanese occupation. A good number of the members of these "paupers' corps" are armed with weapons which they seized from the Japs.

Immediately after V-J Day, the big landlords returned to their farm and forced the peasants to sell their land at exceedingly low prices or used usury to squeeze the peasants and take over their land. This, added to requisition by government officials, made the peasants "landless" and "homeless." Riots then broke out to demand relief. Barns were broken open and grain was seized and distributed. The paupers' corps issued a manifesto saying that they prefered rice to money. They bitterly attacked official corruption and ruthless exploitation by the landlords. Although government troops launched several "suppression campaigns" against the peasant rioters, they dared not penetrate into Lung Wong Miao, where the headquarters of the armed peasants is located.

(6) KWANGSI

More than one third of the people in Kwangsi are living on grass or tree barks. Even so, the people had to give out three million shih tan of rice in the form of land tax in kind and rice requisition. This unbearable exploitation together with conscription, drove the people into desperation. Armed riots were reported in Chunhsien, Hsinan, Ishan, Liuchow, Laiping, Chinkiang, Wushian, Luchuan, Papei and Shangsi.

A band of armed rioters at Pinanyu, situated between Hunghsien and Linshan called themselves "Southern Route People Emancipation Army." They were saidto be very friendly to the people. The government has made several fruitless efforts to wipe out this army of the people. According to well-informed sources, this "Southern Route People Emancipation Army," backed by the "Youth Corps" of Fongchen, have beaten back coordinated attacks by the 26th and 14th Armies of the government.

(7) KWANGTUNG

According to a report in November, 1946, by chief of staff Li of the Canton office of Generalissimo Chiang Kai-shek's Headquarters, there were 1000 bandits in Shan River valley, 1200 bandits in East River valley, 500 bandits in North River valley, 1400 bandits in southern Kwangtung and 6000 bandits on Hainan island. Altogehter there were 11,100 armed bandits in Kwangtung province. But the acutal figure must be even larger. Mr. Chang, a reporter on a semi-official newspaper published at Canton revealed, after his return from a tour of inspection on Hainan Island, that there were 15,000 Communist troops on the island after V-J Day. The government sent the 46th Army and a strong force of local peace preservation corps to wipe out the Communists. After more than a year's "suppression campaign," the local residents mixed with the bandits, whose strength has grown to 40,000 men. According to government statistics, present rebels are scattered over 27 districts, occupying 30% of the territory of Kwangtung province.

In the East River Valley, armed rioters have one-third of the upper reaches of the river under their control. Armed peasant organizations are reported to be very active in Hoping and Hoyuan districts. On the night of October 21, 1946, an armed band of 200 men suddenly made their appearance outside the city wall of Hoyuan. A People's government has been established at Kwan Yin Ko and Hunli on the lower reaches of the river, detaining or imposing fines on government and merchant ships which are engaged in smuggling. More than 1500 armed rioters under the command of Teng Wan-tai and Wu Pin have created quite a lot of trouble in Hweiyang and Paio. On November 5, 1946, a small squad of these rioters suddenly showed up at Toohuyu, Hweiyang and fought for more than three hours with the local garrison and police. Many ports and landing places in the East River valley are in the hands of local armed rioters and are closed to government shipping.

In the West River valley and the Pearl River delta, the strength of the armed rioters is much greater than in the East River valley. They are scattered over Chungshan, Kwangling, Canton and Shihzai, but their places of concentration are the small isles and mountains in Monchu, Liuchu and Tapo districts. Their leaders are Chen Chung-yen, Teng Heng, Lin Pai-sheng and Yung Yu-pan and they are armed with a fairly large number of Tommy guns and small trench mortars. Once they captured a government gunboat (s.s. Hai Hsin) and a merchant ship which were engaged in smuggling, and all "suppression campaigns" by government troops were repulsed. These rebels are said to be on very intimate terms with the local populace and the government has encountered extreme difficulty in finding their whereabouts.

An Associated Press story from Canton dated November 11, 1946 stated that on Hainan Island there were more than ten thousand bandits and that overland communications had practically been cut off. The leader of the bandits is Liu Tsao-min, who called himself "commander of the Hainan column," or "Leader of the Democratic Army." Deputy Commander Wei Cheng-fa of the Peace Preservation Corps stated at a press conference last October, that government forces on Hainan Island had fought 157 battles with the Communist bandits, and that 150 highway bridges on the island had been destroyed by the bandits, with the result that traffic was at a standstill. The only highway open to traffic at present is the Haikiu-Wenchang-Kiachi section. Activity of the Hainan government is limited to Haikiu and the government is said to be helpless in five li from the city of Haikiu.

(8) CHEKIANG

Armed rioters are reported to have established their base on Yin Tang mountain on the Chekiang-Fukien border. Mopping-up operations by government troops resulted in indiscriminate massacre and only served to arouse greater bitterness and opposition on the part of the poverty-stricken peasants. On one occasion the magristrate of Pingyang, Cheng Shao-wu, executed more than two hundred people. The armed rioters at Pingyang and Taishun are under the leadership of Cheng Mei-hsien and Tung Lung-yao and have already effected a link with the rioters in Fukien province headed by Chin Kin-pei. They are now carrying on guerilla warfare against government forces.

Of the 76 districts in Chekiang, there is not a single district which has not been troubled with armed bands of rioters. Large number of peasants and fisherman at Taichow, Wenchow and Tinhai, having been driven into desperation by bad government, left their farms and boats and took to "sea-going." According to reports published in the Ta Kung Pao and other papers, the number of armed rioters off the coast of Taichow under the command of Chang Tze-kwan has increased to five thousand strong, with more than one hundred boats of different descriptions. They have raised the slogan "Down with corrupt government officials!"

One thousand armed rioters are active off Wenchow and Taichow and they are well equipped with carbines, heavy and light machine guns, pistols and Tommy guns. In the second half of July of last year, armed mobsters occupied the city of Tinghai and disarmed the guards of the district government. Armed peasants at Chushantao and Taishantao have organized themselves "on the pattern of regular government troops."

In eastern Chekiang (including Shangyu, Yuyao, Fenghwa, Ningpo, Hsinchang and Tsichi, government troops have conducted several "mopping up" operations after the withdrawal of the Communist New Fourth Army. The peasants there suffered beyond descriptions and they took to arms once again. At Yuyao armed peasants under the leadership of Wang Tin-shan shot several village chief in December last. Well-armed bands are reported

to have been discovered in the western surburbs of Ningpo. On July 18, 1946, armed rioters occupied Feng Tsai Shih, on the outskirts of Ningpo and disarmed the police. The same thing has happened at Fenghwa, Hsiaoshan and Hsienchu.

(9) ON THE KIANGSU-CHEKIANG-ANHWEI BORDER

A report in the Peiping Hsin Shun Pao of August 24, 1946, stated that an armed band of 300 strong had been organized by Wang Heu-peng and Tang Shun-lin at Ihsin, Kwangteh and Changteh. Last August the armed rioters wiped out the self-defence corps at Tachinhsiang and Chinchow. Several hundred members of local self-defence corps at Fu Tsai Chen, Ihsin were reported to have joined the guerillas.

(10) TAI HU AREA

Reports published in the Ta Kung Pao, Shun Pao and Wen Wei Pao, stated that they number of "bandits" in the Tai Hu area has increased to 10,000 men well-armed with such modern weapons as bazookas, Tommy Guns and trench mortars. It is said that they have called themselves "United Democratic Army" and their activities have been reported in Soochow, Wusih, Wuchin, Kunshan, Wukiang, Kaihsin, Wuhsin, Changhsin and Ihsin. The rioters have set up their own government at Chishan and Tanshan, both in the district of Wusih. It is said that these armed rioters have done lots of harm by disarming isolated local police squads, cutting off highway transportation and ambushing government transports. On December 5, 1946, more than one thousand outraged peasants in Nanhwei, armed with farm implements set fire to the city gate and smashed local government office buildings in protest against conscription.

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Weekly Quotations

March, 1947 - In C.N.C. dollars

	Unit	10 th Monday	11 st Tuesday	12 nd Wednesday
1)Bonds C (per one share)		10,300	11,600	11;900
2)Wing On Textile	"	3,260	3,130	3;290
3)Mayar Silk	"	7,810	8,590	9,450
4)Standard Shirt	"	900	870	880
5)Chin Foo	"	905	840	850
6)Wing On Company	"	679	781	898
7)Ewo Cotton	"	20,350	20,000	20;500
8)Wheelock	"	65;000	63;000	63;000
9)Rice	Hectoliter	106;000	103;000	103,000
10)Wheat Flour	bag	45;000	45,000	---
11)Yellow beans	50 kgs.	77,000	78;000	---
12)Peanut Oil	"	270,000	265,000	249,000
13)Yarn 20's	bale	---	---	3,270;000
14)Cloth 12 lb.	piece	136;000	140;000	135,000
15)Raw Silk 20/22	picul	8,000;000	8,100,000	8,100,000
16)Coal	ton	1,650;000	1,650;000	1,650;000
17)Matches(Nanking)	case	790,000	790,000	790;000
18)Soap(Koo Ban)	"	210,000	210;000	210,000
19)Cig. (Ruby Queen)	50,000	3,204;000	3,300;000	3,395;000
20)Newsprint	ream	115;000	115;000	115;000
21)Quinine	1000 pills	450,000	450,000	450,000
22)Cement	bale	85,000	85,000	85,000
23)Nail(1 inch)	drum	290,000	280,000	280,000

Continued -

	13 rd Thursday	14 th Friday	15 th Saturday	This Week Average	Last Week Average	Last Week an This Week Average
1)	12,400	9,600	10,500	11;500	8;300	39%
2)	2,990	2;800	2;900	3;062	2;715	13%
3)	9,200	8,280	8,550	8,647	6,083	42%
4)	780	740	670	867	740	17%
5)	750	705	740	798	758	5%
6)	950	805	810	825	538	53%
7)	19,800	18,800	18,800	19,783	18;913	5%
8)	62,000	60,500	60,000	62,250	58,333	7%
9)	110,000	110,000	110,000	107,000	109,667	- 2%
10)	45,000	45,000	45,000	45,000	45,000	---
11)	80,000	79;500	78,000	78,600	76;000	3%
12)	250,000	250,000	250,000	255;667	264,500	- 3%
13)	3,300,000	3,360,000	3,360,000	3,322,500	3,300,000	1%
14)	132,500	144,000	144,000	138,583	144,167	- 4%
15)	7,850,000	---	7,600,000	7,930,000	8,533,333	- 7%
16)	1,650,000	1,450,000	1,450,000	1,583,333	1,700,000	- 7%
17)	790,000	790,000	790,000	790,000	806,667	- 2%
18)	210,000	208,000	205,000	208,333	224,167	- 7%
19)	3,290,000	3,260,000	3,270,000	3,286,500	3,250,833	1%
20)	108,000	100,000	100,000	108,333	120,000	- 9%
21)	450,000	450,000	450,000	450,000	446,667	1%
22)	85,000	85,000	85,000	85,000	85,000	---
23)	280,000	290,000	280,000	283,333	298,333	- 5%

WEEKLY TRANSLATION SERVICE

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Compiled by the Economics Weekly

THE WORLD SITUATION AND CHINA'S POSITION

By Professor Chien Tuan-sheng of
The National Peiping University

Kwan Cha Weekly, Vol. 2, No. 3.

World politics has two conflicting characters. One is the realistic character and the other is the progressive character. The existence of the realistic character is quite apparent. Every big power looks after its own interests. The small nations either become satellites of the big powers or organize themselves into blocs for their own protection. Owing to selfish ends and lack of mutual faith, many measures or programs which obviously would benefit all people concerned, such as universal disarmament and active economic collaboration, cannot be carried out. The majority of the leaders of the various countries are people who came into power by playing politics. They are over-confident of their abilities and allow their objective analysis based on their love for the people, to be overshadowed by their subjective thinking based on their love for the state. This has resulted in the growth of realism in world politics. Even the slightest benefit is often hailed as serving the state or as a "diplomatic victory", in spite of the fact that this benefit is harmful to the cooperation between nations and brings much suffering to others.

But on the other hand, there is no denying the existence of the progressive character in world politics. Worship of realism is incapable of destroying the many-sided progress in international society. The most convincing proof is found in world history of the past one hundred years. Let us begin with the contact between peoples. Ten years ago did they have such close contact as they have at present? No, they did not, not to speak of one hundred years ago. If a comparison is made between the Vienna Conference of 1814 or the General Assembly of the League of Nations before 1938 and the San Francisco Conference of 1945 no one can deny the progress that has been made in cooperation between nations in the world.

Or take the question of sovereignty for example. It is well known that sovereign rights are the very foundation upon which modern states have been built and they have presented a vital obstacle to collaboration between nations. A hundred years ago, sovereignty was taken for granted and nobody dared question it. But during the past thirty or forty years a ceaseless struggle has been conducted against the theory of sovereignty. It is true that this struggle was limited to a group of advanced scholars. But under the United Nations Charter, who can say that the member states of the United Nations Organization still possess full sovereignty? Once you have joined the United Nations Organization, can you prevent others from expressing their opinions? No, it is impossible. Can you quit the United Nations Organization because you cannot stand other's criticism? That is impossible, also. You simply cannot do it unless you are willing to run the risk of being barred from the family of nations.

Why has the family of nations made great strides in spite of the realism in the national policies of the various countries? The answer is that the progress humanity has made in material culture has increased the mutual concern between men and raised their moral standards. Peace and mutual aid have taken the place of war and exclusivism.

Government leaders and those who want to shape the world community must pay equal attention to these two characters in world politics. Realism alone is likely to over-emphasize the selfish ends of individual nations and overlook or even break world peace. On the other hand, blind believers in the progressive character are likely to pay too much attention to ideals and too little attention to the present international disputes and those factors that have brought about these disputes. As a result, these people think nothing of solving these disputes, which in turn present many difficulties to the smooth functioning of the community of nations.

There is no room for doubt that most of the leaders who are running the governments of the various countries are realists, hopeless and inveterate realists. President Truman is a man who has no fixed opinion or faith. Under the pressure of the anti-Soviet group, he has become a one hundred-percent realist. Joseph Stalin is well-known for having been forged in the furnace of realism. Because of the fact that ever since its foundation, the Soviet Union has been threatened by evil forces, Stalin is inclined to exaggerate the anti-Soviet forces in the United States and Great Britain and to under-estimate the progressive character of world politics and the weaknesses of the anti-Soviet camp. Prime Minister Attleee ought to possess both ideals and experience to enable him not be be realist-inclined. But unfortunately, the British Empire has a long-established tradition of imperialism in foreign policy. Theoretically, Attlee may abandon imperialism, but in actual practice the Labor Government is making use of the traditional system to preserve the empire. Attlee, too, paid too much attention to realism. Only Franklin D. Roosevelt and Cordell Hull can be said to have paid equal attention to these two characters in world politics. It is a great misfortune for the world that there are no more Roosevelts or Hulls in our time.

But realism on the part of the government authorities of the leading powers, and the sharp controversies that have broken out between nations during the past year, can only retard temporarily the progress of international society. They cannot block it forever. On the contrary, the increasing need for cooperation between nations has successfully relieved the tension.

A careful analysis of the international disputes that have occurred during the past two years will reveal that the basic causes for these disputes were: the Soviet Union sought to increase her own strength to enable her to safeguard her absolute security, Great Britain strove to maintain her leadership in the world as well as in Europe, the

United States sought to safeguard world peace and to prevent herself from getting involved in another world war. It may be said with fairness and justice that the three of them are right. The only trouble was that each of them paid too much attention to its own demands and refused to take those of others into sympathetic consideration. Thus we witnessed the Polish issue, the Balkan problem, the struggle in Central and Eastern Europe and the Soviet-American tug-of-war in northeastern Asia.

Let us take the Polish issue to emphasize the harm that has been caused by standing firm on one's own demands and mistrusting others. Before the war, bad faith on the part of the Polish Government had cost the Soviet Union dearly. Before the authority of the United Nations has been built up, it is absolutely right that the Soviet Union should want Poland to be her trusted Ally. But unfortunately, London even during the war entertained apprehensions regarding the Soviet Union. The situation was more complicated by the fact that the exiled Polish Government in London was distinctly anti-Soviet. Great Britain was therefore fully resolved to dispute the leadership and domination over Poland with the Soviet Union. Washington might have done well in offering to mediate between London and Moscow in the Polish issue. But swayed by inside pressure, the United States government took the side of Great Britain against the Soviet-Union. Henceforward, Uncle Sam has been unable to extricate himself from the political struggle in eastern Europe. Thus the line-up in world politics became well-defined; the United States and Great Britain stood side by side facing the Soviet Union on the other side of the fence. If London and Washington had displayed greater vision and statesmanship in the Polish and other issues, the present hostility between the two countries and the Soviet Union might have been prevented.

I don't mean to say that blame for deterioration in the situation rests with London and Washington alone. The Soviet Union too, believed only in herself andrefused to trust others. We may take the Americans at their word that the United States does not want another world war, in spite of the fact that a small number of army men and die-hard elements want to control all mandated islands of the League of Nations in the Pacific. The Soviet Union must be equally aware that this handful of army men and die-hards have very little hope of having their way. Then, why should the Soviet Union take such precautions as if anticipating that the United States was shortly going to lead a new crusade armed with atomic bombs and giant planes against the Soviet Union?

The difficult position of the United Kingdon and the difficulty she has encountered in reconciling her passion and her reason deserves world sympathy. Reason urges the United Kingdom to give up the Empire and her traditional policy in Europe. But passion, forbids her to cast aside her long-established leadership and privileged position. Given plenty of time and economic aid so that she may be ascured that she will not lose face or be starved out the United Kingdom is sure to become a peaceful element in the

coming new world. Such being the case, the Churchills will not be able to do any harm at all. The Soviet Union courted trouble by concentrating her energy on attacking Churchill as though the Tory leader represented the United Kingdom, instead of discussing with British advanced and progressive elements some practical formuls for reconciling the differences between their two countries. In fact, in doing so, the Soviet Union is simply pouring oil on the fire.

Judging from what has been said in the above, it is quite clear that the disputes between the Soviet Union and the American-British bloc are attributed not so much to any real conflict of interests, as to a lack of faith in each other. Their relations cannot possibly deteriorate to such an extent as to lead to war. Even armed peace of long duration is impossible. It is known to all that the United Kingdom must drastically cut down her military expenditures and push forward her post-war economic reconstruction. The present military strength of the Soviet Union is a mystery. But I can say with some authority that it must be much lower than her war-time strength. If her five-year plan is to be carried out with success, the soviet Union must reduce her armament and obtain loans from Great Britain or the United States. Although the United States is relatively self-contained, she too feels the necessity for reducing military expenditures and increasing the production of consumers goods and capital goods. What evidence is there that the American people want to prepare for war?

These facts tend to show that the tension between the Big Three will ease in the future. The United Kingdom and France are likely to mediate between the Russian Bear and the American Eagle. There may be more bickering and disputes in the future, but they will not affect the general trend.

If the above-stated view-point is correct, China's future foreign policy must be guided by it.

The action of the Chinese government during the past one or two years has been based on the theory that the United States and the Soviet Union are sure to engage in sharp struggles or even war. Not only government leaders and pro-government circles, but also people outside of the government held this view. Those who thought so are not necessarily pro-American, nor are they by any means pro-Soviet.

The prejudices of these people are useless when the present situation indicates that the United States and the Soviet Union are not heading for war. The only result would be to reduce the friendship between the Soviet Union and this country.

Even if the United States and the Soviet Union should intensify their struggle, we still have no reason to back either side. Instead, our first job should be to offer our mediation and bring about understanding and cooperation between them. Should our mediation prove fruitless, we

should study the merits of the case and take the side of righteousness and justice. Can we say that the United States was always right and the Soviet Union always wrong in their disputes in the past?

We should hate power politics, be it American or Soviet. How is it that some people hail American power politics and condemn Soviet power politics? We should stand for independence or real trusteeship for colonial peoples. Why did we tolerate and even support American and British proposals which ran counter to the above principle, and oppose the reasonable and right proposals of the Soviet Union? To sum up, the policies of our government during the past two years were guided by partisan strife and not by conscience.

Our disregard for the rights or wrongs might be forgiven if we really did so in the interest of our country. But is our backing up the United States against the Soviet Union really for the good of the Fatherland?

It is a fact that relations between this country and the Soviet Union are anything but satisfactory. The causes for this are: 1. We have our internal problem in the struggle between the Kuomintang and the Communists, 2. There are some non-Chinese, non-Russian national minorities between these two countries, 3. The Soviet Union wants to enjoy certain rights in Manchuria which csarist Russia had extorted the Manchu Court.

The Chinese Communists are friendly toward the Soviet Union. As the Kuomintang is fighting the Communists, the theory follows that the Kuomintang must be anti-Soviet. The existence of Communist-Kuomintang strife should not prejudice China's attitude towards the Soviet Union. We can say only that if China should want to be friendly toward the Soviet Union, she must first arrange for a settlement of the dispute between her two major parties.

During the last thirty years, the progressive policy of the Soviet Government in dealing with national minorities presents a striking contrast to our policy in this respect. The result has been that the Outer Mongolians proclaimed her independence of the Chinese Republic, and troubles have been reported in Sinkiang province. The fundamental cure for the situation lies in the execution of a reasonable policy in dealing with the national minorities, not in being pro or anti-Soviet.

Expansion by Czarist Russia in north Manchuria was out-and-out imperialism, which should not be tolerated by modern international law or international morals. What Czarist Russia did should not be repeated by Soviet Russia. Soviet Russia demonstrated her progressives by abolishing the unequal treaties in 1924, while her demands at Yalta mark her falling back. But since we have signed the Sino-Soviet Treaty of Friendship of 1945, we must either abide by the treaty, or express the hope that the Soviet Union will voluntarily revise the treaty and turn back our ports.

The above analysis indicates that there is no Soviet attempt to threaten the security of this country. There is not even any important dispute.

Even if it is necessary to be anti-Soviet, any person with a sense of responsibility must think carefully whether we have the necessary capital for playing the game. To fight a difficult country requires not only ground for complaint but also capital. Even if there was no civil war in China, who dares to believe that our army can match the Soviet army?

Some may argue that in spite of our inability we can count on the United States to win the war. But if war should break out, China will be the first to suffer. Chinese territory will be the principal battlefield, her farms and buildings will be destroyed and her people used as cannon-fodder.

In conclusion, what I have driven at is as follows:

1. In view of the present developments in world politics, it is impossible for us to regard either the United States or the Soviet Union as our enemy.

2. Judging from the merits of past cases, we have no reason to back one side against the other.

3. Our national interests do not warrant or justify our joining the United States against the Soviet Union.

* * * *

ECONOMIC BACKGROUND TO UPRISINGS IN TAIWAN

The Economic Newsletter, Vol. 2, No. 9

The uprisings in Taiwan on February 28, which have attracted much public attention not only in China, but throughout the entire world, are the result of the "achievements" of our government after one and a half years' rule. Under Japanese control, this well-known granary of the Far East was a land rich in agricultural products. The Taiwanese, much as they suffered under the Japanese yoke, still enjoyed a life of relative stability. Few imagined that as a result of their return to the fold of China, they would be driven into desperation by the corrupt and despotic Chinese government, and forced to resort to armed uprisings.

The immediate cause of these uprisings was the banning of cigarette hawkers, and the shooting to death of two hawkers by the Trade Monopoly Bureau of the government.

The remote cause, however, was the economic regimentation policy of the Taiwan government. This policy deprived the Taiwanese of their means of making a living.

Monopoly by bureaucratic capital

The economic policies which the Japanese had adopted in developing Taiwan were characterized by colonial expolitation and ruthless regimentation and control. The Japanese used the Monopoly Bureau and the monopoly system to control the economic life on the island, and thus reduced the natives to poverty. The Taiwanese were forced to become hired labor for Japanese industry and were compelled to depend on the operation of Japanese factories for their daily bread. They were also told that only through the Monopoly Bureau could they obtain the daily necessities.

After the take-over of Taiwan by the Chinese Government, General Chen Yi, the Governor-General, followed in the footsteps of the Japanese. More than that, he made the situation much more intolrable for the natives. In addition to the Monopoly Bureau, General Chen created a so-called Trade Bureau. The division of work between these two organs gives the former the exclusive right to handle the purchase and sale of tobacco, wines, matches and other daily necessities in Taiwan, while the latter is entrusted with the import and export trade of Taiwan. These two bureaus monopolized the entire business activity on the island and held the natives at their mercy.

In coordination with the Monopoly Bureau and the Trade Bureau, there are twenty-two companies under the management of the so-called Industrial and Mining Administration of the Government, and the Commission on Government-Operated Enterprises. This includes all the factories and mills that the Chinese have taken over. This economic network bound the natives hand and foot.

Governor-General Chen Yi has his own inner cabinet. The most prominent figures in this inner circle are Commissioner of Finance, Yen Kia-chi, and Director of Industry and Mining, Pao Kao-yung. When Yen first came to Taiwan he was appointed director of the Communication Bureau. Under Japanese rule

2 Taiwan "go" equal 1 Japanese "go"
10 go equal nearly 1.2 KIN [1 KIN = 1.32277 lbs.]
Yami price for 1 KIN (5/16/47) is 40 yen — Official price today is 23.9 2nd grade and 22.9 POL 1346

Economic Background

the railway administration in Taiwan made a great deal of money, and the monthly profit amounted to $30,000,000 (Taiwanese currency). But under Yen's administration the railway lost money each month. Then Yen was transferred to the post of Commissioner of Finance and concurrently president of the board of directors of the Taiwan Bank. Thus, in his hands was concentrated the direction of the financial and economic affairs of Taiwan.

8/15/45 official 1 KIN = about 10 SEN — Yami 3-4 Yen (about 80% of needs came from nation. 20% Yami

The former director of the monopoly bureau, Mr. Jen Wei-chun, did not belong to the inner circle of Chen Yi. Knowing perfectly well that the Monopoly Bureau is a "fat" post, Yen and Pao had long wanted to get rid of Jen Wei-chun, or at least deprive the Monopoly Bureau of part of its authority, by making the four companies under it independent organizations. Suddenly an opportunity presented itself. Director Jen of the Monopoly Bureau was charged with corruption and was fired. Availing himself of this opportunity, Pao placed one of his own men at the head of the monopoly bureau. Since then the inner circle has been able to extend its control over all economic and financial affairs in Taiwan.

10/1/45 when Chiang came some at about 8/15

Civil war causes economic crisis in Taiwan

Intensification of the economic crisis in China has had its effect on Taiwan in the form of rice shortages and resulting starvation. Since Taiwan was called the granary of the Japanese, it may sound ridiculous to say that the inhabitants of this granary now face starvation. At the beginning of February, rice prices advanced from $14 to $20 (Taiwanese currency) per catty. In spite of high prices people still could buy rice if they could afford it. A couple of days later, rice jumped to $30 per catty. The government came out with its price control plan, fixing the price ceiling at $23 per catty. As a result rice suddenly disappeared from the open market, and people were forced to do business in the black market. Rice was quoted at $40 per catty in the black market, and it was extremely difficult to find even at this exorbitant price.

KIN

In Taiwan

Under such circumstances, the majority of the populace and civil servants were forced to eat miscellaneous grains. The government attributed this situation to smuggling and to manipulation and hoarding by unscrupulous merchants. But this explanation was just self-deception. It is well known that more than seventy per cent of the land in Taiwan is public land, and the government is the biggest landlord and rice-hoarder. Can the government authorities name any private landlords and rice-hoarders of consequense? As for smuggling, the blame also lies with the government, since Taiwan is an island, and smuggling needs shipping. All vessels above 20 tons are controlled by the shipping company of the government. Where can the smugglers get ships, if not from the provincial shipping company?

Rice crops are June-July and Nov.-Dec. [one month later earlier]

According to figures made public by the provincial food bureau, Taiwans rice yield for 1946 was 6,400,000 Japanese piculs, and the home consumption of the people of Taiwan was 5,000,000 Japanese piculs. In other words, there was a surplus of 1,400,000 Japanese piculs. Besides, the government had collected large quantities of rice in the form of tax in kind. Where has this rice gone?

~~100.7989 KIN~~ is 100 KIN
60.4 KILO 100.7989 KIN

1947 ~~1,400,000~~ 1,400,000 piculs

Well-informed circles reveal that much of rice has been shipped to northern Kiangsu and North China for military consumption. It is civil war that has caused starvation in Taiwan.

Following the sharp rise in gold prices in Shanghai, the money market in Taiwan also witnessed violent fluctuations. Gold, Hongkong dollar notes and United States currency notes advanced by leaps and bounds, whereas the local Taiwan currency fell heavily in terms of Chinese national currency. Commodity prices likewise increased, ranging between 100 and 200 per cent

Emergency measures for Taiwan

In view of the seriousness of the situation, the authorities promulgated a series of emergency measures prohibiting the sale or purchase of gold and foreign currencies by private shops and individuals, and the Taiwan Bank was entrusted with dealings in gold and foreign currencies at fixed rates. The purchasing price for gold was fixed at $11,500(Taiwanese currency) per ounce. However, this failed to hold down gold prices, which jumped from $40,000 to $60,000 per ounce in the black market.

Then the government for the second time within a week promulgated another set of "emergency" measures as follows:

1. All banks must call back twenty per cent of their commercial loans within five days after receipt of the government order.
2. Government-operated enterprises shall be restricted in drawing bank deposits in order to prevent them from hoarding materials and thus boosting prices.
3. The exchange rate of the Taiwan currency in relation to the Chinese national currency shall be raised.
4. All government-operated enterprises shall be ordered to sell their finished products.
5. No government-operated enterprises shall increase their rates or prices during the period between February 15 and March 31.
6. Exports and imports shall be restricted.

Immediately after the announcement of these "emergency" measures, came a run on the banks, with the result that several banks were on the verge of closing down because of their inability to meet withdrawal demands by their depositors. Export trade was paralyzed, with ships lying idle in the port.

The Taiwanese often complain, saying "the Americans were too kind to the Japanese and dropped only two atomic bombs on Japan. But they were too cruel to us Taiwanese in sending corrupt Chinese officials to Taiwan." From this one can obtain a fairly good idea of what the Taiwanese think of the Kuomintang officials.

Such being the case, is it any wonder that the natives of Taiwan should have resorted to uprisings?

* * *

INDUSTRY AND MINING IN TAIWAN

By Pao Kao-yung
Ta Kung Pao, March 17, 1947

Ever since it fell into the hands of the Japanese, Taiwan has been considered as a colony of the Japanese Empire and its industrial development has been modelled on the pattern of colonial economy. In other words, Taiwan is predominately an agricultural country, which exported its raw materials to Japan to be made into manufactured or finished goods in exchange for clothing, daily necessities and other goods. The fertilizers required for the cultivation of land in Taiwan was supplied by the Japanese. The Japanese government and Japanese capitalists monopolized Taiwan's raw materials and markets and exploited the cheap labor in Taiwan to build up their rule over the island.

In spite of the fact that the Japanese adopted an "industrial Japan" and "agricultural Taiwan" policy, some industries were founded in Taiwan to meet the needs of the situation. For instance, the baking of tea leaves, the manufacturing of sugar and the canning of fruits have to be done on the spot. Therefore the Japanese were compelled to establish sugar manufacturing factories, tea factories and canned food factories in Taiwan. Even so, the manufacturing of refined sugar was done in Japan. The reason is said to be that the Japs did not want the natives to learn modern technique and efficiency.

Geographically and materially, Taiwan might have been an economically-developed country. A few years before the outbreak of the Pacific War, the Japanese Government fully realized the advantages of the island and decided to transform it into an advance base in her southward expansion movement. For this purpose the Japanese Government planned to construct harbors at Kaoshun and Hsinkao, and established the so-called Taiwan Development Corporation. A plan was also formulated for effecting electrification of the whole island by building a powerful bydroelectrical station at Ziyutang.

After Pearl Harbour, Taiwan became more important than ever before, serving as a giant aircraft carrier for the Japs. The Japs had build more than two hundred airfields on the island. An oil refinery plant was built not far from the Kaoshun naval base, with an annual output of 100,000,000 gallons of gasoline. Airplane factories were also constructed on the island to turn out airplane parts, and iron and steel works sprang up with astounding rapidity.

Air raids by Allied planes did great damage to industrial plants in Taiwan. The following table gives us a fairly good idea of the industrial production during and after the war.

Items	Peak monthly output in war years	Output for August 1945 after Japanese surrender
Coal	240,000 tons	13,500 tons
Electricity	320,000 kilowatts	40,000 kilowatts
Pig iron & steel	2,000 tons	zero
Aluminum	1,200 tons	zero
Copper	400 tons	zero
Gasoline	4,100	100
Cement	25,300 tons	3,900 tons
Caustic soda	580 tons	zero
Chemical fertilizer	3,000 tons	180 tons
Paper	1,540 tons	15 tons

Sugar manufacturing used to be the biggest industry in Taiwan. Before the war there was a total of forty sugar-making factories in Taiwan with a combined annual output of more than one million tons of sugar. But with the exception of al cohol, the by-products of the sugar-making industry did not help the cause of war very much. In the last several years, the Japanese limited the acreage of sugar-cane planting and encouraged the planting of cereals for war consumption.

After V-J Day, the Chinese took over from the Japs all the sugar manufacturing factories, and lost no time in resuming production. In March, 1946, the output of sugar amounted to only 86,000 tons, but it is expected that 300,000 tons of sugar may be manufactured in the winter of this year.

In spite of the fact that the Japanese took advantage of their industrial development to exploit the natives of Tiawan during the past fifty years, it has to be admitted that they did a very good job. They had their own long-range plans and very efficient coordination between the different branches of industry on the island.

After the collapse of Japanese rule, industry in Taiwan was in a deplorable state of chaos and confusion. As a result of the prolonged Allied blockade, Taiwan was terribly short of raw materials, and all manufactured or finished goods had been taken away by the Japanese army. When the Chinese Government stepped in and took over, only factory premises and machinery were left behind, and no funds were available to resume operation.

Another difficulty encountered by the Chinese after take-over was the acute shortage of technicians. Under Japanese rule almost all the engineers and technicians on the islands were Japanese, and no native of Taiwan was allowed to take part in the more responsible work in any branch of industry. When the Japanese technicians were repatriated, there were not enough trained experts to run the factories.

However, some progress has already been made notwithstanding the many difficulties stated above. Some revival in industry has been noticed since the Chinese take-over, as evidenced by the following statistical data:

Items	Output for November, 1946
Coal	100,000 tons
Electricity	143,000 kilowatts
Pig iron & steel	240 tons
Aluminum	22 tons
Copper	73 tons
Gasoline	260 tons
Cement	12,000 tons
Caustic soda	200 tons
Chemical fertilizers	890 tons
Paper	260 tons

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DECLINE OF COMMUNIST MILITARY STRENGTH

- - - -

With the capture of Yenan by Government forces, the CENTRAL DAILY NEWS editoralizes today, the morale of the Communist troops has attained its low ebb. In north Shensi, the Communists attempt to mass their scattered units for further counter-attacks has proved futile. And as a result of the same spiritual blow, their guerrilla warfare in Shantung aimed at disrupting communications and weakening the government troops has also turned out a failure.

If the Chinese Communist Party still wishes to preserve its political life at all, the paper warns, it will have to lay down its arms and accept the constitution immediately. And as a peaceful, legal and democratic political party, it should come back to its mother country, participate in productive reconstruction and re-build its class foundation for the interests of the laborers.--END

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ORGANIC LAWS OF THE FIVE YUAN

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The following are the Organic Laws of the Five Yuansas were promulgated by the National Government on March 31, 1947:

THE ORGANIC LAW OF THE EXECUTIVE YUAN

Article 1. -- This Law is legislated in accordance with Article 61 of the Constitution.

Article 2. -- The Executive Yuan shall exercise the powers authorized by the Constitution.

Article 3. -- The Executive Yuan shall establish the following Ministries and Commissions:

(1) The Ministry of Interior;

(2) The Ministry of Foreign Affairs;

(3) The Ministry of National Defense;

(4) The Ministry of Finance;

(5) The Ministry of Education;

(6) The Ministry of Justice;

(7) The Ministry of Agriculture and Forestry;

(8) The Ministry of Industry and Commerce;

(9) The Ministry of Communications;

(10) The Ministry of Posts and Tele-Communication;

(11) The Ministry of Labor;

(12) The Ministry of Water Conservancy;

(13) The Ministry of Land Administration;

(14) The Ministry of Health;

(15) The National Resources Commission;

(16) The Mongolian and Tibetan Affairs Commission;

(17) The Overseas Chinese Affairs Commission.

The organization of the respective Ministries and Commissions shall be determined by law.

Article 4. -- The heads of all the Ministries and Commissions of the Executive Yuan shall be Ministers of State. In addition, from five to seven Ministers of State without Portfolio shall be in the Executive Yuan.

Article 5. -- The Executive Yuan may, upon decisions by the Executive Yuan Council and the Legislative Yuan, establish, abolish and combine the Ministries and Commissions or its other subordinate organs.

Article 6. -- The President of the Executive Yuan shall have general charge of the affairs of the whole Yuan and supervision over its subordinate organs. In case the President should be unable to attend office due to any cause, the Vice-President of the Yuan shall act in his place.

Article 7. -- At the meetings of the Executive Yuan Council, officials concerned may be invited to be present to present their opinions.

Article 8. -- In the Executive Yuan there shall be a Secretary-General of special rank and a Deputy Secretary-General of selected rank, The Secretary-General shall, under the direction of the President of the Yuan, administer the Yuan affairs and and direct and supervise the subordinate officials. The Deputy Secretary-General shall, under the direction of the President, assist the Secretary-General in administering the Yuan affairs. The Secretary-General and the Deputy Secretary-General shall be present at the meetings of the Executive Yuan Council.

Article 9. -- In the Executive Yuan, a Secretariat shall be established to attend to the following matters:

(1) Keeping records of meetings;

(2) Sending, receiving and safe-keeping of correspondence and documents;

(3) Distributing, drafting and compiling of correspondence and documents;

(4) Keeping official seals;

(5) Attending to receipts and expenditures, and general affairs.

Article 10. -- In the Secretariat there shall be: from 14 to 20 secretaries, of whom 10 shall be of selected rank and the rest of recommended rank; from 10 to 20 section chiefs of recommended rank; from 40 to 50 section members of designated rank, but 20 of these may be of recommeded rank; and from 30 to 40 clerks of designated rank. In addition, there may be from 30 to 40 employees.

Article 11. -- In the Executive Yuan there shall be from eight to 12 counsellors of selected rank who shall attend to the following matters:

(1) Drafting bills and decrees;

(2) Examining administrative rules and regulations;

(3) Examining administrative programs and work reports of subordinate organ.

(4) Making investigations;

(5) Planning, compiling and translating.

To assist the counsellors in attending to the matters mentioned in the preceding sections, there shall be from 10 to 12 editors of recommended rank and from 10 to 20 clerks of designated rank. In addition, there may be from 15 to 25 employees.

Article 12. -- In the Executive Yuan an Appeal Examination Committee shall be formed to handle cases of appeal. Members of the Committee are to be designated from among the Yuan members of selected rank by the President of the Yuan.

Article 13. -- In the Executive Yuan, various committees may be formed to attend to specially assigned matters.

Article 14. -- In the Executive Yuan there shall be an accounting department, an statistics office and a personnel office to attend to annual budgets and accounts, statistics, and personnel affairs, respectively, in accordance with law.

In the accounting department there shall be: an accountant-general of selected rank; four section chiefs of recommended rank; from 20 to 30 section members of designated rank, but eight of these may be of recommended rank; and from 15 to 25 clerks of designated rank. In addition, there may be from 6 to 10 employees.

In the statistics office there shall be: a director of recommended rank; two or three section members and three or four assistants of designated rank. In addition, there may be two or three employees.

In the personnel office, there shall be a director of recommended rank; from six to nine section members and from three to six assistants of designated rank. In addition, there may be one or two employees.

Article 15. -- Rules and administrative regulations of the Executive Yuan Council shall be prescribed by the Executive Yuan.

Article 16. -- The date for the enforcement of this Law shall be determined by decree.

THE ORGANIC LAW OF THE LEGISLATIVE YUAN

Article 1. -- This Law is legislated in accordance with Article 76 of the Constitution.

Article 2. -- The Legislative Yuan shall exercise the powers authorized by the Constitution.

Article 3. -- In the Legislative Yuan, there shall be the following committees:

1. Internal Affairs Committee;
2. Foreign Affairs Committee;
3. National Defense Committee;
4. Economic Affairs Committee;
5. Finance Committee;
6. Budget Committee;
7. Education and Cultural Committee;
8. Agricultural and Forestry Committee;
9. Communications Committee;
10. Social Affairs Committee;
11. Land Administration Committee;
12. Frontier Affairs Committee;
13. Overseas Chinese Affairs Committee;
14. Civil Laws Committee;
15. Criminal Laws Committee;
16. Commercial Laws Committee;
17. Judicial System Committee;

When necessary additional committees may be formed in the Legislative Yuan [illegible]

Article 4. -- Members of the various committees of the Legislative Yuan shall be from among members of the Legislative Yuan.

Article 5. -- Each of the committees of the Legislative Yuan shall have a chairman, to be elected by and from members of the committees.

Article 6. -- The organization of the committees shall be determined by law.

Article 7. -- Any proposal submitted to the Legislative Yuan in accordance with the provisions of the Constitution may, pending resolution thereupon, be amended or withdrawn by the submitting organ.

Article 8. -- No Legislative Yuan meeting shall be held unless attended by one-third of the membership of the Yuan.

Article.9. -- Legislative Yuan meetings shall be presided over by the President of the Yuan.

Article 10. -- Resolutions at meetings of the Legislative Yuan, except as otherwise stipulated in the Constitution, shall be adopted with the consent of more than one-half of the members present. But in case of a tie, the President of the Yuan is to make the final decision.

Article 11. -- No member of the Legislative Yuan may move to oppose any resolution adopted in his absence.

Article 12. -- No member of the Legislative Yuan shall be permitted to vote on matters relating to his own person.

Article 13. -- Any proposal to be raised at meetings of the Legislative Yuan must have the joint-signature of at least 30 members.

Article 14. -- Legislative Yuan meetings shall be held in open sessions. But when proposed by the President or more than one tenth of the attending members, secret sessions may be convened. The President of the Executive Yuan may also request holding of a secret session.

Article 15. -- Order at meetings of the Legislative Yuan shall be maintained by the chairman of such meeting. In case any act by any member of the Legislative Yuan violates or obstructs the order of the meeting, the chairman may restrain the said member or stop him from making further speeches. Punishment shall be meted out to offenders in more serious cases. The proposal for such punishment shall be deliberated upon by a disciplinary committee, formed by the chairman of the 17 committees and shall be submitted to a Legislative Yuan meeting for final decision.

Article 16. -- The President of the Legislative Yuan shall have general charge of the affairs of the whole Yuan and supervision over its subordinate organs. In case the President of the Legislative Yuan should be unable to attend office due to any cause, the Vice-President shall act in his place.

Article 17. -- In the Legislative Yuan, there shall be a Secretary-General, to be selected from among persons other than members of the Yuan with the approval of a Yuan meeting and appointed by the National Government. The Secretary-General shall, under the direction of the President of the Legislative Yuan, administer the Yuan affairs and direct and supervise the [illegible] subordinate officials.

Article 18. -- In the Legislative Yuan a Secretarist and an editorial department shall be formed.

Article 19. -- The Secretariat shall attend to the following matters:

1. Fixing of agenda for Yuan meetings;

2. Keeping records of Yuan meetings;

3. Sending, receiving and safe-keeping of correspondence and documents;

4. Distributing, drafting and compiling of correspondence and documents;

5. Keeping official seals;

6. Attending to receipts and expenditures and general affairs.

Article 20. -- In the Secretariat, there shall be: from 10 to 15 secretaries, of whom eight shall be of selected rank and the rest, of recommended rank; from four to eight section chiefs of recommended rank; from 20 to 30 section members of designated rank, of which from 10 to 15 may be of recommended rank; a chief stenographer of recommended rank, from four to eight stenographers of designated rank; and from 30 to 40 clerks of designated rank. In addition, there may be from 20 to 30 employees.

Article 21. -- The editorial department shall attend to the following matters:

1. Drafting of laws,

2. Editing and publication of regulations of the State,

3. Translation of foreign laws,

4. Gathering of legislative materials for reference,

5. Editing of special documents.

Article 22. -- In the editorial department, there shall be a director of selected rank; from 15 to 20 technical experts of selected rank; from six to eight copy-readers of selected rank; from six to eight editors of recommended rank; from 10 to 12 section members of designated rank, but six to 10 may be of recommended rank. In addition, there may be from five to 10 employees.

Article 24. -- In the Legislative Yuan, there shall be an accounting department, a statistics office and a personnel office to attend to annual budgets and accounts, statistics, and personnel affairs, respectively, in accordance with law. In the accounting department there shall be; an accounting-general of selected rank; from two to four section chiefs of recommended rank; and from four to eight section members of designated rank. In addition, there may be from 6 to 10 employees.

In the Statistics office, there shall be: a director of recommended rank and from two to four section members. In addition, there may be from four to six employees.

In the personnel office, there shall be a director of recommended rank, and from three to six section members and from two to four assistants of designated rank. In addition, there may be one or two employees.

Article 25. -- The Legislative Yuan may have from 16 to 24 commissioners.

Article 26. -- Rules and administrative regulations of the Legislative Yuan meetings and the various departments shall be prescribed by the Legislative Yuan.

Article 27. -- The date for the enforcement of the Laws shall be determined by decree.

THE ORGANIC LAW OF THE JUDICIAL YUAN

Article 1. -- This Law is legislated in accordance with Article 82 of the Constitution.

Article 2. -- The Judicial Yuan shall exercise the powers authorized by the Constitution.

Article 3. -- In the Judicial Yuan, there shall be a Council of Grand Judges to be composed of nine members and to exercise the functions of interpreting the Constitution and unifying the definition of law and ordinances.

The said council of Grand Judges shall have the President of the Judicial Yuan as its chairman. The qualifications of Grand Judges shall be prescribed separately by law.

Article 4. -- In the Judicial Yuan, there shall be a Civil Court, a Criminal Court, an Administrative Court, and a Commission for the Disciplinary Punishment of Public Functionaries. The organization of the said Commission and Law Courts shall be determined separately by law.

Article 5. -- No Judge or Grand ... Judge shall participate in any political party meetings or activities.

Article 6. -- The President of the Judicial Yuan shall have general charge of the affairs of the whole Yuan, and have supervision over its subordinate organs.

In case the President of the Judicial Yuan should be unable to attend to office due to any cause, the Vice-President shall act in his place.

Article 7. -- The term of office of the President and the Vice-President of the Judicial Yuan shall be six years.

Article 8. -- The Judicial Yuan there shall be a Secretary-General of special rank, under the direction of the President of the Judicial Yuan. The Secretary-General shall administer the affairs of the whole Yuan, and supervise the subordinate officials.

Article 9. -- In the Judicial Yuan a secretariat shall be formed to attend to the following matters :

(1) Keeping records of meetings;

(2) Sending, receiving and safe-keeping of correspondence and documents;

(3) Distributing, drafting and compiling correspondence and documents;

(4) Keeping of official seals;

(5) Attending to receipt and expenditure and general affairs.

Article 10. -- In the secretariat, there shall be from 8 to 13 secretaries, of whom six shall be of selected rank and the rest, of recommended rank; from three to six section chiefs of recommended rank; from 30 to 50 section members of designated rank, of whom 15 may be of recommended rank; three stenographers of designated rank; and from 25 to 35 clerks of designated rank. In addition, there may be from 25 to 35 employees.

Article 11. -- In the Judicial Yuan, there shall be from six to eight counsellors of selected rank to draft and supervise bills and decrees.

Article 12. -- In the Judicial Yuan, there shall be an accounting department, a statistics office and a personnel office to attend to annual budgets and accounts, statistics and personnel affairs respectively, in accordance with law. In the accounting department, there shall be an Accountant-General of selected rank. The offices of statistics and personnel each shall have a director of recommended rank. Other officials shall be decided, by the President of the Yuan, together with the organs concerned, from among the personnel quota provided by Article 10 of this law.

Article 13. -- Rules of meetings and administrative regulations of the Judicial Yuan shall be prescribed by the Yuan.

Article 14. -- The date for the enforcement of this Law shall be determined by decree.

THE ORGANIC LAW OF THE EXAMINATION YUAN

Article 1. -- This Law is legislated in accordance with Article 89 of the Constitution.

Article 2. -- The Examination Yuan shall exercise the powers authorized by the Consitution.

Article 3. -- The Examination Yuan Council, to be composed of the President and the Vice-President of the Yuan and the Examination Members, shall have overall charge of matters pertaining to examinations. The said Council shall have the President of the Yuan as its chairman.

Article 4. -- In the Examination Yuan, there shall be the Ministry of Personnel Registration and the Department of Civil Service Examinations.

Article 5. -- The Ministry of Personnel Registration shall attend to the following matters:

(1) Registration of public functionaries;

(2) Registration and classification of successful candidates;

(3) Checking and registration of work records of public functionaries;

(4) Appointment and discharge of public functionaries;

(5) Promotion, demotion and transfer of public functionaries, and determining of their qualifications for proper ranking;

(6) Determining and registration of salaries and commendations of public functionaries;

(7) Protection, compensation and retirement of, and enforcement of pension system, for public functionaties; and

(8) Supervision over the personnel offices of various government organs.

Article 6. -- The Department of Civil Service Examinations shall attend to the following matters:

(1) Conducting of examinations for public functionaries;

(2) Conducting of examinations for specialists, professionals and technicians;

(3) Organization of examination committees;

(4) Reporting and classification of successful candidates;

(5) Other matters relating to the conducting of examinations;

Article 7. -- The organization of the Ministry of Personnel Registration and the Department of Civil Service Examinations shall be prescribed separately by law.

Article 8. -- The President of the Examination Yuan shall have general charge of the affairs of the whole Yuan and have supervision over its subordinate organs. In Case the President of the Examination Yuan should become unable to attend to office due to any cause, the Vice-President shall act in his place.

Article 9. -- The term of office of the President and the Vice-President of the Examination Yuan shall be six years.

Article 10. -- In the Examination Yuan, there shall be a Secretary-General of special rank who shall, under the direction of the President of the Yuan, administer the Yuan affairs and direct and supervise the subordinate officials.

Article 11. -- In the Examination Yuan a secretariat shall be formed to attend to the following matters:

(1) Keeping records of meetings;

(2) Sending, receiving and safe-keeping of correspondence and documents;

(3) Distributing, drafting and compiling of correspondence and document;

(4) Keeping of official seals in charge;

(5) Attending to receipt and expenditure and general affairs.

Article 12. -- The secretariat shall have: from 4 to 12 secretaries, of whom 6 shall be of selected rank, and the rest, of recommended rank; from 5 to 7 section chiefs of recommended rank; from 45 to 60 section members, of whom 6 to 10 shall be of recommended rank, and the rest, of designated rank; from 50 to 10 clerks of designated rank; from 20 to 30 assistant clerks of designated rank, in addition, there may be from 30 to 40 employees.

Article 13. -- In the Examination Yuan, there shall be from six to eight Counsellors of selected rank to draft and supervise bills and decrees relating to proper ranking and examinations.

Article 14. -- In the Examination Yuan, there shall be an accounting office, a statistics office and a personnel office, to attend to annual budgets and account statistics, and personnel affairs respectively in accordance with law. Each of these three offices shall have a director of recommended rank. Other officials should be decided, by the President of the Yuan, together with the organs concerned, from among the personnel quota provided by Article 13 of this Law.

Article 15. -- When necessary, the Examination Yuan, may organize various committees, the organization of which shall be prescribed by law.

Article 16. -- The Examination Yuan may establish in each province a department of personnel registration, the organization of which shall be prescribed by law.

Article 17. -- In the conducting of examinations as mentioned in the preceding Articles, personnel of various government organs may be detailed to render assistance.

Article 18. -- In the appointment of public functionaries, except as otherwise provided by law, the Examination Yuan may, without going through the procedure of disciplinary action, recommend demotion or discharge of any official found to be unable to meet the prescribed qualifications.

Article 19. -- Rules of meetings and administrative regulations of the Examination Yuan shall be prescribed by the Yuan.

Article 20. -- The date for the enforcement of this Law shall be determined by decree.

THE ORGANIC LAW OF THE CONTROL YUAN

Article 1. -- This Law is legislated in accordance with Article 106 of the Constitution.

Article 2. -- The Control Yuan shall exercise the powers authorized by the Constitution.

Article 3. -- The Control Yuan may organize various committees the organization of which shall be prescribed by law.

Article 4. -- In the Control Yuan, there shall be a General Office of Auditing to attend to the following matters:

(1) Supervision over the execution of the budgets of all the subordinate organs of the Government throughout the country;

(2) Ratification of orders of receipt and payment of all the subordinate organs of the government throughout the country;

(3) Examination of the accounts and final statements of all the subordinate organs of the Government throughout the country;

(4) Rectification of violations of financial decrees or acts of disloyalty to duties on the part of any subordinate organ of the Government throughout the country.

Article 5. -- The Auditor-General shall have general charge of the affairs of the General Office of Auditing.

Article 6. -- The President of the Control Yuan shall have general charge of the affairs of the whole Yuan and have supervision over his subordinate organs. In case the President of the Control Yuan should become unable to attend to office due to any cause, the Vice-President shall act in his place.

Article 7. -- The Control Yuan Council shall be composed of the President and the Vice-President of the Yuan and all the Control Members with the President of the Yuan as its chairman.

Article 8. -- Control Members on inspection tours may proceed to various places on inspection itineraries to exercise the powers of impeachment and rectification.

Article 9. -- In the Control Yuan, there shall be a Secretary-General who shall be selected by the President of the Yuan from among persons other than the Control Members for approval by the Control Yuan Council and then specially appointed by the National Government. The Secretary-General shall, under the direction of the President of the Yuan, administer the affairs of the Control Yuan and direct and supervise all its subordinate officials.

Article 10. -- In the Control Yuan a secretariat shall be formed to attend to the following matters:

(1) Keeping record of the meeting;

(2) Sending persons to investigate the various cases and collecting evidences for the cases;

(3) Sending, receiving and safe-keeping of correspondence and documents;

(4) Distributing, drafting and compiling of correspondence and documents;

(5) Keeping official seals in charge;

(6) Attending to receipts and expenditure and general affairs.

Article 11. -- In the Control Yuan, there shall be four to six counsellors of selected rank to draft and supervise bills and decrees.

Article 12. -- In the Control Yuan, there shall be six to 10 secretaries, of whom four shall be of selected rank and the rest of, recommended rank, four to six section chiefs of recommended rank; from six to ten special commissioners, of whom two to four shall be of selected rank and the rest, of recommended rank; from 40 to 50 section members of designated rank; of whom 12 may be of recommended rank; from 20 to 40 clerks of designated rank; from 20 to 40 of designated rank. In addition, there may be from 40 to 60 employees. The Control Yuan may also have four to six editors and compilers.

Article 13. -- In the Control Yuan, there shall be an accounting department, a statistics office and a personnel office, to attend to annual budgets and accounts, statistics, and personnel affairs, respectively, in accordance with law. Each office shall have a director of recommended rank; other officials shall be decided by the President of the Yuan together with the organs concerned, from among the personnel quota provided by the preceding Article.

Article 14. -- Rules and administrative regulations of the Control Yuan shall be prescribed by the Control Yuan.

Article 15. -- The date for the enforcement of this Law shall be determined by decree.--END.

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REVIEW OF ECONOMIC REFORM PROGRAM

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Following is a review of the Economic Reform Program prepared by the economic sub-committee of the Third Plenary Session of the Kuomintang Central Executive Committee, which drafted the program:

Economic policies must be formulated on the basis of the objectives for which they are intended. As Dr. Sun Yat-sen plainly indicated, politics is the administration of public affairs. It is necessary, therefore, to understand the composition of the public before economic policies are formulated, and what public affairs are.

It is to be noted that more than 80 per cent of China's population are peasants. It naturally follows that the main theme of national reconstruction is industrialization of an agricultural country. And herein we find the guiding principles in the formulation of our economic policies. History records that governments drew their strength and wealth from economic measures which answered the needs of the majority of people, and poverty and destitution always followed economic policies that neglected this fundamental principle.

Do the economic measures now in effect in this country answer the needs of the majority of the Chinese people? And are they in conformity with the principles for industrialization of an agricultural country? A survey is necessary to answer these questions.

It should be noted that economic activity is premised on production. There are three factors in production, namely, land, capital and labor. With the vast land and resources at China's disposal and tremendous reserves of manpower available, a well-planned and flexible currency system, properly adjusted to the land and labor, would automatically push production to a high degree. No modern economic structure can survive without proper financial nourishment, because the economic and financial policies are so interrelated that they are almost inseparable one from the other.

Separation of Finance from Economy

China's finance and economy during recent years have shown signs of separation or dislocation. Let us take agriculture, on

Which our national existence depends. Has there ever been any very large agrarian finance or capital assistance?

In 1934, in view of the rural bankruptcy, Director-General Chiang (of the Kuomintang) ordered establishment of the Farmers' Bank in four provinces, including Kiangsi and Hupeh. Though the purpose of the bank was primarily to develop agrarian finance for rural rejuvenation, the institution soon became so commercialized that it lost its es ential character. Only in recent years has it returned to the function for which it was originally intended. Still, it has been unable to serve any great purpose because of its financial weakness. With the agrarian financial structure so shaky and, worse still, with the absence of an agrarian financial policy, the whole agricultural economy and all the holdings of the peasants have virtually been sealed and frozen. Not only has this situation failed to answer the needs of the peasant population but it has departed from, or even run counter to such needs. Poverty and resultant bankruptcy among rural communities, therefore, has been inevitable.

The essence of agrarian finance is to make full use of all available land and to promote the development of a broad agricultural economy. As the peasants' property, land and farm produce are of paramount importance, the aim of agrarian finance should be to enable the peasants to secure loans as productive capital on their land and products either directly or through the medium of co-operative societies. But at present all the banks refuse to take land as security against loans, and have little interest in agricultural loans. Though small loans have been issued in some cases, this was done more for charitable purposes than anything else. This policy virtually freezes the peasants' assets and blockade agricultural economy. It is open contravention of the principles of economic reconstruction.

Next come industrial economy and industrial finance. The essence of industrial economy is to make full use of all available resources. Among the assets of industrialists only the factories and machinery have a high value accept raw materials and security against loans... They only accept raw materials and finished products at half cost as security, at an interest so high and through a procedure so complicated that it has long become a curse to all concerned. And in effect, it also failed to serve the purpose of assisting the factories to bolster their production. Instead, it has spurred many to the evil practice of hoarding, resulting in the freezing of industrial assets. As to the so-called industrial loans, they are only a temporary measure dictated by immediate demands and they cannot be classified as proper state loans to industries.

Drawbacks of Financial Measures

We now come to commercial economy and commercial finance to which both industry and agriculture are related. The essence of commercial economy is to ensure easy flow of all commercial products. Commercial assets are the products stored in godowns and held in transit. Loans now issued by the banks against security of bills of lading cover only a small number of products, while the method of remittance on security is not yet in general practice. Remittance for commercial products made to the coastal ports from the interior is forbidden presumably in order to prevent centralizing of idle capital, thus bringing commercial remittances to a standstill. All these are direct or indirect restrictions which virtually freeze commercial assets.

Above are the shortcomings of existing Chinese financial measures, which have caused the separation of finance from productive enterprises. Such financial policies properly served the purposes of "neglecting agriculture, giving lip service to industry and aggravating commerce." Thus occurred the complete transformation of the whole financial structure into a commercial speculation scheme. Loans are most readily granted against the securities of gold notes, raw materials and finished products, thus depriving the bona fide peasants and merchants of proper channels of financial assistance. Even a loan from one of the government banks has to be approved by the Joint Office of the Four Banks if it involves a large sum, through miles of red tape. It not infrequently occurrs that an applicant's request is finally rejected after months of waiting. The result is that in cases where the money is needed urgently, recourse is ~~taken~~ to black market lenders, thus providing an opportunity for private banks to absorb deposits at high interest and then issue short-term loans at an even higher interest rate. But for the strict rulings requiring the depositing of public funds in the public treasury, the government banks by now would probably have nothing left of their deposits. The necessity for survival, instead, has forced the government banks to follow suit. The result of this policy has been that the speculative market manipulated the private banks, and that the private banks in turn jeopardized the government banks. With the economic enterprises deprived of their proper nourishment, there came paralyzation of the whole economic structure.

It is not without some peculiar reason that China's financial situation has come to be what it is. In the ancient days when foreigners came to establish their banks in China, they had a financial scheme based on sub-colonial policies for purposes of aggression. Their purpose was merely to collect raw materials in return for finished products in order to satisfy their hunger for exploitation. China's industry and agriculture were nothing of their concern. So their institutions were located only in the main ports and big cities and their business was concentrated on trade and commerce. In short, theirs was a system that in no way answered the needs of Chinese agriculture and Chinese peasants. It is a pity that Chinese operated banks have more or less followed a similar line, without giving the slightest considerations in the interest of national economy.

New Financial Policies

In order to correct these errors, it is necessary to effect a thorough reform of the financial structure and moreover to formulate an entirely new set of currency policies. The main points in the new financial policies should seek to unfreeze the people's assets in order to insure the monetary value of the assets and the productive value of the capital.

Capital should be closely related to production. For instance, among our daily necessities if two piculs of rice are consumed yearly per head, then on the basis of the whole population (450,000,000) the aggregate consumption will amount to 900,000,000 piculs. If the value of each picul is placed at NC$50,000, the total will be $45,000,000,000,000. Suppose other items consumed, such as salt, oil, fuel and vegetables have an equal value as rice, then the aggregate total will amount to $90,000,000,000,000. worth of agricultural products. This merely provides a year's consumption for the population. The different products are grown at different seasons and cannot be consumed all at one. If a

part of these, through the medium of agrarian financial organs, can be diverted into granaries, then not only will the Government be able to control the grain supplies, but the collection of grain taxes will also be simplified immensely. At the same time, the peasants' assets will not have to lie idle on the farms and can be made to produce a monetary value inasmuch as they can be employed locally in the production of daily necessities and in reconstruction projects. Simultaneously, this will encourage small industries in the rural villages. Since the trouble has always been a lack of balance between labor and capital, a proper readjustment will naturally bolster production to a great degree.

A word may be said here about the surplus of labor. According to actual surveys, out of the whole year the peasants are busy at their farms only 95 days, with the rest of the time idle or half idle. Giving a generous allowance for family events, sickness and rest, the peasants will still have 135 idle days in the year. Suppose half of the entire population are women and children, old and young, who do not work or are not engaged in productive work and suppose we allow a discount of 20 per cent on this figure, then we have a total of 24,300,000,000 idle days in the year. If we could utilize this surplus time and labor to the best advantage of capital that is made available, then the result in production would be staggering.

The purpose of economic reconstruction under the Three People's Principles is to promote the welfare of the people, combining the merits of free and planned economies and working under a single plan with the joint co-operation of the Government and people.

Demarcation of Enterprises to be Undertaken

Furthermore, in his "International Development of China," Dr. Yat-sen classified the various enterprises into three groups, namely, government-operated enterprises, locally-operated enterprises, and privately-operated enterprises. Government-operated enterprises are those undertaken with the joint resources of the whole population of a hsien under self-tovernment, and privately-operated enterprises are those undertaken by private individuals either singly or in corporation.

Government-operated enterprises should be limited to those concerning the entire national population or having a monopolistic character. The former include railway trunk lines and telecommunications and the latter, large-scale hydraulic power plants and special mineral resources.

Local enterprises should be limited to the utilization of mountains, forests and rivers and mining and water conservancy as defined in the "Outlines of National Reconstruction." Industries affecting the people's livelihood and transportation and the printing presses should be operated jointly by the Government and people as indicated in the same volume.

At present there is no clear division between government-operated and private enterprises, so many Chinese and foreign entrepreneurs are still sitting on the fence. The Government should promptly issue lists clearly indicating what enterprises are government-operated and what are private. At the same time, the enterprises should be classified into different groups on the basis of their nature so that they may meet the specific economic conditions in the localities where they are located.

After the enterprises have been clearly divided, those under state operation will be undertaken by the Central Government; local enterprises will be operated by the hsien government with assistance from provincial authorities; and private enterprises will be guaranteed by the Government. Encouragement will be given to private interests to start their enterprises first as co-operatives. Others in which private individuals are not positively interested should be started by the Government, to be turned over to them once substantial progress has been mede. Foreign interests will be allowed to undertake enterprises, within certain limits and under certain conditions. All these must have powerful currency organs to back them up, sothat assets may be turned into capital and that capital may be used in production.

After these enterprises, government-operated, local and private, have been firmly established, with the stimulus given to productive capital by the banks, the productive enterprises throughout the country will move by leaps and bounds and the financial revenues will increase proportionally. Though the Government cannot be expected to achieve a balanced budget immediately, it will be possible to meet the deficit by proper financial methods without causing a rise of the index of commodities.--END

N O T I C E

We regret to inform our readers that Articles 4 to 20 of the Organic Law of the Examination Yuan have been misprinted into Articles 3 to 20. Article 3 was left out in our translation published in our Bulletin on April 4. Article 3 of the Law reads:

"In the Examination Yuan there shall be 11 Examination members, who shall serve a term of six years."

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April 5, 1947

Attention of Stock Operators Shifted Again from Foreign Shares to Chinese Shares.

April 5, Sin Wan Pao

The interest and attention of the stock operators have once again been shifted from the foreign stocks to the Chinese stocks, according to well-informed business circles, causing a general firm trend in the Shanghai Securities Exchange yesterday. Both financial institutions and big operators were reported to have bought shares as large sums of idle capital cannot be made use of in any other way.

Total turnover for the day was 9,343,540 shares for spot and 20,320,500 shares for forward trading.

Meanwhile, quotations for foreign stocks dropped in the local market following the profit-taking liquidations of stock merchants, yarn merchants and Cantonese merchants. Ewo Cotton opened at CNC$31,300 and rose further to CNC$31,700 but dropped suddenly to CNC$28,500 and closed in the afternoon at CNC$29,300 representing a decrease of CNC$2,200. Dockyard dropped by CNC$1,100, Shanghai Land by CNC$800. Wheelock by CNC$3,000 while others by CNC$400 or CNC$500.

Consolidated Bonds ruled firm because of continued demand by banks. Class C closed at CNC$13,200.

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Prices of Cotton Products Increased

April 5, Sin Wan Pao

Following the firm trend of the previous day, prices of cotton yarn continued to increase yesterday. 42's Blue Phoenix rose to CNC$8,300,000 while 20's Twin Horse increased to CNC$4,040,000. In the afternoon prices dropped a little because of profit-taking liquidations. Only 96 pieces of yarn changed hands in the market.

The China Textile Development Company sold 2057 pieces of yarn at prices CNC$100,000 higher than that of the previous sale.

12 lb. Dragon Head cotton cloth rose further to CNC$165,000.

Raw cotton market continued firm and active. Mills took 75 bales of Egyptian cotton, 100 bales of Panchiapu, 100 bales of Middling, 150 bales of Shasi, 150 bales of Hankow, 200 bales of Taichang and 100 bales of Sanyu cotton. Local dealers took 100 bales each of Middling, Broach, Chitung, Shasi, and Tungchow and 200 bales of Tachungchi, 264 bales of Hankow, 104 bales of Changteh, and 310 bales of Hooche.

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Local Financial Circles Subscribe to US$40,000,000 Treasury Notes and Bonds
April 5, Sin Wan Pao

Beginning from today (April 5) the Treasury Notes and Bonds of 1947 in American Currency will be issued as all preparations have been completed for the issue and the temporary receipts for these notes and bonds have been printed and distributed to the various banks appointed to sell these notes and bonds.

Yesterday, a special commitee was organized to promote the sale of these notes and bonds with Mr. Chien Hsin-tze as Chairman. In a statement, Mr. Chien expressed optimism over the sale of these notes and bonds as they are secured on government enterprises, they can be sold freely in the market, they can be used for bank reserves and can be mortgaged with banks, and the issuance of these notes and bonds have the support of the people.

Mr. Chien announced that the financial institutions in Shanghai have already subscribed US$40,000,000 of these notes and bonds.

Aside from Shanghai, these notes and bonds will be sold in 22 other cities of the country, including Nanking, Tientsin, Hankow, Kiukiang, Canton, Chungking, Sian, Peiping, Tsingtao, Wuhu, Changsha, Langchow, Nanchang, Foochow, Amoy, and others.

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Prices of Sugar Increased
April 5, Sin Wan Pao

Prices of sugar increased by CNC$5,000 to CNC$20,000 yesterday because of increasing demand by Pengpu merchants following the resumption of the train service of the southern section of the Tientsin-Pukow Railway and the rumor that prices of sugar will be readjusted.

In Canton, price of sugar increased also. During the past week, the price of sugar increased from CNC$250,000 to CNC$356,000 per picul because of increasing demands by merchants in Hankow and Changsha.

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Prices of Cereals Increased
April 5, Sin Wan Pao

Prices of cereals increased because of the increased prices in the producing areas. The best grade of rice increased above the officially fixed price to CNC$114,000 per picul. Beancake increased to the new high of CNC$32,000.

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Bank Deposits in China
April 4, Wen Wei Pao.

The Central Bank announced today that the total bank accounts deposited in Commercial banks in the entire country was CNC$613,889,490,595.50 for the month of January while the total deposit reserve funds paid to the Central Bank of China amounted to CNC$88,827,719,017.89 and CNC$109,808,195,571.30 for the months of January and February respectively.

For the month of January, a total of CNC$542,021,130,641.15 was current deposits and CNC$71,869,359,754.35 were fixed deposits.

In the month of February, a total of CNC$673,689,303,042.93 was current deposits and CNC$75,403,397,363.05 were fixed deposits.

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New Development in Mysberg Trial
April 4, Tien Pao.

The Mysberg trial made a new development yesterday, when a certain Mrs. Pao Hsin-chao was introduced to the witness' stand to testify that she was the owner of the 380 ounces of yellow metals and the US$21,201 seized by the Shanghai-Woosung Garrison Headquarters from the Abis Company.

Mrs. Pao who looked over 60 told the court that she purposedly made the trip to Shanghai from Peiping to give her testimony that the seized gold currency and bars were jointly owned by her and another woman.

Despite the introduction of the old lady into the court, Judge Meng Ting-ko did not slacken his questioning on Mysberg, nor distracted by the new witness.

Mysberg throughout the whole trail denied having dealt in gold bars and US notes after February 17, the date for the enforcement of the new Economic Control Measures. He said that he had only dealt in Telegraphic Transfers and Demand Drafts.

Then, a Portugese employee of the company took the stand telling the court that the company possessed safes, but only some of them were used by the company, while the others were used by the staff members.

Mysberg alleged that there are 23 safes in the possesion of the company, while the testimony of his Portugese assistant placed the number of safes at 53. Among the audience of yesterday's trial was also the Dutch Consul-General here.

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T. V. Soong Not Going To U.S.A.
April 4, Fei Pao.

Dr. T. V. Soong was recently reportedly to have cold shouldered the Government's new proposition to commission him as the economic envoy to the United States for the negotiations of the US loans.

Rumors have been persistant for sometime, since the resignation of the Executive Yuan President, that Dr. Soong was named by the chief executive of the country as a special envoy to the United States where he will exert his special influence and popularity in materializing the long-awaited US loans to China.

Persons close to the ex-premier traced down his rejection of the post to the unfavorable press comments about him, directly or indirectly caused by General Marshall's recall and his failure to prove his mettle during his one year-long premiership.

Even, if he is going to make a trip abroad, he would not be in an official capacity, Dr. Soong's close friends said.

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Price Control Conference Held in Nanking
April 4, Sin Wan Pao.

The All China Price Conference is in session today at the premises of the Executive Yuan to cast about for the ways and means for the promotion of China's productive capacity.

The meeting was attended by Won Wen-hao, Vice-Minister of the Executive Yuan, Wang Yung-wu, Minister of Economic Affairs, Ku Cheng-kang, Minister of Social Affairs, Ta Pao-yu of the Executive Yuan and Shen Yi, Mayor of Nanking.

The resolutions adopted at the conference included the mapping out of a productive plan by the China Vegetable Oil Company, the granting of more loans and the rejection for the increase of public utilities rates in Chungking.

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Land Debentures To Be Issued
April 3, Ta Wan Pao

A Nanking despatch to the Ta Wan Pao reported that CNC$130,000,000,000 land debentures will be issued by the Government as from next month.

The debentures will be floated in kinds in face value of one piucl and half a piucl of rice.

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Sino-British Civil Aviation Treaty
April 4, Sin Wan Pao.

The aviation treaty between China and Britain was already drafted by the Civic Aviation Commission and the draft is expected to be forwarded to the Executive Yuan for approval shortly.

The air pact is in many places, identical with the Sino-American aviation treaty. The treaty, if once signed, will put Tientsin, Shanghai, Canton and Kunming on the flight charts of the British aviation coporations. In return, the British government will open seven places in Britain, . . Middle East and India to the Chinese aviation companies.

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Land Tax To Be Collected in Kind
April 3, Ta Wan Pao.

The All China Price Conference in a session yesterday passed a resolution to revive the war-time collection of land tax in kinds.

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Textile Industry in Hongkong Hard Hit
April 3, Ta Wan Pao.

Due to the high cost of operation and raw materials, the textile industry in Hongkong is facing an unprecedented crisis, a despatch from Hongkong reported today.

The crisis was precipitated by the high wage, excessive cost of operation and the low purchasing ability.

In order to tide over the crisis, the managements have recently had a talk with the labor for the curtailment of their wages. Up to date, no reply was given by the labor yet.

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CNC$600,000 For One Girl
April 3, Ta Wan Pao.

Upon receipt of a report, the Police Bureau arrested a couple dealing in slave traffic.

The arrested couple confessed that they had sold a girl to a house of ill fame for CNC$600,000.

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Mukden Power Plant To Resume Operations
April 4, Shun Pao.

The Hsuehfengmen Power Plant, the biggest electric generator, was completely repaired and will start operation as from April 3, Central News reports today, from Mukden.

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4,000 Tons of Tung Oil
April 4, Shun Pao.

Up to April 3, a total of 4,000 tons of tung oil was exported to the foreign countries through the port of Shanghai.

The total included 3,000 tons for Europe and 1,000 tons for the United States. These 4,000 tons of tung oil were the orders placed previously by the purchasing countries and few transactions were made, since the recent skyrocketing of the tung oil prices.

Tung oil is quoted at CNC$380,000 per picul locally and CNC$320,000 at Hankow.

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Telegraphic Communications Between Yenan and Sian Inaugurated
April 4, Shun Pao.

Telegraphic communications and long distance telephone service between Yenan and Sian have been inaugurated on March 30, Central News reported from Sian.

The old telegraphic office previously set up in Yenan by the Ministry of Communications and commandeered by the Communists and its employees were ejected from Yenan.

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Loans For Export Merchants
April 4, Shang Pao.

A department has been organized the supervise loans for export trade under the Central Bank recently.

The department was entrusted with the granting of loans to the export merchants of silk, tung oil, tea, eggs and bristels. The maximum loan for each merchant is tentatively set at CNC$1,000,000,000.

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Peiping City Government Checks On Hoardings
April 4, Shih Shih Hsin Pao.

The Peiping Municipal Government in an announcement today reemphasized its previous ban on the hoarding of daily necessities including rice, edible oil, food, flour, textiles, fuels, salt, and sugar.

An investigation committee will be organized to check the hoarding and other irregularities. This move was precipitated by the recent soaring of general commodity prices.

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Bayar Medicine To Be Sold
April 5, Sin Wan Pao

The third ration sale of Bayar medicine will take place next week, according to well-informed business circles.

It may be recalled that the Bayar interests had been ordered by the Executive Yuan to be reorganized into a limited company. It is reported that the reorganization has been completed recently.

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Black Market Gold Trading Again?
April 5, Fei Pao

The United Cridit Information Bureau reports that secret trading in gold at the price of CNC$5,450,000 for one bar of 10 ounces are going on in the city.

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Cost of Living Index in Different Cities
April 5, Ta Kung Pao

The average cost of living in the country increased by 11,550 times when compared with that of the average of the first six months of 1937, according to statistics released by the Commodity Prices Committee for the month of February, 1947.

The cost of living figures for February in Hankow and Tientsin increased by 13,000 times; in Shanghai and Nanking increased by 12,000 times; in Canton increased by 11,000 times; in Chungking only 7,600 times when compared with that of 1937.

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Daily Quotations Market Quotations for April 4, 1947

Financial

	Buying CNC$	Selling CNC$
Gold Bar 10 oz.	4,800,000	
Silver Bullion per oz		
U. S. Dollar Note		11,640
British £		
Sterling £		
Australian		
Rupee		2,940
Peso		
Hongkong Dollar Note		
Black Market Interest Rate		10

Chinese Stock	Opening	Closing
Wing On Textile	2,440	2,600*
Mayar Silk	9,300	10,070*
Chin Foo	---	---
Ching Hsiang	425	430*
Standard Shirt	730	760*
China ABC	500	550*
Sin Ho	940	980*
Gr. China Match	4,800	5,000*

Foreign Stock	Buying	Selling
Ewo Cotton	29,300	29,500x
Dockyard	30,400	30,600x
Shanghai Land	11,200	11,700x
Wheelock	76,000x	78,000x
Ewo Brewery	9,700	10,000x
Asia Navigation	7,300	7,400x
Metal Industries	8,200	8,400x
Paper Industries	8,200	8,300x

Government Bonds

Consolidated	"A"	7,500	7,700*
	B	7,500	7,700*
	C	13,200	13,400*
	D	8,000	8,200*
	E	8,600	8,800*

Commodities

Cotton Yarn	CNC$
42's Blue Phoenix	8,300,000
42's Pao Kwang	7,880,000*
40's Blue Phoenix	8,000,000
32's Blue Phoenix	6,300,000
20's Twin Horse	3,920,000*
20's Kincheng	3,880,000
16's Kwang Min	3,350,000x

Raw Cotton	
Choupu	100,000*
Brazallin	870,000
Middling(1 1/32)	1,300,000

Cotton Cloth	
190 Chicken Brand	315,000x
190 Peach Blossom	310,000x
Dragon Head	165,000*
Black Cotton Serge	172,000*

Silk	
120 Colestial Bridge spot	7,000,000x
half glossy	
75 Golden Cock	

Cigarettes

Ruby Queen	41,400*
Pirate	28,500*
Victory	
White Horse	

Soap, Matches & Candles

Kod Ban	208,000*
Scissors	210,000*
Yellow Hsiang Mow	154,000*
My Dear Matches	1,430,000*
Phoenix Matches	1,350,000
Kerosene	46,000

Rice

1st. grade	114,000*
2nd. grade	109,000*

Sugar

Native Extra white	260,000*
Hsinhua white	255,000*
Hsinhua brown	150,000*

Pharmachurial

Monsanto Saccharine	235,000*
Quinine 1000 pills	420,000
Asprine 10's	8,000
Atebrine 10's	50,000
Gardon 10's	29,000
Vanelman Tablet	48,000
Penicillin	

Industrial Chemicals

White Wax	650,000
Caustic Soda	3,650,000x
Soda Ash	270,000x
Parniffin Oil	2,000
Yellow Vesoline	800x
Tung Oil	
Hung Kiang Tung Oil	

Mardware & Metals

Three Star Saw blades	150,000
Sandpaper	600,000
1" Nail	250,000
1½" Nail	238,000
2" Nail	226,000

Lumber

Orgeen Pine	4,500
Teak Wood	

Woollen & Worsted Piece Goods

Yin Foong 201 woolen Vanatian	165,000
Yin Foong 301 woolen Gaberdine	130,000
Yin Foong 101 thick Serge	120,000*
Hun Lung 510 woolen Vanatian	150,000

Leather & Hides

Raw Cow hides	600,000
Raw Buffalo hides	350,000
Brown shoe leather 12's	9,500
Brown shoe leather 15's	8,500

Paper

Canadian Newsprint	115,000
Vanreekum white	100,000
Vanreekum color	130,000
Wrappon Paper	2,200,000
Art Printing Paper	1,300,000

Hog Casing

27 yds Hankow	6,500,000

Tea

Keemen best(
Taiwan black

Dyestuffs

Fast Red per tin	3,300,000
Direct Deep black	7,800,000

* Indicates increase over yesterday's rate
x Indicates decrease over yesterday's rate

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THE ORGANIC LAW OF THE NATIONAL ASSEMBLY

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Article 1. -- This law is enacted in accordance with Article 34 of the Constitution.

Article 2. -- The National Assembly shall exercise the powers authorized by the Constitution.

Article 3. -- The National Assembly shall be composed of the representatives elected to the National Assembly according to law.

Article 4. -- The representatives to the National Assembly shall be sworn in at the opening ceremony of the National Assembly. The text of the vow shall be:

"I hereby swear that I will, with the utmost faith, strictly observe the Constitution and represent the people of the Republic of China to exercise authorized powers in accordance with law".

The representatives to the National Assembly shall sign their names on the text of the vow after they are sworn in.

Article 5. -- At the National Assembly there shall be a presidium, which shall comprise 25 representatives who shall be elected from among the representatives present, to attend to the following matters.

1. Fixing the agenda;

2. Handling administrative affairs of the National Assembly;

3. Other matters stipulated in this law.

Article 6. -- At every session of the National Assembly a chairman shall be elected from among and by members of the presidium.

Article 7. -- At the National Assembly there shall be a committee for examination of representatives qualification, a proposal examination committee and a discipline committee. Special committees may be formed if necessary. The organization of the respective committees shall be submitted by the presidium to the Assembly for decision.

Article 8. -- The National Assembly shall not be convened unless a majority of the representatives is present. Resolutions of the National Assembly, unless otherwise stipulated by the Constitution and law, shall be passed with the consent of a majority of the representatives present.

Article 9. -- Voting procedure at the National Assembly be decided by the chairman by raising of hands, by standing up or by balloting.

In case of a tie vote, as cast in any way stipulated in the preceding paragraph, the chairman shall cast the deciding vote.

Article 10. -- The chairman at a meeting of the National Assembly shall have the right of and responsibility for maintaining peace and order at the meeting place. In case a representative acts in contravention of the rules of meeting or in any other way obstructs peace and order at the meeting place, the chairman may warn or suppress him and may forbid him to speak. Representatives committing serious offenses may be punished.

Article 11. -- Punishment of representatives as stipulated in the preceding article shall be submitted by the chairman to the presidium for decision. The resolution of the presidium shall be referred to the disciplinery committee for examination. Decision of punishment, shall be made at the Assembly upon submission of the case by the said committee.

Article 12. -- At the National Assembly there shall be a secretariat. There shall be a secretary-general and two deputy secretaries-general. The personnel shall be submitted by the presidium to the Assembly for decision. The secretary-general and the deputy secretaries-general shall, under the direction of the presidium, handle the administrative affairs of the National Assembly. The organization and administrative regulations of the secretariat shall be prescribed by the presidium of the National Assembly.

Article 13. -- The rules of meeting of the National Assembly shall be drafted by the presidium and then submitted to the National Assembly for adoption.

Article 14. -- Each meeting of the National Assembly shall adjourn when it has completed its work.--END.

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Ministry of Information
Daily Bulletin, Shanghai Edition
No. 184 (NK 279)
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1. Economic Condition In China
2. German Peace Treaty

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ECONOMIC CONDITIONS IN CHINA STABILIZED

By Emery S. Ann
Staff Writer

A general stabilization of the economic conditions throughout China was noted during March, the first month in which the Emergency Economic Measures were enforced to offset the effects of the recent gold crisis in Shanghai, according to a survey of the market made by the Ministry of Economic Affairs.

The stabilization was characterized in some cases by a downward trend of commodity prices and in others by the salutary effect produced by the new regulations on the market quotations, which remained more or less stationary instead of showing sharp fluctuations as before.

In Shanghai, which heretofore topped the country's index of prices, commodities registered considerable declines during the month of March. Monsanto saccharine, for instance, dropped to CN$ 290,00 from its previous level of CN$ 430,000. Caustic soda, quoted in February at CN$ 5,800,000, dropped to CN$ 4,300,000. Newsprint slid from CN$ 16,000 to CN$ 98,000 per ream. Rice fluctuated around CN$ 100,000 per picul, showing practically no change.

In Nanking, market quotations on essential commodities during the past month remained unchanged. Instead of imposing rigid controls, the City Government sought to stimulate voluntary cooperation on the part of the traders. Whenever necessary, the municipal authorities issued allocations of rice and flour at equitable prices to meet the demand as it increased.

In Peiping, largest city in North China, a general decrease of from 10 to 15 per cent in the prices of rice, flour and other foodstuffs was registered during the past month None of the commodity quotations was discovered to have overstepped the ceiling limits since enforcement of the new regulations, and cases of hoarding and speculation were practically non-existent.

In Tientsin, with the transaction in gold notes banned, the black market was found to have virtually disappeared, with the prices of cotton yarn remaining steady and foodstuffs showing a general decline. With the exception of exports which showed some increase in prices under the new foreign exchange rules, inappreciable fluctuations were noted in the quotations of commodities in general.

In Hankow and Wuchang, main Central China cities astride the Yangtze River, intensive efforts were made by the two municipalities in co-operation with the local banks to stabilize the commodity prices which during the 10 days preceding promulgation of the new measures had shown a general rise of 50 per cent. While on the one hand lockouts and strikes were prohibited to insure continued production, speculation and mainipulation were eliminated along with measures to set the prices at fixed levels. Before the end of the month, the upward trend of commodity prices had been arrested and the markets had been stabilized.

In Anhwei province, with enforcement of the economic measure the price of rice has dropped from CN$ 80,000 to CN$ 70,000 while the quotations on cotton piece goods have been reduced by 20 per cent. Previously commodity prices in the province had maintained a steady upward trend.

The general picture of prices brought under control is marred only by a few isolated cases where enforcement of the emergency measures was hampered by the conditions in specific localities concerned. Notable along these is Tsingtao, a coastal city in Shantung province where for the past few months fighting has been most intense. Despite the efforts of the local authorities to battle the commodity prices, military operations around Tsingtao have persistently spurred them on to greater heights.--END.

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GERMAN PEACE TREATY

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The CENTRAL DAILY NEWS, Nanking, in an editorial today commenting on the Moscow discussion of a German peace treaty, declares that the present division of Germany into four different zones of occupation must be discontinued and that German territory must be retained to the German people for administration.

The industrial regions in western Germany, the paper says, must be unified with the agricultural areas in the east so as to enable the German people to maintain their livelihood and bear the burden of reparations. A Germany given political democracy and economic freedom is the best guarantee for peaceful co-operation among neighboring countries, the editorial states.

The paper further avers that only by making Germany a real buffer state can the peace of the world be assured a buffer state that is neither used as a base against the Soviet Union nor has a status as a part of the Communist International.--END.

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THE SOVIET UNION'S OBLIGATIONS

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In its editorial of April 7, entitled "the Sanctity and Dignity of Treaties," the Catholic Yih Shih Pao, while pointing out that China had been strictly observing the Sino-Soviet Treaty of Friendship and Alliance, reminded the Soviet Government of its obligations stipulated therein.

In his note to Dr. Wang Shih-chieh, Minister for Foreign Affairs and Chinese signatory of the Sino-Soviet Treaty Mr. Molotov, Soviet Foreign Commissar, gravely stated that in accordance with the spirit embodied in the Treaty, Soviet Russia agreed to render China moral support and material assistance in the form of military and other supplies, and such support and assistance to be exclusively given to the Central Government of China, i.e. the National Government.

Since the day of the conclusion of the pact, China has spared no effort in fulfilling her obligations culminating in her recognition of Outer-Mongolian Independence. However, the acts of Soviet Russia since that date have been in contrast. The paper suggested that if we objectively reviewed what assistance the Soviet Government had rendered China during the past year, we could easily see that the Soviet Union had been trying to de-legalize China's status at every international conference thereby creating difficulties in China's taking over of the Northeast, and had given no aid to China.

After the surrender of Japan, large numbers of illegal Communist forces instantly appeared in the Northeast, the paper recalled. The landing of Government forces in Dairen was opposed by the Soviet Government, but the troops of Lin Piao could pour into the Northeast without difficulty. According to recent arrivals from the Northeast, large numbers of Communist members in the Soviet zones of Korea have recently arrived in the Northeast to join the Chinese Communists there to fight against government troops.

Not only does the Sino-Soviet Treaty of Friendship and Alliance restrict Soviet Russia from conniving at the transfer of armed forces of other countries into China, but there is another agreement signed in 1942 between China and Russia placing the latter under the same restrictions.

Therefore, the paper pointed out, the reasons why China has not been able to take over Dairen and Port Arthur was that Soviet Russia had not fulfilled her obligations required by the Sino-Soviet Treaty. It is strange that the Soviet Press has never recalled the past or attempted to justify Russia's stand. On the contrary the Soviet Press and magazines have frequently printed unfounded, unilateral articles unfriendly to the Chinese government. These Soviet opinion organizations have been ruthlessly slandering and mocking the internal administrative measures of China as well as China's friends. If this continues, the promotion of Sino-Soviet friendship can not be achieved, however faithfully the Chinese Government or its people abide by the treat between the two countries.--END.

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SALE OF GOVERNMENT-OPERATED ENTERPRISES

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The Shanghai Shun Pao today heartily endorsed the provisions for selling certain government-operated industries to the people and the paper offered several suggestions to implement the effictiveness of this procedure.

First, the paper opines that the evaluation of the machinery and other equipment that belong to the factories and plants should be completed within a short period. During the process of estimation, the governmental institutions in charge of the sale should accept willingly suggestions from the people, states the Shun Pao.

In addition, the government should take care to avoid the manipulations of the wealthy families, during the process of selling. It is the independent industrialists alone that should be the applicants for such sale, the paper says.

Also, says the paper, the privileges formerly enjoyed by the government-operated industries should be extended to the private industrialists, once they become the owners of the ex-government-operated factories or plants. They should not, after all, be again handicapped by the unavailability of raw materials or the restraints of high black market interests, the Shun Pao concludes.-- END.

Textile

April 9, 1947

DISPOSAL OF STATE-OWNED ENTERPRISES

Provisions for the transfer of certain Government-operated enterprises to private interests, drafted in accordance with the recently promulgated Emergency Economic Measures have been approved by the Executive Yuan, and sent to the various Ministries concerned for compliance.

1. Productive enterprises to be sold to private interests include:

(1) China Textile Industries, Inc. -- Seventy per cent of the assets of this corporation, broken down into a number of units on the basis of equipment and machinery, shall be sold to private interests. The remaining 30 per cent will continue to be operated under the Ministry of Economic Affairs.

(2) China Aqua Products Co. -- This Company, operated by the Ministry of Agriculture and Forestry, shall be sold entirely to private interests.

(3) China Tobacco Co. -- This Company, operated by the Ministry of Economic Affairs, shall be sold entirely to private interests.

(4) Paper mills at Tientsin and in the Northeast. -- These mills, operated by the National Resources Commission, shall be sold entirely to private interests.

(5) Central Auto Accessories Factory -- This Factory, operated by the National Resources Commission, shall be sold entirely to private interests.

(6) Power plants at Anking, Shihwei and Tienshui -- These three power plants, operated by the National Resources Commission, shall be sold entirely to private interests.

(7) Flour mills and edible oils factories -- These factories, now under the control of the Ministry of Food and the enemy and Puppet Property Administration, shall be sold entirely to private interests, once former Japanese and puppet ownership has been completely transferred.

(8) Duffel Paints, Bayer Drugs and related installations -- These establishments, now under the control of the Central Trust and the German Property Administration, shall be sold entirely to private interests.

(9) Wei Hsin Dyes Factory, Tsingtao -- This factory, under the control of the German Property Administration, shall be sold entirely to private interests.

(10) China Weaving Machine Factory -- The 40 per cent Government share of this factory shall be sold entirely to private interests.

Other enterprises will be added to this list if found in conformity with these categories upon further investigation.

With regard to the disposal of the above enterprises, the Ministries and Commissions concerned shall, within one month from this date, submit reports on the following:

(1) Main items of assets and preliminary estimates of value involved. (Immovable assets and raw materials shall be dealt with separately.)

(2) Productive capacity and business conditions.

(3) Cost at which enterprises are to be sold.

(4) Concrete plans for sale.

2. Government-operated enterprises which will issue stock shares to private holders include:

(1) China Silk Company -- This company, operated jointly by the Ministries of Economic Affairs and Agriculture and Forestry, shall issue stock shares amounting to 50 per cent of its total shares.

(2) China Salt Company -- This company, operated under the Ministry of Finance, shall issue stock shares amounting to 50 per cent of its total shares, t is to be increased from time to time.

The Ministries operating the above enterprises shall, within one month from this date, submit reports on the total capital, amount of shares and the method of issue.

3. Method of Sale:

(1) The responsible Government organs shall organize a committee of specialists to determine the prices of sales on the basis of market quotations and business conditions.

(2) Once established, the prices shall remain in effect for a period of six months, after which they shall be subject to change.

(3) Prices shall be in terms of the national currency, but payment for part of the assets may be claimed in U.S. currency if deemed necessary. All proceeds shall be turned over to the national treasury.

(4) Prior to the sales, public advertisements shall be published in newspapers announcing the date for competitive bidding. At the same time, interested parties, through proper recommendation, may be taken into the factories for inspection.

(5) Responsible Government organs, if necessary, may organize a committee to supervise the procedures and handle the sales.

(6) Buyers of highly valued enterprises shall organize corporations declaring a specified number of stock shares for public subscription.

(7) Buyers of enterprises shall continue operation of the same in order to boost production.

4. Methods of securing shareholders for Government-operated enterprises:

(1) Shares shall be issued only to private individuals and private business establishments, and no Government organs shall be allowed to subscribe.

(2) All proceeds shall be turned over to the national treasury.

(3) Government organs holding shares in the corporations shall have equal standing with private shareholders, but with no prerogatives.

(4) Once the quota of private shares has been filled, a meeting of shareholders shall be held to elect trustees and directors in accordance with the Company Law.

(5) All Government-operated enterprises herein mentioned shall keep their legally held shares in the Central Bank of China, to be sold to private individuals if deemed necessary by the Government.--END.

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April 2, 1947

THE NEW LOANS -- THEIR FEATURES AND SIGNIFICANCE

By P. T. Chen

Director of National Loans
MINISTRY OF FINANCE

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Yesterday, April 1st, the Chinese Government issued two new internal loans, called the 36th Year US Dollar Bonds and the 36th Year Short-term Treasury Notes. The principal features of the two new issues may be briefly described as follows:

AMOUNT & DENOMINATIONS. The authorized amount of issue for the US Dollar Loan is $100,000,000, while that for the Treasury Notes is US$300,000,000. Both loans are divided into two equal issues, to be floated as of April 1st and October 1st this year. The Bonds consist of 5 denominations and the Notes of 6 denominations, ranging from $10 to $5,000 issued at their face values.

PURPOSE. The purpose of the Gold Bonds, as stated in the regulations, is for augmenting the Government's foreign exchange assets and promoting the country's foreign trade, while that of the Treasury Notes is for encouraging savings and stabilizing currency. Both are of a constructive nature.

WAYS OF SUBSCRIPTION. The Gold Bonds may be subscribed for in one of the following three ways: (1) in U.S. dollar notes or deposits, (2) in other foreign currency notes or deposits, to be converted into U.S. dollars at the prevailing rate of the Central Bank of China, (3) in gold bars at a rate of conversion specially fixed by the Ministry of Finance at one ounce of gold for US$50 of bonds. On the other hand, the Treasury Notes, though issued in terms of US dollars, are to be paid for in national currency at the prevailing rate of the Central Bank of China.

MATURITY. The Gold Bonds are issued for a period of 10 years, redeemable in 20 equal installments by semi-annual drawings. The Treasury Notes will mature within the short period of 3 years, with 1/6 of the total face value redeemable automatically every 6 months.

INTEREST. The Gold Bonds bear 6% interest per annum, and the Treasury Notes 20% per annum, both payable every 6 months beginning from the date of issue. The 6% interest on the Gold Bonds may be considered a reasonable, in fact, high rate. It is higher than the interest rate of all recent loans issued in Chinese or foreign currencies. It is positively attractive as the public's holdings of foreign currency notes or bank deposits and gold bars, at home or abroad, do not yield such good returns. The 20% interest on the Treasury Notes is an unusually high rate for Government loans, since none of China's outstanding internal loans bear more than 6% per annum. Such high rate is perhaps unheard of in foreign countries, but it is considered not too high since it is still far below the actual prevailing market rate. On the other hand, it is not too low because the unusually high interest rates exacted at present in the money market are a temporary phenomenon arising from inflationary conditions which latter state of affairs may be expected to change for the better within a reasonable period of time. On the whole, the interest rates of the new loan issued have been fixed at a level higher than ever before for the purpose of making them more attractive to the public.

SECURITY. The Gold Bonds are secured on the foreign exchange assets at the disposal of the Central Bank of China. The Treasury Notes are guaranteed by certain units of Government productive enterprises and enemy and puppet properties, to be designated for this specific purpose by the National Government. When these enterprises and properties are sold to the public, as they are intended to be, the proceeds thereof will be turned over to the Sinking Fund Commission for meeting service payments. The designation of these securities is specific and adequate enough for the meeting of these new obligations.

SINKING FUND COMMISSION. An important feature of the two new loans is the provision for the establishment of an independent, powerful Sinking Fund Commission, designed to represent and safeguard the interests of the bondholders. The Commission is entrusted with the custody, control and disbursement of the sinking funds. Its powers and functions as laid down in the regulations may not be altered by the Government before the final retirement of the two loans, and within their spheres the Commission is to act independently. The Commission may also recommend to the Government any measures it may deem wholesome or necessary to the maintenance of the Government's credit. At the same time, the Commission shall make public once a month the conditions of its receipts and disbursements in connection with the handling of the sinking funds. The Commission will have 15 members, consisting of 2 representatives from the Ministry of Finance, one from the Ministry of Audit, two each from the National Chamber of Commerce, the Shanghai Bankers' Association and the Shanghai Native Bankers' Guild, besides 6 other leaders representing important civic organizations and financial institutions to be invited by the Ministry of Finance. The names of these members will probably be announced later this afternoon, and the Commission is expected to be formally organized within a week or so.

WAY OF SERVICE PAYMENTS. The principal and interest payments on the Gold Bonds are guaranteed to be made in U.S. dollar drafts by a special order of the National Government. The Treasury Notes, though themselves issued in terms of U.S. currency, will be repayable in national currency since they are purchasable also in national currency. But such payments will be made at the then prevailing exchange rate of the Central Bank of China. This is a significant feature designed to guarantee the original value of the bondholders' investment in terms of U.S. dollars, so as to free them from apprehensions that may possibly arise from any further depreciation of the national currency. Such a provision is a novel innovation and should go a long way towards meeting the problem of many an investor in China today.

USES OF BONDS AND TREASURY NOTES. These bonds and treasury notes are of a bearer nature. They may be freely bought and sold, and may be used for mortgages in all official dealings as well as securities or reserve funds in banking and currency circles. There is thus a wide range for using these bonds and treasury notes, which will later be also authorized for transactions on the security exchange market.

METHOD OF SALE. Another important feature of the regulations promulgated concerning the sale of the bonds and treasury notes is that subscription by the people shall be entirely a voluntary act. The handling of sales, receipt of payments and distribution of bonds and notes are entrusted to the Central Bank of China, acting as Government agent, which may organize

Sale Promotion Committees in different localities at home and abroad. As there has not been sufficient time to have the bonds and treasury notes printed before April 1st, the Central Bank has been authorized to issue provisional receipts to the buyers. These are now ready in Shanghai where sales will start tomorrow. Other cities will follow suit very soon.

PROSPECTS OF SALE AND INVESTMENT. Since the enforcement last February of the Emergency Economic Measures by the Government, which prohibited private transactions in foreign currencies and gold bars, the people's holdings in either of these two forms have become frozen, so to speak, with benefit neither to the Government nor to themselves. Also, it is recognized generally that the large amount of idle capital now flooding the money market is a non-constructive and disturbing factor to currency stability. The people arenow offered a proper channel for investing their idle capital that will ensure benefit both to themselves and to the Government. They are therefore expected to support the Government's new loan scheme, so as to enable it to reduce its budgetary deficits, to combat inflation, to stabilize finance and currency and to hasten the country's economic reconstruction, all of which are so essential and urgent to China's postwar recovery.

I may add the hope that the Gold Bonds will also absorb a part of the foreign exchange deposits held abroad by the Chinese people so as to effect a repatriation of such idle capital and direct it to productive channels. There is also reason to believe that foreigners both in China and abroad will find it profitable to invest in the new loans, in view of their attractive terms, particularly foreign firms in China that possess surplus liquid assets or need to reinvest their business profits realized in China. It would be unusual if they could get such sure and good returns for investment as offered in the terms of these new Chinese loans.

SIGNIFICANCE. In conclusion, I should like to point out that the new loan scheme is an important financial measure in several respects. (1) The total amount of these two loans is the biggest among China's internal loans issued in any one year, being equivalent to a half of the national budget for the current year and bigger than the total of all outstanding internal loan obligation of the Government. (2) They are the first loans issued since the conclusion of war, in fact, since 1944. (3) Their flotation is the first concrete financial move made by the Government following the recent adoption of the Program of Economic Reform by the Third Plenary Session of the Kuomintang. (4) It represents a noteworthy change in China's Policy of financial management, which during the past few years has been unfortunately characterized by its main reliance on increase of note-issue. (5) It is a timely measure designed to provide a proper and beneficial channel for the idle capital that has been floating unproductively and dangerously in the money market and disturbing the stability of China's post-war economy. Last but not least, the provisions for the issuance of the new loans emphatically manifest the Government's determined and scrupulous effort to rehabilitate and strengthen its credit system, so essential a cornerstone of financial stabilization.--END.

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LAW GOVERNING ELECTION AND RECALL OF PRESIDENT AND VICE-PRESIDENT

(as promulgated by the National Government of China on April 1, 1947.)

Article 1. -- The National Assembly shall, in accordance with the provisions of the Constitution and this Law, exercise the functions and powers to elect and recall the President and the Vice-President (of the Republic).

Article 2. -- Each National Assembly shall elect the President and the Vice-President 60 days before the expiration of the terms of the incumbent holders of these offices.

The date of election of the first President and Vice-President shall be determined by the National Assembly.

Article 3. -- The election of the President and the Vice-President shall be held separately. The election of the President shall precede that of the Vice-President.

Article 4. -- The procedure of election of the President shall be as follows:

a. One hundred or more Representatives to the National Assembly may, within a period specified by the Assembly, nominate candidates to the Presidency by joint signature.

   Candidates to the Presidency should be listed according to the number of their nominators. The list, bearing the names of the candidates, shall be announced three days before the election.

b. All ballot and return supervisors shall be Representatives to the National Assembly.

   The numbers of supervisors mentioned in the preceding paragraph shall be determined separately by the Assembly, and a list of candidates shall be presented by the presidium to the Assembly for approval.

c. Each Representative to the National Assembly should vote for one from among the candidates listed on a written secret ballot. The candidate receiving more than one half of the total number of votes shall become the President.

In case no candidate receives a majority vote, there shall be a second ballot on the three candidates obtaining the highest number of votes in the first ballot. If no candidate still receives a majority vote, there shall be a third ballot. If no candidate then obtains a majority, a fourth ballot shall be taken on the two candidates receiving the highest counts in the previous vote. The one obtaining a majority shall become the President. If the two candidates receive the same number of votes, balloting shall be continued until one obtains a majority vote.

The results of the election shall be immediately announced by the Chairman.

Article 5. -- The nomination and procedure of election of the Vice-President shall be the same as those contained in the preceding Article.

Article 6. -- The certificate of successful election of the President and Vice-President shall be delivered by the Presidium of the National Assembly.

Article 7. -- The President-Designate and Vice-President Designate shall assume office at the day the tenure of the incumbent Presidents shall have expired. The first President and Vice-President shall assume office within 20 days after election.

Article 8. -- Representatives to the National Assembly can not request the recall of the new President during the first year after his assumption of office.

Article 9. -- The President shall be recalled according to the following procedure:

a. The petition for recall shall contain the reasons for recall and shall be signed and sealed by at least one sixth of the total number of delegates to the National Assembly.

The petition, together with the names of the signatories, shall be announced by the Secretary-General of the National Assembly immediately after its receipt. If no signatories deny their autographs within 30 days after announcement, or if there are denials, but the number of remaining signatories is not less than one-fourth of the original number, the petition shall be forwarded to the President of the Legislative Yuan.

b. The President of the Legislative Yuan, after receiving the petition, shall forward a copy to the President and then convene an extraordinary session of the National Assembly within one month.

c. The President, after receiving a copy of the petition for recall, shall present his defense statement shall be immediately announced by the Secretariat of the National Assembly.

d. A recall bill shall be voted on by secret ballot, and a majority vote of all delegates present shall be required to pass it. If a recall bill is passed, the Presidium of the National Assembly shall immediately notify the President. The President shall thereupon be relieved of his office.

Article 10. -- When an impeachment bill against the President is submitted to the National Assembly by the Control Yuan, the Assembly shall decide whether the President is to be recalled. The recall in this case shall be passed by the consent of one third of the total of the attending Representatives to the National Assembly.

Article 11. -- If a recall bill is defeated, the same signatories can not request the recall of the same President.

Article 12. -- The procedure for the recall of the Vice-President shall be the same as that for the President.

Article 13. -- When the President is relieved of his office by recall, the Vice-President shall succeed to the Presidency until the expiration of the Presidential term.

Article 14. -- Acts in violation of the criminal laws during the election and recall shall be prosecuted in accordance with these laws.--END.

SPECIAL RELEASE

April 12, 1947.

International Department
Ministry of Information

YELLOW RIVER GAP ALLEGATIONS REFUTED

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Hsueh Tu-pi, chairman of the National Conservancy Commission, has issued the following statement in refutation of recent Chinese Communist allegations about the closure of the Yellow River gap the Central Government.

The breach of the Yellow River dykes, it will be recalled, occurred at Huayuankou in 1938. Its waters inundated areas of three provinces extending more than 29,000 square kilometers. The number of people dislocated was estimated at more than 6,100,000, while the area of farmland affected reached 17,700,000 mow. For every year since then, the combined agricultural output of the provinces affected was reduced by 1,500,000 tons.

The project for sealing the gap, urgent as it was, was handicapped by the Chinese Communists since it was started in March, 1946. On May 18, a conference was held among representatives of UNRRA, CNRRA and Chinese Communist delegates, and an agreement was reached whereby rebuilding of the dykes in areas held by he Chinese Communists was to be carried out by them. At the same time, UNRRA Advisor Todd was assigned to a liaison mission. At Todd's suggestion, it was decided that funds would be appropriated as the progress of the work warranted. Between June and July last year, a total of 60 billion was alloted. During a subsequent tour of the Communist-held areas, Todd found that the funds appropriated and the foodstuffs issued by CNRRA had been sufficient to cover that part of the project which had been completed.

As the project further progressed, the Chinese Communists presented their demands for additional funds, this time on the excuse that relief funds computed at $100,000 per head were needed to relocate an estimated 150,000 persons then residing in the original riverbed. This the Government granted, incurring a further expenditure of 150 billion. This was four months before the gap was sealed on March 15, this year.

Recently the Communists made a new claim that there were 160,000 refugees affected by diverting the river to its original course. If this was true, then the Chinese Communists should have borne the responsibility. It was clearly stated in the agreement signed on May 18, 1946, that "the project shall be carried out only under conditions which permit no occurence of flood on the lower reaches of the river." Under this principle the Yellow River Conservancy Commission carried on its work. The Chinese Communists, however, unexpectedly requested postponement for five months when the sealing of the gap was scheduled before the flood season. It was apparent that they were hoping to frustrate the project.

Consultations were again held with the Chinese Communists on February 7, when additional funds of 40 billion were appropriated for the project within Communist-held areas. With the work speeded up after that, the whole project was completed in the middle of March.

On March 21, the Yellow River, flowing smoothly eastward along its original course, emptied into the sea at Litsin.—END.

CHINESE NATIONAL RELIEF AND REHABILITATION ADMINISTRATION

Shanghai
No. 419
14 April 1947

FOR IMMEDIATE RELEASE

Six modern agricultural machine tool factories, urgently needed in the rehabilitation of China's agrarian economy, will be established in the next few months, CNRRA Headquarters stated today, following the announcement that four government banking institutions are furnishing 50 percent of the necessary funds for their construction.

The factories will be operated by the National Agricultural Engineering Corporation, a subsidiary of the Ministry of Agriculture and Forestry and CNRRA. The new industry has already turned out more than 15,000 tools in its Central Shop in Shanghai.

Installation engineers are now on the way to Canton, Hankow, Chengchow, Tientsin, Mukden and Liuchow, where the first six Provincial Work Shops will be established.

CNRRA is turning over US$8,000,000 worth of UNRRA equipment and raw materials to the NAEC, providing for the establishment of 18 regional factories, the Central Shop and 3,000 blacksmith and wheelwright shops.

The funds necessary for the operation of the six new tool making units will be under-written by the Central Bank, the Communications Bank, Farmers' Bank and the Central Trust, which will provide half of the amount required. The remaining 50 percent will be supplied by private sources, CNRRA stated.

Although this organization will be a self-supporting agency, CNRRA, with the approval of the Committee for the UNRRA Council of the Far East is also ready to make available from the proceeds of cotton sales a sufficient sum for getting the NAEC program underway immediately. This sum will be returned to CNRRA by NAEC after the agency becomes a going concern.

The farm implements already turned out by NAEC's Central Shop represent the beginning of a long-range program which hopefully aims at the manufacture of 20,000,000 farm tools a year.

Hunan and Kiangsi are now negotiating with CNRRA and NAEC for the establishment of branch shops in those provinces. Each of the regional farm tool factories includes a foundry pattern shop, forge shops, cold metal shops, a machine works, carpenter shops and general tooling equipment.

The total production potential of the Central Shop and its 18 branch factories is estimated at 120,000 tons of tools and implements a year. The first products of this infant agricultural industry are 15,000 hoes, made of soft steel constructed with a three inch high carbon edge which is capable of holding its fine cutting qualities despite many re-sharpenings.

The NAEC is now in the process of producing sickles, forks, pumps and cotton gins in the Central Shop, according to Mr. P.Y. Tse, president and general manager of the agency. When all the units are operating in full swing, they will be capable of producing all types of farm equipment, ranging from simple Chinese hand plows to complicated irrigation equipment.

To meet the demand for the services of technicians for the provincial shops, training classes were opened in December 1946 in Shanghai, under the auspices of American technicians. At the present time 26 graduate students in engineering from various universities are being trained to take over the supervisory positions.

Mr. Edward L. O'Brien, Executive Assistant to the General Manager of NAEC and one of the original planners of the farm tool program, heads the UNRRA specialists at the Central Shop. The establishment of the six new branch factories represents months of blue-printing by UNRRA, CNRRA and NAEC planners, who are enthusiastic about the possibilities of this new industry.

Already erected and in operating at the Central Shop are 19 Quonset huts, housing metal and machine shops, forge plants, a foundry pattern shop, designing and drafting rooms and general equipment sections. The supplies turned over by UNRRA for the Central Shop are valued at US$818,000.

When the NAEC was organized its operations were financed by a loan of CN$2,000,000,000 from government banks in addition to CN$400,000,000 appropriated by the National Government.

The new loan makes possible the immediate establishment of the six new branches. Functioning as a national public utility, NAEC will operate on a small profit basis. After the loan to the four government banks and private interests have been repaid, NAEC will divide its profits equally between CNRRA and the Ministry of Agriculture.

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No. 190 (NK 285)
April 15, 1947

1. Constitutional Law
2. Convention of German Peace Conference

(NOTE: Editorial or feature translations are for the information and reference of readers of the DAILY BULLETIN. Such translations in no way indicate that the Chinese Government advocates or endorses the opinions expressed therein.)

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LAW GOVERNING ELECTION AND RECALL OF REPRESENTATIVES OF THE NATIONAL ASSEMBLY

(Continued from last issue)

Chapter IV -- Electoral Procedures

Article 25. -- The dates of balloting for the different elections stipulated in Article 4 of this Law shall be proclaimed by the National Electoral Office.

Article 26. -- The various organs in charge of elections shall make electoral announcements fifteen days prior to the election, specifying therein the following items: 1) site of balloting and place for announcement of electoral returns; 2) method and date of balloting; 3) number of Representatives their respective constituencies are to elect.

Article 27. -- In border regions, language popular in different localities may be used coordinately in electoral announcements and on ballots.

Article 28. -- In accordance with the numbers of Representatives stipulated by law, the candidates who get relatively greater number of votes shall be Representatives to the National Assembly; in case candidates receive equal number of votes, final decision shall be made by drawing lots.

Article 29. -- In addition to the amount of Representatives stipulated by law, a number of candidates shall be reserve Representatives in accordance with the numbers of votes they receive; in case candidates receive equal number of votes, final decision shall be made by drawing lots.

In each constituency which elects less than two Representatives, there shall be three reserve Representatives; and in each constituency which elects more than two Representatives, the number of reserve Representatives shall be the same as that of Representatives.

In the event a post of Representative becomes vacant, the reserve Representative who received the highest number of votes shall succeed to the office.

Article 30. -- The ballots cast by the racial groups in border regions for the various candidates shall be computed by the respective responsible electoral organs of the Hsien, Municipality or Area of an equivalent status; and the name-lists, after announcement, shall be submitted to the Provincial Electoral Office. The lists are to be handled in accordance with Articles 28 and 29 of this Law and then announced.

The ballots cast for the various candidates, by the citizens in interior areas whose living conditions and habits are peculiar shall be computed by the Provincial or Municipal Electoral Office; and the namelists, after announcement, shall be submitted to the National Electoral Office. The lists are to be handled in accordance with Article 28 and 29 of this Law and then announced.

Article 31. -- The credentials of the Representatives shall be prepared by the National Electoral Office, and then handed over to the various superior electoral organs as stipulated in Article 10 of this Law for "chopping" and distribution. A recent photograph of each Representative shall be posed on the specified part of his credentials before distribution.

Article 32. -- Among the elect on stipulated in the various Sections of Article 4 of this Law, in the case of those with fixed quotas of women Representatives, the ballots cast for women Representatives shall be counted separately.

Article 33. -- Among the elections stipulated in the various Sections of Article 4 of this Law, the quotas for women Representatives shall be left vacant in case no women candidate campaigns for those posts.

If the post of a woman Representative become vacant and no reserve woman Representative succeeds to the post, the same provision is applicable.

Chapter V. -- Nullification of Elections

Article 34. -- If either one of the following two conditions prevails the election shall be null and void:

1. If the election is conducted in violation of Law.

2. If more than one tenth of the people on the electors' roll are convicted of being involved in irregularities.

Article 35. -- In the event an election is nullified, a new election shall be held immediately in accordance with Law.

Article 36. -- The election of a candidate shall be nullified in case his qualifications are proved not to meet the legal requirements or the number of the votes he receives are inaccuratly counted, or the event he dies before the election takes place.

Article 37. -- In cases of nullification of candidates' election, the reserve Representatives shall succeed to the vacancy in accordance with their priority.

Chapter VI. -- Election Suits

Article 38. -- In the event voters or candidates have strong reason to believe that the personnel in charge of the elections or other voters and candidates, have influenced the election by coercion, inducement, or other irregularities, the complainants may bring law suits within ten days after the date of election.

Article 39. -- In the event voters or candidates have strong reason to believe that the elected do not have the required qualifications, or the number of votes is inaccurately tabulated, they may bring law suits within ten days after the announcement of the names of the elected.

Article 40. -- Election suits shall be handled by the High Court with jurisdiction over the particular locality, and priority of trial shall be granted to such cases; in case there is no High Court, the suits shall be handled by the National Capital High Court which will render a written verdict after one trial.

Chapter VII. -- Recall of Representatives

Article 41. -- No petition for recall shall be raised by the voters against the Representatives of their constituency until at least six months after the election.

Article 42. -- Reasons for recall shall be stated in the petition which should be signed by 10 per cent of the voters participating in the election of the particular constituency; the petition shall be submitted to the chief of the administrative organ of the constituency.

Article 43. -- The chief of the administrative organ, mentioned in the preceding article, upon receipt of the petition for recall, shall investigate into the validity of the signatures and the number of signatures required. Then he shall forward a duplicate copy of the petition to the accused Representative, who is to make a formal reply within 15 days.

Article 44. -- The chief of the administrative organ, within three days after receiving the formal reply, shall make it public together with the petition for recall. The recall shall be voted upon within thirty days after the announcement and a majority of the total number of votes cast shall be necessary for approval of the recall.

Article 45. -- When a Representative is recalled, the proper reserve Representative shall succeed to the vacancy. The term of Office of the successor shall expire with the completion of the unfinished term of the former Representative.

Chapter VIII. -- Annex

Article 46. -- Any action in election and recall which violates the criminal law shall be subject to prosecution in accordance with the Criminal Code.

Article 47. -- Rules governing enforcement of this Law shall be stipulated separately.

Article 48. -- This Law shall be enforced upon the date of promulgation. --END.

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CONVENTION OF GERMAN PEACE CONFERENCE

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The CENTRAL DAILY NEWS, Nanking, in an editorial today extends full support to Chinese Foreign Minister Wang Shih-chieh's declaration insisting on China's right to participate in the forthcoming German Peace Conference in accordance with the Potsdam Agreement.

Under the Potsdam provisions, the editorial states, the Chinese Government justly may claim the right to be consulted, as one of the five allied powers, regarding the procedure of deliberations, time of convention, and participants in the forthcoming German Peace Conference.

Any action affecting nations should be taken in full accord with international law and through the proper procedure of international agreements, the paper declares, adding that such arbitrary action as power politics entails must be eliminated to give international pacts the dignity and sanctity they deserve. --END.

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LAW GOVERNING ELECTION AND RECALL OF MEMBERS OF THE LEGISLATIVE YUAN

Chapter I. General Provisions

Article 1. -- Members of the Legislative Yuan shall be elected and recalled in accordance with the stipulations of the Constitution and this Law.

Article 2. -- The election of Members of the Legislative Yuan shall be by universal, equal, and direct suffrage and by secret ballot and single vote.

Article 3. -- The election shall be held openly.

Article 4. -- The legislative Yuan shall be composed of the following Members:

1) Five elected by each of the Provinces and Municipalities directly under the Executive Yuan with a population of, or less than, 3,000,000 people. One additional Member shall be elected for every million exceeding the population of 3,000,000.

2) Twenty-two elected by the various Men (Leagues) and Chi (Banners) of Mongolia;

3) Ten elected by Tibet;

4) Six elected by the various racial groups in the border regions.

5) Nineteen elected by Chinese Nationals residing abroad;

6) Fifty-six elected by occupational groups.

Reapportionment of Members stipulated in each of the above Sections, shall be determined by law.

Article 5. -- There shall be at least one woman member among 10 or less members elected according to Section (1) of the preceding Article. At least one additional woman shall be elected for every 10 Members exceeding 10.

Reapportionment of Members stipulated in the preceding paragraph shall be determined separately by law.

Votes for woman Members of the Legislative Yuan shall be counted separately.

Article 6. -- With the exception of people in any of the following categories, citizens of the Republic of China, having attained the age of 20 years, shall be have the right to vote; and any citizen having attained the age of 23 years shall have the right to be elected;

1) Those who have been convicted of offenses against the internal and external security of the state;

2) Those who have been convicted of corruption when holding public offices;

3) Those who have been deprived of their civil rights, pending restitution of the same;

4) Those who have been interdicted;

5) Those who are insane;

6) Those who consume opium or other narcotics.

Article 7. -- Alien nationals who have been naturalized Chinese citizens for five years shall have the right to vote in accordance with the stipulations of the preceding article; and those naturalized for ten years shall be eligible for election in accordance with the stipulations of the preceding Article.

People who have regained their Chinese citizenship for two years shall have the right to vote in accordance with the stipulations of the preceding Article; and those who have regained it for three years shall be eligible for election in accordance with the stipulations of the preceding Article.

Article 8. -- Each voter shall cast only one ballot; those who are entitled to two ballots in accordance with Sections of Article 4 of this Law shall retain only one, which is to be specified by the voter himself with his registration on the electors' roll.

Chapter II. Voters and Candidates

Article 9. -- The organs in charge of the different elections as stipulated in Article 4 of this Law shall, after secrutiny of the qualifications of the candidates in their respective constituencies, work out electors' rolls and their duplicates, therein specifying the candidates' name, sex, age native place, occupation and residence; and the same shall be published within 40 days prior to the election. The total number of candidates shall be reported to the superior electoral organs which, in their turn, shall send these data to the National Electoral Office for filing and reference.

Article 10. -- The afore-mentioned organs in charge of elections and their superior electoral organs are defined as follows:

1) For Provinces and Municipalities, the organs in charge of election in the Provinces, where no regional elections are to take place, and the Municipalities directly under the Executive Yuan shall be the respective Provincial Electoral Offices and Municipal Electoral Offices; and the superior electoral organ shall be the National Electoral Office. The organs in charge of election in the Provinces, where regional elections are to take place, shall be the Regional Electoral Offices; and the superior electoral organ shall be the Provincial Electoral Office.

2) For Mongolia, the organs in charge of the election shall be the respective governments of the Mongolian men (League) and Chi (Banner); and the superior electoral organ shall be the Mongolian and Tibetan Electoral Office.

3) For Tibet, the organs in charge of the elections shall be those designated by the Kashag and the Mongolian and Tibetan Electoral Office; and the superior electoral organ shall be the Mongolian and Tibetan Electoral Office.

4) For Chinese National residing abroad, the organs in charge of the elections shall be those designated by the Overseas Chinese Electoral Office; and the uperior electoral organs shall be the Overseas Chinese Electoral Office.

5) For the racial groups in border regions and the Chinese Nationals in the interior whose mode of living and habits are peculiar, the organs in charge of the elections shall be the respective Provincial Electoral Offices; and the superior electoral organ shall be the National Electoral Office.

6) For national occupational groups and women's organizations, the organs in charge of the elections shall be the Provincial Electoral Offices and Electoral Offices of the Municipalities directly under the Executive Yuan; and the superior organ shall be the National Occupational groups and Women's Organizations, Electoral Office.

7) For provincial or municipal occupational groups and women's organizations, Section (1) of this Article shall be applicable.

Article 11. -- After the completion of the compilation of electors' rolls by the responsible organs, certificates of the right to vote shall be issued; upon the presentation of the same, ballots will be distributed.

Article 12. -- Those who have the right to be elected and are willing to be candidates may be registered as such, upon nomination by a political party or by more than 3,000 signed voters. They may campaign openly for election; no one who has not been thus registered shall be elected.

Candidates for occupational groups may be nominated by more than 500 signed electors.

Candidates for women's organizations may be nominated by 200 signed electors.

In the above-mentioned nominations of candidates, each voter shall sign for only one candidate; and those who are eligible for election shall not register for candidacy under more than two categories.

Article 13. -- Incumbent Government officials and military officers in active service shall resign from their respective posts five months prior to the election if they are to become candidates in constituencies where they command troops or hold offices.

Article 14. -- The period of time for registration of candidates shall be announced by the various responsible electoral organs; the period shall not be shorter than thirty days.

In the afore-said registration of candidates, the rolls shall specity the name, age, native place, occupation and residence of the candidates, and woman candidates shall write "female" under their names. The responsible electoral organs, after scrutiny, shall announced the rolls 30 days prior to the date of balloting and report them to the respective superior electoral organs, which shall, in turn, send the data to the National Electoral Office for filing.

Article 15. -- Candidates in each constituency must be established residents of the particular constituency. Candidates of women's organizations in the Provinces and Municipalities must be established residents of the respective Provinces and Municipalities. Those in Mongolia and Tibet and those of various racial groups in the border regions must be established residents in the respective regions.

Candidates of each occupational organization must be members of the particular organization.

Candidates from Chinese National residing abroad must have lived in the particular constituency abroad for a period longer than three years.

Article 16. -- The "members" as mentioned in the preceding article, refers to the regular constituents of the respective groups concerned; in case the member refers to an organization which is defined as a jurisdic person, the word "member" refers to the representative of the jurisdic person. (To be continued)

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1. Constitutional Law
2. Korean Independence

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LAW GOVERNING ELECTION AND RECALL OF MEMBERS OF THE LEGISLATIVE YUAN

(Continued from last issue)

Chapter III Electoral Organs

Article 17. -- The Central Government shall form a National Electoral Office, with an electoral Council composed of three to five councillors to guide the procedures of elections in the entire country; the Councilors shall be appointed by the National Government, and one is to be named president. The organization of the National Electoral Office shall be prescribed by law.

Article 18. -- Each Province shall form a Provincial Electoral Office, with an Electoral Council composed of three to five councillors to conduct the elections in that particular province. The Chairman of the Provincial Government shall be an ex officio councillor and concurrently president of the Electoral Council, while other councillors shall be appointed by the National Government upon nomination by the National Electoral Office.

Each electoral district of the various Provinces shall form a District Electoral Office, with an Electoral Council composed of three to five councillors to conduct the elections in that particular region. The administrative inspector of the district shall be an ex officio councillor and concurrently president of its Electoral Council, while the other councillors shall be appointed by the National Electoral Office upon nomination by the Provincial Electoral Office. In each of the regions where there are no administrative inspectors, one of the councillors shall be appointed as president by the National Electoral Office.

Article 19. -- Each Municipality directly under the Executive Yuan shall form a Municipal Electoral Office, with an Electoral Council composed of three to five councillors to conduct the elections in that particular Municipality. The Mayor of the Municipality shall be an ex officio Councillor and president of the Electoral Council, while the other Councillors shall be appointed by the National Government upon nomination by the National Electoral Office.

Article 20. -- In Mongolia and Tibet, a Mongolian and Tibetan Electoral Office shall be formed with an Electoral Council composed of three to five Electoral Supervisors to conduct the elections; the Chairman of the Mongolian and Tibetan Affairs Commission shall be an ex officio Supervisor and president of the Council. Other Supervisors of the Council shall be appointed by the National Government upon nomination by the National Electoral Office.

Under the Mongolian and Tibetan Electoral Office, responsible electoral offices shall be established in the various constituencies, each with an electoral supervisor. In Mongolia, the highest executives of the Men (League) and Qui (Banner) shall be appointed electoral supervisors. In Tibet, persons nominated by the Kashag and Mongolian and Tibetan Electoral Office shall be appointed electoral supervisors. All such appointments shall be made by the National Electoral Office.

Article 21. -- An Overseas Chinese Electoral Office shall be formed, with an Electoral Council composed of three to five Councillors to conduct the elections abroad. The Chairman of the Overseas Chinese Affairs Commission shall be an ex officio Councillor and president of the Council; and the other Councillors shall be appointed by the National Government upon nomination of the National Electoral Office.

Under the Overseas Chinese Electoral Office, responsible electoral offices shall be established in the various constitutencies, with electoral council composed of three to five councillors to conduct the elections in different places abroad. These councillors shall be chosen from persons in the appended charts by the National Electoral Office, and each Council shall have a president, designated from the selected councillors.

Article 22. -- A National Electoral Office for Occupational Groups and Women's Organizations shall be established to take charge of the elections of the occupational groups and women's organizations. In that office, an Electoral Council for Occupational Groups and Women's Organizations shall be formed, with three to five Councillors to conduct the elections. The Councillors shall be appointed by the National Government upon nomination by the National Electoral Office, and one is to be named president.

Article 23. -- To supervise balloting and count votes, the responsible electoral offices shall appoint balloting workers, tabulators and supervisors.

Article 24. -- No Councillors or supervisory staff members of an electoral office shall be candidates for Members of the Legislative Yuan in the particular constituency where the office is conducting the election.

Chapter IV. Electoral Procedures

Article 25. -- The dates of balloting for the different elections shall be determined and proclaimed by the National Electoral Office.

Article 26. -- The various organs in charge of elections shall make electoral announcements fifteen days prior to the election, specifying therein the following items:

1) Site of balloting and place for announcement of electoral returns;

2) Method and date of balloting;

3) Number of Members of the Legislative Yuan their respective constituencies are to elect.

Article 27. -- In border regions, languages popular in different localities may be used coordinately in electoral announcements and on ballots.

Article 28. -- In accordance with the number and apportionment of Members of the Legislative Yuan stipulated by law, the candidates who get relatively greater number of votes shall be Members of the Legislative Yuan; in case candidates receive equal number of votes, final decision shall be made by drawing lots.

Article 29. -- In addition to the amount of Members of the Legislative Yuan stipulated by law, a number of candidates shall be reserve Members in accordance with the numbers of votes they receive; in case candidates receive equal number of votes, final decision shall be made by drawing lots.

In each constituency which elects less than two Members, there shall be three reserve Members; and in each constituency which elects more than two Members, the number of reserve Members shall be the same as that of Members.

In the event a post of Member becomes vacant, the reserve Member who received the highest number of votes shall succeed to the office.

Article 30. -- In case no woman candidates campaign for woman Members of the Legislative Yuan, apportioned in accordance with Article 4 and 5, the quotas for woman Members shall remain unfilled. If a post of woman Member becomes vacant and there is no reserve woman Member, the post shall remain unfilled.

Article 31. -- The ballots cast by the racial groups in border regions for the various candidates shall be computed by the respective responsible electoral organs of the Province; and the namelists, after announcement, shall be submitted to the Provincial Electoral Office. The lists are to be handled in accordance with Article 29 and 30 of this Law and then announced.

Article 32. -- The credentials of the Members of the Legislative Yuan shall be prepared by the National Electoral Office, and then handed over to the various superior electoral organs as stipulated in Article 10 of this Law for "chopping" and distribution. A recent bust photograph of each Member shall be placed on the specified part of his credentials before distribution.

Chapter V. -- Nullification of Elections

Article 33. -- If either one of the following two conditions prevails, the election shall be null and void:

1) If the election is conducted in violation of law;

2) If more than one-tenth of the people on the electors' roll are convicted of being involved in irregularities.

Article 34. -- In the event an election is nullified, a new election shall be held immediately in accordance with law.

Article 35. -- The election of a candidate shall be nullified in case his qualifications are proved not to meet the legal requirements, or the number of the votes he receives are inaccurately counted, or in the event he dies before the election takes place.

Article 36. -- In cases of nullification of candidates' election, the reserve Members shall succeed to the [illegible] in accordance with their priority.

Chapter VI. Election Suits

Article 37. -- In the event voters or candidates have strong reason to believe that the personnel in charge of the elections, or other voters and candidates have influenced the election by coercion, inducements or other irregularities, the complainants may bring law suits within 15 days after the date of election.

Article 38. -- In the event voters or candidates have strong reason to believe that the elected do not have the required qualifications, or the number of votes is inaccurately tabulated, they may bring law suits within 15 days after the announcement of the names of the elected.

Article 39. -- Election suits shall be handled by the High Court with jurisdiction over the particular locality, and priority of trial shall be granted to such cases; in case there is no High Court, the suits shall be handled by the National Capital High Court which will render a written verdict after one trial.

Chapter VII. Recall of Members of the Legislative Yuan

Article 40. -- No petition for recall shall be [illegible] the voters against the Members of the Legislative Yuan of their constituency until at least six months after the election.

Article 41. -- Reasons for recall shall be stated in the petition which should be signed by 10 per cent of the voters participating in the election of the particular constituency; the petition shall be submitted to the chief of the administrative organ of the constituency.

Article 42. -- The chief of the administrative organ, mentioned in the preceding article, upon receipt of the petition for recall, shall investigate into the validity of the signatures and the number of signatures required. Then he shall forward a duplicate copy of the petition to the accused Member, who is to make a formal reply within 15 days.

Article 43. -- The chief of the administrative organ, within three days after receiving the formal reply, shall make it public together with the petition for recall. The recall shall be voted upon within 30 days after the announcement by the voters of the constituency, and a majority of the total number of votes cast shall be necessary for approval of the recall.

Article 44. -- In case the recall is not approved, no petition for recall of the same Member shall be made during the rest of his term of office.

Article 45. -- When a Member is recalled, the proper reserve Member shall succeed to the vacancy. The term of office of the successor shall expire with the completion of the unfinished term of the former Member.

Chapter VIII. Annex

Article 46. -- Any action in election and recall which violates the criminal law shall be subject to prosecution in accordance with the Criminal Code.

Article 47. -- Rules governing enforcement of this Law shall be stipulated separately.--END.

KOREAN INDEPENDENCE

The PEACE DAILY says today that China seeks two things for the future destiny of Korea, independence of the Korean people and co-operation between the United States and the Soviet Union in that area.

There should be a sovereign government with popular support in every independent country, or, there will be no independence at all, opines the paper. As the Allied powers have guaranteed independence and sovereignty to Korea, they should strive to fulfil that promise. Korea, in the near future, says the paper, should be an area of international co-operation rather than an object of international disputes.

China, continues the PEACE DAILY, is much concerned with the welfare of Korea. There is a cultural affinity between the two countries. In addition, control of Korea, always a strategic military base, was the underlying cause of the Sino-Japanese War of 1894 and the Russo-Japanese War of 1904, and China does not want Korea to continue to be the tinder-box of Asia. --END.

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1. Reorganization of Government
2. Statement by President Chiang Kai-shek

(NOTE: Editorial or feature translations are for the information and reference of readers of the DAILY BULLETIN. Such translations in no way indicate that the Chinese Government advocates or endorses the opinions expressed therein.)

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REORGANIZATION OF GOVERNMENT

Central Daily News

The CENTRAL DAILY NEWS, Nanking, today hails the advent of multi-party rule in China with the broadening of the government base to include minority party representatives and liberals as an epochal event in Chinese political history.

The editorial offers two explanations for the protracted negotiations which led to final reorganization of the government.

(1) The Kuomintang, after 20 years of one-party rule, has shared a greater part of the responsibility for government reorganization and during the past year and a half has sought the co-operation of other parties with deep sincerity and open-mindedness. It is a credit to the Kuomintang that it has succeeded through patient resolution inspiring confidence of the other parties, so essential for a democratic form of government.

(2) Among the minority parties, both the Democratic Socialist and the Young China Party have weathered recurrent storms within their own groups before their final moral conviction prevailed. Their participation in the government is commendable in view of its contribution to the national cause.

Peace Daily

The PEACE DAILY, Nanking, says that the decision to reorganize the National Government by broadening its base was made January, last year, in the Political Consultative Conference, but its implementation has been difficult because of communist obstruction. one year's hard struggle, the paper avers, has brought about its realization, which makes it abundantly clear that all communist endeavors to betray the national interest will be doomed to defeat. In conclusion, the paper calls upon the nation to support the reorganized government for the realization of a constitutional democracy.--END.

STATEMENT BY PRESIDENT CHIANG KAI-SHEK

- - - -

The reorganization of the State Council, which takes effect today, is another step in the transition from Kuomingtang tutelage to constitutional government in China. It gives representation of the Nation 's highest policy making body to two minority parties and to independents.

The composition of the State Council under this reorganizat is as follows:

The presidents of the five yuan (ex officio) -5 seats

Kuomintang -12 seats.

Democratic Socialist Party -4 seats.

Young China Party -4 seats.

Independents -4 seats.

At present the yuan presidents are all Kuomintang members, so that the total Kuomintang seats number 17 but assumption of any of these posts by members of other parties or by independents automatically would reduce the Kuomintang representation.

It was orignially planned that the membership of the State Council consist of 40 with the Kuomintang members numbering 20. At present 29 seats have been occupied. If the remaining 11 should be filled, the kuomintang membership will be 17 out of 40, or less than half.

In the case of the Democratic Socialist and Young China Parties the individuals were selected by the groups themselves. In the case of the independents, I made the selections after consultation with the individuals concerned.

The broadening of political representation on the State Council follows the election of minority party members to the Legislative and Control Yuan and thus establishes multi-party government.

The next step is the forthcoming reorganization of the Executive Yuan under the new premier, with cabinet ministries assigned to minority parties and independents as well as the Kuomintang.

The effect of the reorganization on the Chinese government is as follows:

Control of the government, hitherto exclusively under the Kuomintang, is broadened to control by the Kuomintang, the Democrat Socialist Party, the Young China Party, and independents. The State Council will direct China's affairs during the transitional period, carry out the mandates of the last National Assembly, and prepare for the inauguration of constitutional government on December 25, 1947. China's postwar political history has been divided into two phases. First came an attempt, with American mediation, to persuade the communists to join the government and merge their army into the national army.

The second phase began with the National Assembly. The Participation by the Democratic Socialists, the Young China Party, and independents in that body and in the adoption of the constitution meant that they supported the government's effort to bring in the constitutional era.

The world is not static. China's need for peace and reconstruction becomes more urgent everyday. China must push vigorously ahead to achieve unity by the quickest means possible. Progress toward democracy and constitutionalism cannot wait indefinitely for the communists.

If the Chinese Communist Party abandens its policy of seizing power by force and cooperates to achieve the unity of the nation, it still has the opportunity to join the government and participate in the work of national reconstruction. For the sake of China's suffering people, it is hoped that the communists will change their present attitude of open rebellion.--END.

April 17, 1947.

(1) President Chiang has nominated the following persons as members of the State Council:

Sun Fo
Tai Chuan-hsien
Tsou Lu
Wang Chung-hui
Wang Shih-chieh
Wu Chung-hsing
Chen Chi-tien
Wu Hsien-tze
Mo Te-hui
Bolhan
Chu Cheng
Chang Chun
T. V. Soong
Chang Chia Hutuketu
Chiang Mon-lin
Chen Pu-lai
Ho Lu-tze
Hu Hai-men
Chen Hwei-teh
Yu Yu-jen
Chang Chi
Wong Wen-hao
Shao Li-tze
Niu Yung-chien
Tseng Chi
Yu Chia-chu
Chi Yi-chiao
Wang Yung-wu

One more member will be nominated later from the Democratic Socialist Party.

The whole list will be published officially by the National Government.

(2) President Chiang has nominated the following persons as presidents of the five Yuan:

Chang Chun	--	President of the Executive Yuan
Sun Fo	--	President of the Legislative Yuan
Chu Cheng	--	President of the Judicial Yuan
Yu Yu-jen	--	President of the Control Yuan
Tai Chuan-hsien	--	President of the Examination Yuan

(3) This afternoon the Standing Committee of the C.E.C., at the suggestion of President Chiang, elected Dr. Sun Fo as the Vice-President of the National Government. It also approved the Kuomintang members of the State Council mentioned above.

(4) The Standing Committee of the C.E.C., at the suggestion of President Chiang, approved the following list of members of the Political Council of the Kuomintang:

Chang Jen-chieh
Yeh Hsi-shan
H. H. Kung
Ho Ying-chin
Chen Chi-tang
Kan Nai-kwang
Tseng Yang-fu
Ku Cheng-ting
Lu Chung-lin
Li Yu-ying
Po Wen-wei
Cheng Chien
Hsu Yung-chang
Li Ching-chai
Yu Ching-tang
Fang Chih
Yuan Shou-chien
Peng Yu-hsiang
Hsiung Ke-wu
Li Tsung-jen
Chu Shao-liang
Hsu Kan
Peng Hsueh-pei
Chi Shih-ying
Cheng Yeh-feng

Secretary-General Chen Li-fu

-- END --

International Department
Ministry of Information
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LAW GOVERNING ELECTION AND RECALL OF MEMBERS OF THE CONTROL YUAN

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Article 1. -- Members of the Control Yuan shall be elected and recalled in accordance with the stipulations of the Constitution and this Law.

Article 2. -- Members of the Control Yuan shall be elected, in accordance with the number and apportionment stipulated in Article 91 of the Constitution, by the various Provincial and Municipal Councils, the Mongolian and Tibetan Regional Councils and Overseas Chinese Organizations.

Before the existence of the various Provincial and Municipal Councils, the Members of the Control Yuan shall be elected, in accordance with the stipulations of the Preparatory Procedures for the Enforcement of the Constitution, by the existing respective Provincial and Municipal Provisional Political Councils. Their term of office shall expire when Members of the Control Yuan are elected by the Provincial and Municipal Councils.

Before the existence of the Mongolian Regional Councils, the Members of the Control Yuan shall be elected by the Councils of the Representatives of the various Chi (Banners) of the different United Mongolian Constituencies. The Council of Chi Representatives shall be formed with one representative from each Chi and four representatives from each Special Chi. The United Mongolian Constituencies shall be demarcated, and the number of Members shall be apportioned in accordance with the stipulations of Appended Chart I.

Before the existence of the Tibetan Regional Council, the Members of the Control Yuan shall be elected in accordance with the procedures for the election of the Representatives to the National Assembly to adopt the Constitution. The apportionment of Members shall be as follows:

1) Five elected by Tibet;
2) Three elected by Tibetans residing temporarily outside Tibet.

The Members of the Control Yuan to be elected by the Chinese National residing abroad shall be elected by the various Overseas Chinese organizations in the different constituencies abroad in accordance with the stipulations in Appended Chart II. One Member shall be elected by all the organizations in each constituency.

Overseas Chinese organizations shall be those which have been formed by Chinese Nationals residing abroad in accordance with law, or those which have been registered with the Overseas Chinese Affairs Commission.

Article 3. -- There shall be one woman among the Members elected by each Province.

Article 4. -- The Provincial and Municipal Councils, the Mongolian and Tibetan Regional Councils and Overseas Chinese organizations shall hold respective electoral councils to elect the Members of the Control Yuan.

The date of convening such councils and the date of balloting shall be prescribed by decree.

Article 5. -- Voters in the elections of Members of the Control Yuan shall be members of the various Provincial and Municipal Councils, members of the various Mongolian and Tibetan Regional Councils and representatives of the various Overseas Chinese organizations in the different constituencies abroad. Any one who is a member of two or more Overseas Chinese organizations shall specify to the responsible electoral organ under which one organization he wishes to qualify for voting.

Before the existence of the various Provincial and Municipal Councils and the various Mongolian and Tibetan Regional Councils, the voters in the elections of members of the Control Yuan shall be members of the existing respective Provincial and Municipal Provisional Political Councils and representatives of the various Chi Representatives' Councils in the different Mongolian constituencies.

Article 6. -- Any one who has the right to vote in accordance with law and who has attained the age of 35 years shall qualify for candidacy in the election of Members of the Control Yuan but candidates in the election of Members of the Control Yuan by Chinese Nationals residing abroad shall have lived in the particular constituency abroad for three or more years.

Candidates in elections in the various Provinces and Municipalities and Mongolia and Tibet shall be nominated by five or more signed voters. Candidates for Overseas Chinese organizations shall be nominated by 30 or more signed voters. But each of the candidates for Mongolian Members of the Control Yuan, to be elected by the various Chi Representatives' Councils in the different Mongolian constituencies, shall be nominated by 30 or more signed Mongolian citizens who are not members of the respective Chi Representatives' Councils and who have the right to vote in accordance with law.

The number of signed voters for the nomination of woman candidates shall not be subject to the stipulations in the preceding paragraph. -- (To be continued)

POLITICAL PROGRAM OF THE CHINESE NATIONAL GOVERNMENT

* * * *

Following is the full text of the Political Program of the National Government of China published by the National Government on April 17, 1947:

The National Government of the Chinese Republic, with a view to inaugurating constitutional government and promoting democracy, has since the Political Consultation Conference (January 1946) decided to reorganize the Government and to invite individuals from political parties and groups other than the Kuomintang, as well as independents, to participate. More than one year's persistent efforts have just resulted in a jointly formulated and agreed-upon procedure for immediate completion of the government reorganization. Besides, a Political Program for the National Government after the reorganization, evolving from comprehensive and careful deliberations by all parties concerned, has just been approved, respectively, by the standing committees of the Young China Party, the Democratic Socialist Party and the Chinese Kuomintang. It has also been agreed upon by the independents who took part in the discussions. The embodiments of the political program, which will be adhered to jointly by the reorganized National Government, are as follow:

(1) The Program of Peaceful National Reconstruction shall be the guiding principle of administration for the reorganized National Government, while all participating parties and independents shall be jointly responsible for completing the interim procedure for inauguration of constitutional government.

(2) Cooperation among the various parties and groups shall be based upon the principles of "political democratization" and "nationalization of armed forces." Under this common principle, no efforts will be spared toward political progress and national stability.

(3) In order to promote world peace and uphold the United Nations Charter, China should pursue a foreign policy of equality and good-neighborliness, without discrimination, toward all friendly nations.

(4) Settlement by political means shall remain the basic principle for solution of the Chinese Communist problem. If only the Chinese Communists show willingness for peace and the railway system can be completely restore, the Government will seek national peace and unity through political channels.

(5) The responsible Executive Yuan system shall be enforced as an experiment, in accordance with the spirit of the provisions of the Constitution. The Executive Yuan should abide by any decisions of the State Council and assume full responsibility for their execution, thus conforming to the principle of "authority and responsibility." Equal respect should be accorded to the functions and powers of the Legislative Yuan. In presenting a bill to the Legislative Yuan, the Executive Yuan authorities shall be present to offer explanations, thereby insuring coordination between the executive and the legislative authority.

(6) Pending the inauguration of constitutional government, any nomination to the presidency of the Executive Yuan shall be made by the President (of the Republic) with the previous concurrence of the various parties.

(7) Provincial administrations shall be governed by principles making a clear distinction between the military and civil authorities and allowing expediencies as local conditions warrant. In matters of personnel, and legislation, a thoroughgoing checkup will be made and reform instituted in order to enable the provincial governments to attain the highest degree of efficiency possible.

(8) All laws promulgated and all institutions established to meet the needs of political tutelage shall, after reorganization of the National Government, be rescinded and abolished.

(9) Thorough adjustments shall be made in the tax system and financial setup, the procedure of levying taxes shall be simplified, and the categories of land tax and additional levies shall be reduced, in order to alleviate the burdens of the people.

(10) Strict guarantee shall be accorded to the people's freedom of person, freedom of speech, freedom of publication and freedom of assembly. Any illegal arrest or interference shall be strictly forbidden. Where restrictions are deemed essential for the maintenance of social order or to avert a crisis, laws governing such restrictions shall be approved by the State Council.

(11) Foreign loans henceforth to be contracted shall all be earmarked for purposes of stabilizing and improving the people's livelihood and of production and reconstruction.

(12) As far as possible, there should be participation of political parties and independents in the political councils or provisional councils of the provinces, municipalities and hsien. Local governments in the various provinces should also include representatives of various parties and independents, based on the principle of "selection of the able and efficient."

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BIOGRAPHY OF GOVERNOR CHANG CHUN

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Governor Chang Chun, a native of Hwayang, Szechwan, was born on May 9, 1889. In 1908, when the Manchu court instituted a short term officers' training school for the purpose of building up a new army, he was among those who studied in that school and later selected and sent to Japan together with President Chiang Kai-shek to attend the Japanese Military Cadets' Academy, where he graduated from the artillery branch. Upon his arrival in Tokyo, he joined the Tung Meng Hui, the Revolutionary League, (organized by Dr. Sun Yat-sen), which was the forerunner of the Kuomintang.

He returned to China in 1911 together with President Chiang Kai-shek, to take part in the National Revolution. At first, he served as a section chief at the Headquarters of the Commander-in-Chief for the Shanghai Area, later as staff officer and regimental commander of the 23rd Division. In 1913, when the revolution was started for the second time against Yuan Shih-kai, monarchical throne plotter, he joined the Kiangsu expeditionary forces, serving as chief aide to Dr. Sun and commander of artillery. When the revolution failed, he went into exile in Japan and from there proceeded to the South Seas Islands and took up teaching for a living, in Java.

At the time of the third revolutionary coup, in 1915, also against Yuan Shih-kai, he returned to Shanghai incognito and joined the Chekiang independence movement. In 1917, he was made aide-de-camp at the Headquarters of the Commander-in-Chief (Dr. Sun Yat-sen) in Kwangtung and chief aide of Dr. Sun's Military Government.

He returned to Szechwan in 1918 to become director of the Provincial Police Department of Szechwan and concurrently police commissioner for the provincial capital. He left the province in 1921 and, was continuously active in the revolutionary work in the North. In 1924, he joined the Second National Revolutionary Army, serving as director of the Provincial Police Department of Honan and concurrently police commissioner for the provincial capital.

In 1926, he went to Kwangtung to assist in the military operations of the Northern Expedition, serving as chief councillor to the Headquarters of the Commander-in-chief (President Chiang Kai-shek) of the National Revolutionary Forces and as a member of the National Military Council. In 1928, he was appointed a member of the Foreign Affairs Committee of the Central Political Council. Shortly afterwards he was made the first Political Vice-Minister of War, serving concurrently as Army Ordnance director and chancellor of Tung Chi University.

At the third national congress of the Kuomintang he was elected a member of the Central Executive Committee, to which post he has successively been re-elected at subsequent congresses up to the present. In 1929, he was made mayor of the Special Municipality of Shanghai, from which post he resigned in 1932. He then became a member of both the Political Affairs

Commission in Peiping and the Peiping branch of the National Military Council.

In 1933, he was appointed Governor of Hupeh. In 1935, he rejoined the Central Government as Minister for Foreign Affairs. In 1937, he served as secretary-general of the Central Political Council and concurrently as chairman of the Foreign Affairs Committee.

Following the outbreak of the war against Japan, he was made secretary-general of the National Military Council and after reorganization of the Council was appointed Vice-President of the Executive Yuan and director of the Generalissimo's Headquarters in Chungking. Later he became secretary-general of the Supreme National Defense Council, serving concurrently as secretary-general of both the Central Planning Board and the National Spiritual Mobilization Commission.

In 1940, he served as director of the Generalissimo's Headquarters in Chengtu and concurrently as Governor of Szechwan. In 1946, he assumed the post as acting director of the Generalissimo's Headquarters in Chungking, which later changed its status to become the Headquarters of the President of the National Government.

Governor Chang is a Christian. In political philosophy he has always been a faithful follower of Dr. Sun Yat-sen. Although he received education primarily in military institutions, he has been an intensive student of the political philosophies of ancient China, and of the achievements of outstanding statesmen in Chinese history. At the same time he has followed conscientiously the development of contemporary political thought in western countries. Since 1916 he has been advocating an army reduction program in China, so much so that he gave up his military career and has become more of a political than military figure.

After the conclusion of the Northern Expedition in 1928, the Chinese revolutionary movement came in direct clash with Japan's continental policy. In order to consolidate the unity of the country, Governor Chang, successfully brought about the integration of the Northeast into the Central Government. This move so exasperated the Japanese that they provoked the "Mukden Incident" which brought in its wake a series of crises, culminating in the outbreak of the Marco Polo Bridge Incident, and these Governor Chang sought to avert by conducting negotiations with Japan as China's foreign minister.

Following the removal of the National Government westward to Chungking, Governor Chang, as Vice-President of the Executive Yuan and director of the Generalissimo's Headquarters, first proceeded to Szechwan to consolidate that province as the base of Chinese resistance to Japanese aggression. When the Supreme National Defense Council was organized with him as Secretary-General, he maintained liaison with the various political parties and groups and contributed much towards cementing national unity and formulating the war policies. During his tenure of office as governor of Szechwan from 1940 till recently, covering a period of six years of which five witnessed the war,

Governor Chang, on the one hand, mobilized the manpower and material resources of the province to sustain the war and, on the other, pushed through vigorously the program of local self-government. In the establishment of people's representative organs, Szechwan was ahead of all other provinces.

After the war, Chang worked hard to bring the various political parties and groups together in the interest of national democracy and unity. He was repeatedly directed by the Government to carry out peace negotiations with the Chinese Communist Party. In this capacity, with General George C. Marshall as mediator, he negotiated the cease-fire agreement with the Communists, signed on January 10, 1946. The successful conclusion of this negotiation, more than anything else, factually paved the way for the opening of the multi-party Political Consultation Conference, and directly led to the convocation of the National Assembly and the making of the Constitution of December 25 of last year.

Governor Chang made his first visit to the United States during the latter part of 1946, for medical treatment. He is married to Miss Helen Ma, and they have one daughter and two sons.

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LAW GOVERNING ELECTION AND RECALL OF MEMBERS OF THE CONTROL YUAN

(Continued from April 19 issue)

Article 7. -- (The final text of this Article has not yet been completed.)

Article 8. -- Nomination of candidates shall be completed on the third day of the meeting of the respective Provincial, Municipal, and the Mongolian and Tibetan electoral councils, and then announced by the respective responsible electoral organs.

Nomination of candidates shall be completed and announced 10 days prior to the meeting of the electoral council of the Overseas Chinese Organizations.

Candidates' names shall be listed in the order relative to the number of signatories they secured for the nomination; and the word "female" shall be written under the names of woman candidates.

Article 9. -- Each voter shall choose one candidate on the namelist by secret ballot and single vote.

Article 10. -- Four of the five Members of the Control Yuan elected by each Province shall be the four man candidates who receive the highest numbers of votes, and the remaining one shall be the woman candidate who receives a higher number of votes than any other woman candidate. Votes for woman candidates shall be computed separately. In the event there are no woman candidates, or, no woman candidates are elected, the vacancies shall remain unfilled.

In case of a quota of two Members, the two candidates who receive the highest numbers of votes shall be elected. In case of a quota of only one Member, the one candidate who receives the highest number of votes shall be elected.

In case candidates receive an equal number of votes, final decision shall be made by drawing lots.

Article 11. -- Not more than one member of each Provincial and Municipal Council shall be elected a Member of the Control Yuan.

Article 12. -- The credentials of newly-elected Members of the Control Yuan shall be issued by the Electoral Supervisor of the respective Provinces and Municipalities, Mongolia and Tibet, and the Overseas Chinese organizations; and the issuance of the same shall be reported to the National Government.

Article 13. -- In the event a post of a Member of the Control Yuan becomes vacant, election of his successor shall be determined by decree. The term of office of the successor shall expire with the completion of the unfinished term of the former Member.

Article 14. -- No petition for recall shall be raised against a Member of the Control Yuan until at least six months after he assumes office.

Article 15. -- A petition for recall may be raised against a Member of in Control Yuan when it is signed by one-fourth or more of the total voters of the electoral council participating in the election o the Member.

In case the Electoral Councils are the Mongolian Chi Representatives' Councils, the signed petitioners should not all be of one Chi. For Overseas Chinese organizations, the number of signed petitioners should be one-fourth of the total number of votes cast in that particular constituency.

Article 16. -- Reasons for recall shall be stated in the petition which shall be submitted to the Chairman of the respective Provincial and Municipal Council or the chief executive of the Mongolian and Tibetan Affairs Commission.

Article 17. -- The Chairman of the chief executive, mentioned in the preceding article, shall, within 30 days after receipt of the petition for recall, investigate into the validity of the signatures and the number of signatures required. Then he shall forward a duplicate copy of the petition. A meeting of the Electoral Council shall be convened within 30 days to vote on the recall petition.

Article 18. -- The accused Member may, within 10 days after receipt of the copy mentioned in the preceding article, make a formal reply and send the same to the Chairman or the chief executive, who has received the petition for recall.

The petition and the reply shall be made public simultaneously by the Chairman or the chief executive mentioned in the preceding article.

Article 19. -- Voting on the recall petition shall be by secret ballot and single vote. A majority of the total number of votes cast shall be necessary for approval of the recall.

Article 20. -- Approval of the recall shall be announced by the Chairman or the chief executive; and an election for the successor of the Member recalled shall be held in accordance with law. The term of office of the successor shall expire with the completion of the unfinished term of the former Member.

Article 21. -- In case the recall is not approved, no petition for recall of the same Member by the same signed voters, shall be made during the rest of his term of office.

Article 22. -- Before the existence of the Various Provincial and Municipal Councils and the Mongolian and Tibetan Regional Councils, the stipulations of this Law shall be applicable to the existing respective Provincial and Municipal Provisional Political Councils and the respective Chi Representatives' Councils of the Mongolian United Consitutencies.

Article 23. -- Any action in election and recall which violates the criminal law shall be subject to prosecution in accordance with the Criminal Code.

Article 24. -- Rules governing enforcement of this Law shall be stipulated separately. --END.

REGULATIONS GOVERNING ORGANIZATION OF THE POLITICAL COUNCIL OF THE CENTRAL EXECUTIVE COMMITTEE OF THE KUOMINTANG

(Revised at the Twenty-sixth Session of the Sixth Central Executive Committee on April 1, 1946.)

Article 1. -- The Political Council of the Central Executive Committee (hereafter called the Political Council) shal be the highest directive organ on political affairs of this Party, and shall be responsible to the Central Executive Committee.

Article 2. -- The Tsung-tsai (director-general) shall be the Chairman of the Political Council.

Article 3. -- The Political Council shall be composed of from 19 to 25 Members who shall be recommended by the Tsung-tsai to the Central Executive Committee for election and appointment. Members of the Standing Committees of the Central Executive and Supervisory Committees, members of the Party appointed to the State Council and any member appointed Director of the Civil Affairs Department of the National Government shall be ex officio Members of the Political Council.

Chairman of the various Special Committees under this Council and other persons concerned may, when necessary, be notified to attend meetings of the Council.

Article 4. -- The Political Council shall discuss and decide on the following matters:

A. Plans for execution of the political program and policies of this Party;

B. Guiding principles for settlement of important problems;

C. Administrative reports submitted by members of this Party who are the heads of the various Yuan and Ministries of the Government;

D. Choice of members of this Party who are to be political officials (as distinguished from civil service appointees and those who are to participate in People's representative bodies.

E. Matters referred to the Council by the Central Executive Committee and initiated by Members of this Council for discussion.

Article 5. -- Matters decided on by the Political Council shall be reported to the Central Executive Committee and, at the same time, shall be assigned to Party members concerned who shall be responsible of their execution.

Article 7. -- The Political Council shall meet once a week or every two weeks, the Chairman being the convener. In case of an emergency, the Chairman may take expedient action to meet the situation and shall report same to the Council afterwards.

Article 8. -- In the Political Council, there shall be a Secretariat, with a Secretary-General and a Deputy Secretary-General, who shall be appointed by the Central Executive Committee. Rules governing the organization of the Secretariat shall be prescribed separately.

Article 9. -- In the Political Council, various Special Committees may be formed. Their organization and functions shall be prescribed by general regulations separately.

Article 10. -- These Regulations shall come into effect upon the date set by the Central Executive Committee.--END.

DEVELOPMENT OF CHINESE PRESS

By Emery S. Ann
Staff Writer

Despite the handicaps imposed by protracted hostilities, in the past decade there has been a steady development of the Chinese press, which today boasts 948 daily newspapers with an aggregate circulation of two million, almost doubling the prewar figures.

Before the outbreak of the war in 1937, there were only about 500 dailies in China, with the southwest hinterland practically devoid of any publications. After the Government moved to the interior during the war, however, more and more newspapers made their appearance in these backward regions within the provinces of Yunnan, Kweichow and Szechwan.

Conclusion of the war two years ago gave further impetus to the growth of Chinese journalism, as additional daily newspapers, along with other publications, came into existence in the recovered cities along the coast. The last two years also has seen the extension of chain newspapers and journals representing political parties other than the Kuomintang.

Heading the centers of newspaper circulation is Shanghai, which alone claims 400,000 of the total. Next come Nanking, 200,000; Peiping and Tientsin, 300,000; Mukden and Changchun, 100,000 Wuchang and Hankow, 100,000; Chungking and Chengtu, 150,000; Canton and Hongkong, 160,000; and Sian, 50,000. The remaining 540,000 copies are distributed among smaller cities and remoter regions.

The widest circulation is enjoyed by the Sin Wan Pao and Shun Pao, both independents published in Shanghai and the oldest papers in China, and the Ta Kung Pao and Hsin Min Pao chains, which are operated independently in the major cities of the north and south.

Kuomintang organs directly sponsored by the Nanking headquarters number 23, while there are 25 published under provincial and municipal auspices. Until recently, the Chinese Communist Party had three main papers, namely, the Emancipation Daily in Yenan, the New China Daily News in Chungking, and the Chinese Commercial Daily News in Hongkong. Of the e, the last still remains.

The Young China Party, which has been active in intraparty negotiations, publishes two dailies, the Chung Hua Shih Pao in Shanghai and the Hsin Chung Kuo Jih Pao in Chengtu. Three other party organs, presumably sponsored by the Democratic League, are the Wen Wei Pao and the Combined Evening Journal in Shanghai, and the Democratic Daily in Chungking.

The chain newspapers include; The Ta Kung Pao, three editions; Hsin Min Pao, five; Shih Chieh Jih Pao, two; and the Catholic Social Welfare, six. One other of these is the Singapore chain, with the Tiger Balm King as publisher, which has editions in Hongkong, Swatow and Amoy.

The growth of the Chinese press, encouraging as it has been, is at present checked by a shortage of newsprint. For this reason, publishers have been compelled to cut space and limit circulation. The prevailing restrictions on foreign exchange at present limit each three months' importation of newsprint to US$ 2,000,000, worth or 6,450 tons. As this falls short of meeting the requirements, efforts are being made to increase the quota to at least 3,500 tons per month.--END.

MINORITY PARTY AND INDEPENDENT MEMBERS OF THE STATE COUNCIL

(1) Young China Party members:

Tseng Chi - born in Szechwan, 1891. studied political science and diplomatic relations in Japan and France; professor at several universities; member, People's Political Council since 1938; member, Political Consultative Conference, 1946; member, Presidium of the National Assembly, 1947.

Chen, Chi-tien - born in Hupeh, 1891; graduate, national Southeastern University; editor, Chung Hwu Book Company; professor, Szechwan University; member, People's Political Council since 1938; member, Political Consultative Conference, 1946.

Ho, Lu-chih - born in Hupeh, 1889; studied in France; professor at several universities; member, People's Political Council since 1938.

Yu, Chia-chu - born in Hupeh, 1899; research fellow, London University; professor, Southeastern University, Peiping National Normal University; head, department of education, National Honan University; member, People's Political Council since 1938.

(2) Democratic Socialist Party members:

Wu, Hsien-tze - born in Kwangtung; civil affairs commissioner, Kwangtung Provincial Government; civil affairs commissioner, Hupeh Provincial Government; vice-chairman, Democratic Socialist Party.

Chi, I-chiao - born in Hupeh, 1884; graduate, Japanese Military Cadets' Academy; chief advisor, the Third and the Fourth War Area Headquarters; deputy-commander, 10th Army; commander, 29th Army; member, Military Advisory Board.

Hu, Yuan-hui - (Hu Hai-men) born in Hopei, 1880; studied political science in Japan; president, North China Law School; Chairman, Hopei Provisional Political Council.

(3) Independents:

Wang, Yun-wu - publisher, writer, government official; born in Kwangtung 1888, managing director and editor-in-chief, Wan Yu Wen Ku or the Complete Library, consisting of 4,000 volumes of standard works in all branches of knowledge; inventor of a system of Chinese lexicography known as the "four-corner numoral system"; member, resident committee, People's Political Council, since 1938; member, Chinese Goodwill Mission to Great Britain, 1943; Minister of Economic Affairs since 1946.

Chen, Kuang-pu - (K. P. Chen) - banker, government official; born in Kiangsu, 1880; graduated University of Pennsylvania, 1909; founder and general manager, Shanghai Commercial and Savings Bank since 1915; member, National economic council, 1943; chairman, Currency Stabilization Board of China, 1941-44; chairman, Economic Affairs Planning Board, since 1944.

Paoerman - born in Sinkiang; Studied in Germany; member, Sinkiang Provincial Government; Deputy-Governor, Sinkiang, since 1946.

Mo, Te-hui - government official; born in Liaoning, 1882; president, Chinese Eastern Railway, 1929; Chinese delegate to Sino-Russian Conference, Moscow, 1930; member, presidium, People's Political Council, since 1942.--END.

MOSCOW CONFERENCE

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The SUN PAO today sees the Moscow Conference as having arrived at its final stage, and the paper appeals to the conference to avert a total failure by making the utmost efforts during the remaining days of the parley. The editorial blames the mutual fear and suspicion between the United States and Soviet Russia for the failure thus far to arrive at any conclusive agreement at the conference.

Due to this, the editorial asserts, elsewhere in the world dark clouds are also gathering. One of the worst shadows is cast over Lake Success, where the UN Security Council has been enmeshed in discussion of the American proposal to aid Turkey and Greece.

The paper says that insofar as realization of postwar world peace depends on cooperation and understanding between America and Russia, the statesmen of the two countries should avail themselves of their political wisdom so that the divergent views their countries represent may be reconciled.--END.

REVISED ORGANIC LAW OF THE NATIONAL GOVERNMENT

(As promulgated at Nanking on April 17, 1947)

* * * *

I. General Provisions

Article 1. -- The National Government, in pursuance of Article 77 of the Provisional Constitution of the Political Tutelage Period, does enact and ordain the following Organic Law of the National Government of the Republic of China.

II. The National Government

Article 2. -- The National Government shall exercise the governing powers of the Republic of China.

Article 3. -- The National Government shall have the supreme command of the land, naval and air forces.

Article 4. -- The National Government shall have the power to declare war, to negotiate peace, and to conclude treaties.

Article 5. -- The National Government shall promulgate laws and issue mandates.

Article 6. -- The National Government shall exercise the power of granting amnesties, pardons, reprieves, and restitution of civic rights.

Article 7. -- The National Government shall exercise the power of conferring medals and decorations of honor.

Article 8. -- The National Government shall entrust to the five following Yuan to execute respectively the five governing powers of administration, legislation, judiciary, examination, and control: -- the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Examination Yuan, and the Control Yuan.

Each of the aforementioned Yuan may, according to law, issue orders.

Article 9. -- The National Government may, when it is deemed necessary, set up subordinate organs to be controlled directly by the National Government. The organization of such organs shall be determined by law.

Article 10. -- The National Government shall have a President and a Vice President who shall be elected and appointed by the Central Executive Committee of the Kuomintang.

The National Government shall have a State Council which shall have no more than 40 members who shall be nominated and appointed by the President of the National Government from members and non-members of the Kuomintang. The Presidents of the five Yuan shall be ex-officio councillors.

Article 11. -- The President of the National Government shall be the head of the Republic of China and shall represent the Republic of China in foreign relations.

Article 12. -- The President of the National Government shall be the Commander-in-Chief of the Land, Naval and Air Forces.

Article 13. -- The President and Vice President of the National Government shall hold office for three years and they may be re-elected, provided, however, that, after the enforcement of the Constitution and upon the inauguration of the President elected under the Constitution, they shall be relieved of their offices.

The members of the State Council of the National Government shall hold office for the same duration. The ex-officio members who are Presidents of the five Yuan, however, shall no longer be members once they are relieved of their offices as Presidents of their respective Yuan.

In case the President of the National Government should be unable to perform his duties, the Vice President of the National Government shall act on his behalf. In case both the President and the Vice President of the National Government should be unable to perform their duties, the President of the Executive Yuan shall act on their behalf.

Article 14. -- All laws promulgated and all mandates issued by the National Government shall be signed by the President of the National Government according to law. Such laws promulgated and mandates issued shall be countersigned by the president or presidents of the Yuan concerned.

Article 15. -- The presidents and vice presidents of the five Yuan of the National Government shall be elected and appointed by the president of the National Government.

The President of the National Government shall be responsible to the Central Executive Committee of the Kuomintang and the presidents of the five Yuan shall be responsible to the President of the National Government.

III. State Council

Article 16. -- The State Council shall be the supreme organ on state affairs within the National Government, and shall be composed of the President of the National Government and the state councillors.

Article 17. -- The following matters shall come within the scope of discussion and decision of the State Council:

(a) Legislative principles.
(b) Administrative Policies.
(c) Military policies.
(d) Fiscal planning and budgeting.

(e) Appointment and replacement of heads of the various ministries and commissions, and the ministers of State without portfolio, and the appointment of members of the Legislative and Control Yuan.

(f) Matters which cannot be settled between two or more of the Yuan.

(g) Matters submitted by the President (of the National Government) for decision.

(h) Proposals submitted and signed jointly by more than three members of the State Council.

Article 18. -- The President of the National Government may, if he considers any of the resolutions adopted by the State Council difficult to impelement, call for deliberations once more on the resolutions in question. If in further deliberations the resolutions are upheld by a majority of more than three-fifths of the members of the State Council, then the resolutions shall be carried out as originally adopted.

Article 19. -- Resolutions of a general nature shall be passed by more than half of the members of the State Council.

Resolutions affecting administrative policies shall be adopted only by a two-thirds majority of the members of the State Council.

In case of doubt as to whether a certain resolution affects administrative policies, the interpretation agreed to by more than half of the State Council members shall be accepted as final.

Article 20. -- The regulations governing the meetings of the State Council shall be separately drawn up.

IV. The Executive Yuan

Article 21 -- The Executive Yuan shall be the highest executive organ of the National Government.

Article 22. -- The Executive Yuan shall establish ministries to which shall be entrusted the various executive duties.

The Executive Yuan may appoint commissions to take charge of specified executive matters.

Article 23. -- In the Executive Yuan shall have a number of ministers of State with portfolio who shall be appointed as heads of the various Ministries and Commissions and, if necessary, shall also have from five to seven ministers of State without portfolio. The various ministers of State with portfolio shall be appointed and removed, according to law, by the State Council recommended by the President of the National Government at the instance of the President of the Executive Yuan.

The ministries of the Executive Yuan shall each have a minister, a political vice-minister, and administrative vice-minister and the various commissions shall each have a chairman, a vice-chairman and a certain number of members.

The political vice-ministers and administrative vice-ministers of the various ministries and the vice-chairmen as well as members of the various commissions shall be appointed or removed, according to law, by the President of the National Government at the instance of the president of the Executive Yuan.

Article 24. -- In case the president of the Executive Yuan is unable to discharge his duties from any cause whatsoever, the vice-president of the said Yuan shall act in his place.

Article 25. -- The meetings of the Executive Yuan shall be attended by the president and the vice-president of the Executive Yuan, the ministers of the various ministries, and the chairmen of the various commissions, and presided over by the president of the said Yuan.

Article 26. -- The following matters shall be decided at the meetings of the Executinve Yuan:

(1) Bills to be introduced in the Legislative Yuan;

(2) Budgets to be submitted to the Legislative Yuan;

(3) Amnesties to be submitted to the Legislative Yuan;

(4) Declaration of war and negotiation for peace to be submitted to the Legislative Yuan;

(5) The appointment or dismissal of administrative and judicial officials of or above the recommended rank (3rd class);

(6) All matters which cannot be settled between the various ministries and commissions of the Executive Yuan;

(7) Other matters which, according to law or in the opinion of the president of the Executive Yuan, should be decided at the meetings of the said Yuan.

Article 27. -- All orders and acts of disposition of the Executive Yuan, in order to be effective, shall be countersigned, in respect of those affecting general administrative affairs, by the entire body of ministers, and, in respect of those affecting only one ministry, by the minister concerned.

Article 28. -- The organization of the Executive Yuan shall be determined by law.

V. The Legislative Yuan

Article 29. -- The Legislative Yuan shall be the highest legislative organ of the National Government.

The Legislative Yuan shall have the power to decide upon the following; legislation, budgets, amnesties, declaration of war, negotiation for peace, and other important international affairs.

Article 30. -- In case the president of the Legislative Yuan is unable to discharge his duties from any cause whatsoever, the vice-president of the said Yuan shall act in his place.

Article 31. --- The presidents of the various Yuan and the ministers of the various ministries may attend the meetings of the Legislative Yuan to offer explanations.

Article 32. -- The Legislative Yuan shall be composed of from ninety-nine to one hundred forty-nine Legislative members, who shall be appointed, according to law, by the State Council, recommended by the President of the National Government at the instance of the president of the Legislative Yuan.

Article 33. -- Legislative members shall hold office for two years and may be re-elected. They shall be relieved of their offices, however, when new Legislative members who shall have been elected according to the Constitution are in session.

Article 34. -- The Legislative members of the Legislative Yuan shall not hold any concurrent government posts.

Article 35. -- The president of the Legislative Yuan shall preside over the meetings of the Legislative Yuan.

Article 36. -- The organization of the Legislative Yuan shall be determined by law.

VI. The Judicial Yuan

Article 37. -- The Judicial Yuan shall be the highest judicial organ of the National Government.

The granting of pardons and reprieves and the restitution of civic rights shall be signed by the President of the National Government at the instance, according to law, of the president of the Judicial Yuan.

Article 38. -- The Judicial Yuan shall establish a Supreme Court, and Administrative Court, and a Commission for the Disciplinary Punishment of Public Functionaries.

Article 39. -- The president of the Judicial Yuan shall act concurrently as the president of the Supreme Court, and the vice-president of the Judicial Yuan shall act concurrently as the chairman of the Commission for the Disciplinary Punishment of Public Functionaries.

Article 40. -- The president of the Judicial Yuan may, when it is deemed necessary, personally conduct and dispose of trials at the Administrative Court and the Commission for the Disciplinary Punishment of Public Functionaries.

Article 41. -- In case the president of the Judicial Yuan is unable to discharge his duties from any cause whatsoever, the vice-president of the said Yuan shall act in his place.

Article 42. -- The Judicial Yuan may introduce in the Legislative Yuan bills on matters within its own competence.

Article 43. -- The organization of the Judicial Yuan shall be determined by law.

VII. The Examination Yuan

Article 44. -- The Examination Yuan shall be the highest examination organ of the National Government and shall exercise, according to law, the powers of examination and the determination of qualifications for public service.

Article 45. -- In case the president of the Examination Yuan is unable to discharge his duties from any cause whatsoever, the vice-president of the said Yuan shall act in his place.

Article 46. -- The Examination Yuan may introduce in the Legislative Yuan bills on matters within its own competence.

Article 47. -- The organization of the Examination Yuan shall be determined by law.

VIII. The Control Yuan

Article 48. -- The Control Yuan shall be the highest supervisory organ of the National Government and shall, according to law, exercise the powers of impeachment and auditing.

Article 49. -- In case the president of the Control Yuan is unable to discharge his duties from any cause whatsoever, the vice-president of the said Yuan shall act in his place.

Article 50. -- The Control Yuan shall be composed of from fifty-four to seventy-four Supervisory members, who shall be appointed, according to law, by the President of the National Government at the instance of the president of the Control Yuan.

Article 51. -- The security of tenure of office of the Supervisory members of the Control Yuan shall be determined by law.

Article 52. -- All meetings of the Control Yuan shall be attended by the Supervisory members of the Control Yuan and presided over by the president of the said Yuan.

Article 53. -- The Supervisory members of the Control Yuan shall not hold any concurrent public offices.

Article 54. -- The Control Yuan may introduce in the Legislative Yuan bills on matters within its own competence.

Article 55. -- The organization of the Control Yuan shall be determined by law.

IX. Additional Article

Article 56. -- The present law shall come into force on the day of its promulgation. --END.

Issued through the

INTERNATIONAL DEPARTMENT
MINISTRY OF INFORMATION

April 17, 1947.

CNRRA AIR TRANSPORT -- Public Relations
Telephone 12500, Ext. 304

Shanghai

General Release 290447

Editors:

The following, together with textual matter attached, is intended for publication only after 8 a.m., Tuesday, April 29. Please guard against premature release.

C. A. F.

- - - -

New Orleans, April 28 (Special) --- Major General C. L. Chennault declared in a recorded radio address broadcast here today by radio station WWL that China's civil strife is essentially a test of whether China is to proceed with gradual democratization or yield to a "fanatical minority."

The wartime leader of the Flying Tigers, who first came to China in 1937, broke a long silence on China's political and military situation to make a ten-minute address to his fellow Louisianans in support of the United Service to China Campaign. He spoke on "China and the American Way."

The address, with an introduction by Shanghai's Mayor K. C. Wu, was recorded in Shanghai at radio station XORA and the record was shipped by air to Louisiana.

"I cannot in candor speak of China as I have undertaken here without summarizing my views of the political and military situation," General Chennault said, adding that the situation "indirectly concerns all Americans, as history will surely record. ***

"Collectivism and regimentation are quite as foreign to the thinking and the welfare of the people of Shantung province as they would be to the farmers and townsmen of the Louisiana parishes I know so well. In either place they could be enforced only by a minority using brutal totalitarian authority to suppress individual initiative and freedom. ***

"The Chinese people probably as never before need and deserve all the sympathy and understanding and help that Americans can render. Now is no time for narrow criticism based on incomplete or biased judgments of the Chinese people and their Government."

(Editors: Here pick up textual matter attached.)

CNRRA AIR TRANSPORT---PUBLIC RELATIONS
Telephone 12500, Ext. 304

Shanghai

General Release 150347-A

SHANGHAI --- The following is a transcript of a record for radio broadcast in connection with the Louisiana State Campaign for the United Service to China. The record was cut at XORA, Shanghai broadcasting station, on March 14th, 1947.

(Speakers: Announcer, Dr. K. C. Wu, Mayor of Shanghai, and Maj. Gen. C. L. Chennault, retired.)

Announcer: We are gathered here in the main studio of XORA, Shanghai station of the Central Broadcasting Company, for the recording of a radio address by Major General C. L. Chennault in connection with the United Service to China Campaign in the General's home state of Louisiana, U. S. A. And now here is Dr. K. C. Wu, mayor of Shanghai, who will introduce General Chennault. Doctor Wu.

(Mayor Wu then introduced General Chennault.)

There is one name among all the names of China's many American friends that will live forever in the history of new China and in the hearts and memories of my countrymen.

It is more than a name.

In the hour of China's deep peril from wanton aggression, when this nation fought alone, this name was an assurance of American sympathy and volunteer help.

In the dark years that followed, as Japan's attack on China merged into a new world war, the name became a bond between two nations allied against a common foe and dedicated to the common cause of peace.

Today the name symbolizes a peaceful mission of assistance to China in her reconstruction after eight years of exhausting war.

The name is Chennault --- C. L. Chennault, major general of the United States Army Air Forces, retired.

General Chennault --- then Colonel Chennault --- and I first became friends when he commanded the American Volunteer Group, the Flying Tigers. I was mayor of Chungking, China's wartime capital, when that group spread its protective wings over a city which the Japanese airforce was determined to obliterate.

Chungking was then, in 1941, bearing the brunt of the heaviest aerial onslaught that the world had ever witnessed. This terroristic offensive was literally shattered with the cooperation of General Chennault and his heroic handful of fighting men. And that is only one chapter in the history they wrote in China's skies.

I have followed General Chennault's career since then with deepest admiration. As mayor of Shanghai I have been in position to witness the inauguration of his peacetime project and in that effort I wish him every success.

Permit me now, ladies and gentlemen, to introduce this hero in war and friend in peace to the people of his homeland, Louisiana, on behalf of the people of his adopted land, China.

(M O R E)

 adopted land, China.

(General Chennault then spoke.)

Thank you, Mayor Wu.

I have chosen to discuss in this brief address certain limited aspects of China's present situation under the title of "China and the American Way." But at the outset I would like to digress for a moment to express my appreciation to my old friend, former Governor James A. Noe, for this opportunity of speaking to the people of my first homeland about the people of my adopted land - China.

China and the American Way are topics close to my heart. For nearly a decade I have known the Chinese people intimately, and in my humble way I have tried to help them in the achievement of their present place in the family of nations.

Mr. Noe's invitation to speak for the United Service to China campaign reached me by radio at a time when I was busy with the first operational phases of a relief and rehabilitation airline which it has been my task and privilege to establish for the benefit of a war-ravaged nation. My transport planes are flying now on peaceful and constructive errands where once my bombing and fighting planes ranged on missions of destruction dictated by the necessities of the war with Japan.

That struggle against the stubborn and merciless foe was crowned with victory. But the signing of Japan's capitulation - the mere scratch of a pen - important as it was, could not restore China to a happy and normal national life.

The phantom horsemen of hunger, disease and of widespread economic dislocation still ride through the land engendering to a great extent the tragic struggle which has become China's greatest trial and deepest sorrow.

I cannot in candor speak of China as I have undertaken here without summarizing my view of the political and military situation. This situation involves a contest which indirectly concerns all Americans, as history will surely record.

The war of Chinese against Chinese is essentially a struggle of violently opposed political ideologies to determine whether China's millions are to be regimented or are to be permitted to work out their own form of democracy. It is a test of whether China is to proceed with an orderly and necessarily gradual assimilation of democratic principles - or is to yield to an armed and fanatical minority pledged by its bloody deeds, if not by its words, to the regimentation of the individual and of the great masses of people according to the Marxist rulebook.

Collectivism and regimentation are quite as foreign to the thinking and the welfare of the people of Shantung province as they would be to the farmers and townsmen of the Louisiana parishes I know so well. In either place they could be enforced only by a minority using brutal totalitarian authority to suppress individual initiative and freedom.

Neither China nor the world can really be at peace half slave and half free. Peace and freedom are each indivisible in this shrinking world of ours. Farmers along the Mississippi must, in a sense, start thinking of farmers of the Yangtze Valley as their neighbors. The citizens of Shreveport and New Orleans have a common cause to share with the townsmen of Lanchow and Foochow, of Chungking and Shanghai.

The Chinese people probably as never before need and deserve all the sympathy and understanding and help that Americans can render. Now is no time for narrow criticism based on incomplete or biased judgments of the Chinese people and their Government. We must think and act along broad lines.

(M O R E)

Forgetfulness is one of the greatest ills of the human race. It has become almost an epidemic in this post-war world. Forgetfullness is the pox that disfigures old friendships. It is the cancer that eats at old alliances. It is the paralysis that wastes and weakens the sinews of old duties and obligations.

Being first an American, I can say that we Americans have not escaped this malady. But we MUST not forget. It is not enough for us to accuse others of forgetting. Lest we ourselves be forgotten we must remember, too.

We must remember, in the case of China, that the Chinese people were at war with Japan for nearly four and a half years before Pearl Harbor.

We must remember that an unthinkable Chinese capitulation --- in place of stubborn resistance --- at any time before Pearl Harbor, or perhaps even after, would probably have given the Japanese the initial added momentum they needed for conquest of a whole hemisphere.

We must remember the millions of Chinese soldiers and civilians who perished because here was a nation of stubborn and individualistic humans who would not bow down.

We must remember the millions who toiled over the mountains and the rivers into the fastness of western China to continue the battle from new bases of resistance.

We must remember the toiling peasant legions who built the roads and airfields, with only their simple farm tools and their bare hands, so that China might fight on from her vast inner fortress.

We must remember the countless Chinese who worked back of the enemy lines. Their hatred of the conqueror and love of their country never wavered and often at the risk of horrible retaliation they carried on an underground resistance. And more often than you know they gave aid and comfort to the American airmen who came down in enemy territory. For a true gauge of the Chinese character ask any American flier who fell into their hospitable hands behind enemy lines.

We must remember that China before and during her War of Resistance was a nation in the pangs of political rebirth and that she is still in that renaissance.

We must remember that here are five hundred million people who are not just a vague population figure from another side of the world but rather are potentially five hundred million good neighbors.

The United States has a great and durable asset, in the friendship which the Chinese people offered at the time of their epic struggle against a common enemy - a friendship which we on our side earned by our sympathy and help. We must not dissipate this golden asset through carelessness or indifference, because the friendship of the Chinese people can be made an important bulwark of future world security.

The campaign of the United Service to China, it seems to me, offers one sure means of maintaining and strengthening this bond of friendship born of our mutual sacrifices in war. I urge your support of this cause which combines in one fund-raising campaign, a large number of charities, which in small measure will help to repay the world's debt to such people as orphans of the war and wounded veterans.

Any contribution to help the Chinese people through their present distress is not only simple charity but a sound investment in America's best interests - an easy payment on insurance that our way of life, the noble way, will flourish among 500 million people, who now, in sorrow and uncertainty, are treading a precipitous and dangerous path toward their national destiny.

(E N D)

International Department
Ministry of Information
Daily Bulletin, Shanghai Edition
No. 197 (M292)
April 23, 1947

1. Organic Law Revised
2. Deletion Of Article 15 Welcomed
3. Organic Law Of Executive Yuan
4. China & Japan Reparations

(NOTE: Editorial or feature translations are for the information and reference of readers of the DAILY BULLETIN. Such translations in no way indicate that the Chinese Government advocates or endorses the opinions expressed therein)

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NATIONAL GOVERNMENT ORGANIC LAW REVISED

To comply with the wishes of the monority parties, Articles 1 and 15 of the Organic Law of the National Government were further revised by the Standing Committee of the Kuomintang Central Executive Committee in its regular session on April 21.

A restrictive phrase "in the interim period from the Kuomintang tutelage to constitutional democracy" was added to Article 1, while the second paragraph in Article 15 was deleted, thereby relieving the President of his responsibilities to the Central Executive Committee.

The revised Articles read:

Article 1. -- The National Government, in pursuance of Article 77 of the Provisional Constitution of the Political Tutelage Period, in the interim period from the Kuomintang tutelage to constitutional democracy, does enact and ordain the following Organic Law of the National Government of the Republic of China.

Article 15. -- The presidents and vice-presidents of the five Yuan of the National Government shall be elected and appointed by the president of the National Government.-- ND

DELETION OF ARTICLE 15 WELCOMED

The HSIN MIN PAO, Nanking edition, in an editorial welcomes the deletion of that part of Article 15 of the Organic Law of the National Government which held the President responsible to the Central Executive Committee of the Kuomintang, and the paper declares that this action demonstrates the sincerity of the Government to implement democratic constitutionalism.

This to some degree allays the apprehension of some quarters who viewed the reorganized government as still being based on Kuomintang rule, the editorial says.

The new government as an administration for the interim period pending implementation of the constitution, should seek as its main objective the conclusion of political tutelage and the foundations of constitutionalism. At the same time, it should endeavor to protect the people's civil rights and improve their livelihood as provided by the constitution.--CNA.

THE REVISED ORGANIC LAW OF THE EXECUTIVE YUAN

Article 1. -- The Executive Yuan shall be composed of the following Ministries and Commissions:

(1) The Ministry of Interior;

(2) The Ministry of Foreign Affairs;

(3) The Ministry of National Defense;

(4) The Ministry of Finance;

(5) The Ministry of Economic Affairs;

(6) The Ministry of Education;

(7) The Ministry of Communications;

(8) The Ministry of Posts and Tele-Communications;

(9) The Ministry of Agriculture and Forestry;

(10) The Ministry of Social Affairs;

(11) The Ministry of Food;

(12) The Ministry of Water Conservancy;

(13) The Ministry of Justice;

(14) The Ministry of Land Administration;

(15) The Ministry of Health;

(16) The National Resources Commission;

(17) The Mongolian and Tibetan Affairs Commission;

(18) The Overseas Chinese Affairs Commission.

The organization of the respective Ministries and Commissions shall be prescribed by law.

Article 2. -- The heads of all the Ministries and Commissions of the Executive Yuan shall be Ministers of State. In addition, there shall be from five to seven Ministers of State without Portfolio, all of special rank.

Article 3. -- In the Executive Yuan, there shall be a "Chinese Government Information Office," the organization of which shall be prescribed by law.

Article 4. -- The Executive Yuan may, upon decisions by the Executive Yuan Council and the Legislative Yuan, establish, abolish or combine the Ministries and Commissions or its other subordinate organs.

Article 5. -- The President of the Executive Yuan shall have general charge of the affairs of the whole Yuan and supervision over its subordinate organs.

Article 6. -- In the Executive Yuan, a Secretariat shall be formed to:

1) Handle Yuan meetings;

2) Draft bills and decrees;

3) Examine administrative programs and work reports of subordinate organs;

4) Conduct investigations and engage in research work;

5) Plan, compile and translate;

6) Receive, distribute and safekeep official documents and correspondence;

7) Keep official seals;

8) Manage receipts, expenditures and general affairs.

Article 7. -- In the Executive Yuan there shall be a Secretary-General of special rank. The Secretary-General shall, under the direction of the President of the Yuan, administer the Yuan affairs and direct and supervise the subordinate officials.

The Executive Yuan may also have a Deputy Secretary-General of selected rank. The Deputy Secretary-General shall under the direction of the President, assist the Secretary-General in administering the affairs of the Secretariat.

Article 8. -- In the Secretariat, there shall be: from six to 10 counsellors of selected rank; from 10 to 16 secretaries, of whom 10 shall be of selected rank and the rest of recommended rank; from eight to 15 section chiefs; from six to 12 editors, all of recommended rank; from 48 to 64 section members, of whom from eight to 15 may be of recommended rank, and the rest shall be of designated rank; from 35 to 50 clerks of designated rank and from 40 to 60 employees.

Article 9. -- The Secretairat may be divided into several departments to attend to specific matters. Each groups shall have a director, to be chosen by the President of the Yuan from among the Secretaries and the Counsellors of selected rank.

Article 10. -- In the Executive Yuan, an Appeal Examination Committee shall be formed to handle cases of appeal. Members of the Committee are to be designated from among the Yuan members of selected rank by the President of the Yuan.

Article 11. -- In the Executive Yuan, a Laws and Regulations Committee shall be formed to examine the administrative laws and regulations. This committee shall have from five to seven members, to be designated from among higher officials of the Yuan by the President of the Yuan. The Committee shall also have four Editors of recommended rank.

Article 12. -- In the Executive Yuan, various committees may be formed to attend to specially assigned matters.

Article 13. -- In the Executive Yuan, there shall be an accounting department, which shall have an accountant-general of selected rank; four section chiefs of recommended rank; from 20 to 30 section members of designated rank, but from four to eight of these may be of recommended rank; and from 15 to 25 clerks of designated rank. In addition, there may be from six to 10 employees.

In the Executive Yuan there shall be a Statistics Office, which shall have: a director of recommended rank; two or three section members and three or four assistants, all of designated rank. In addition, there may be one or two employees.

In the Executive Yuan, there shall be a Personnel Office, which shall have: a director of recommended rank from six to nine section members and from three to six assistants of designated rank. In addition, there may be one or two employees.

Article 14. -- Rules and administrative regulations of the Executive Yuan meetings shall be prescribed by the Executive Yuan.

Article 15. -- This Law shall come into effect on the day of its promulgation.--ECL.

CHINA AND JAPANESE REPARATIONS

(Condensed from an article by Chao Han-ji, editor of the "Asiatic Century," published in Ta Kung Pao 14, 1947.)

China and the United States have been carefully considering the materialization of the Japanese reparation program, based upon a clause in the Potsdam Declaration.

But these two nations take a decidedly different approach to the problem. The United States, having very little interest in materials as compensation, is above all concerned with uprooting all possible sources of further Japanese military aggression. In orther words, it wants to 'demilitarize' the ex-Empire. And, China though not inclined to 'retaliate' expects a good deal from the materials of reparation. This equipment, coming to the Republic through Japanese reparation, will certainly help reconstruct China's devastated industries.

Meanwhile, a set of provisional reparation measures has been formulated. These provisions, involving 1,000 plants and factories and some 10,000,000 tons of machinery and other equipment, would be carried through before the conclusion of peace treaties with the defeated Japanese Empire. China's share is about 30 per cent of the total tonnage of such materials. The rest will be distributed among the Philippines, Burma, the Malayan States and the Dutch East Indies.

These provisional reparation measures, though favored by the Chinese Republic, would involve over 300,000,000,000 cost and technical difficulties of unloading and re-installation and a tremendous burden on China's limited transportation facilities.

Consequently, two suggestions have been advanced for the solution of the afore-mentioned problems. First, such materials, either in whole or in part, should be sold either to Japan or other countries. Second, in order to dispense with the trouble of transportation and unloading, this equipment should be left in the defeated country and temporarily operated there. But China would retain her rightful ownership of such materials.

These suggestions, however, are both impracticable and non-effectual, and, moreover, would surely be salutary to China. As the equipment which are to be allotted to China are largely worn-out and much used, there will be very little opportunity for resale. Besides, the sale would certainly conflict with the original purpose of demilitarizing the fallen Japanese Empire.

As for the second proposal, China had better not run the risk of leaving this industrial equipment in Japan because sheer ownership will do her no good.

Therefore, inspite of the difficulties China must take care of the transportation and re-installation of such reparation materials to help build up her postwar economy.--LN.

CHINESE NATIONAL RELIEF AND REHABILITATION ADMINISTRATION

Shanghai
No. 422
28 April 1947

FOR IMMEDIATE RELEASE

According to a recent estimate of General Chennault, the Chinese economy can benefit to the extent of US$ 25,000,000 a year in foreign exchange accruing from exports of otherwise isolated areas.

The main base of CAT is at Canton, with Liuchow, Kweilin,

CAT is currently engaged in a race with China's spring planting season, carrying UNRRA seeds to agricultural regions where, because of their lack of transportation or complete isolation from this form of relief, valuable farmlands might

april 24-1947

BIOGRAPHILS OF NEW MINISTERS OF STATE

- - - -

Wong Wen-hao -- Chairman of the National Resources Commission, member of Kuomintang Central Political Council; geologist; born in Chekiang, 1889; D.Sc. Louvain Univ., Belgium; Hon. LL.D. UNiv. of British Columbia, Canada; Hon. D. Eng. Berlin Engineering College; Director, National Geological Survey of China, since 1922; acting president, National Tsing Hua Univ., 1931; general manager, Chung Fu Mining Co., Honan, 1934; secretary-general, Executive Yuan, 1935-36; secretary-general Chinese special delegation to Coronation of King George VI, 1937; minister of 3rd Board, National Military Council, 1937; minister of economic affairs, 1938-46; chairman of National Resources Commission, 1938-46; elected member of Kuomintang Central Executive Committee, 1945; director, War Production Board, 1945; vice-president of Executive Yuan 1942-47; member of State Council 1942-47; decorated, order of brilliant star, first grade, 1944; author, Mineral Resources of China, Earthquake Regions in China, and Mountain Ranges of China.

Hsu Shih-ying -- Chairman of Mongolian and Tibetan Affairs Commission, born in Anhwei, 1872; minister of justice, 1910-12; commissioner of civil affairs, Liaoning; Commissioner of civil affairs, Fukien; minister of communications; minister of internal affairs; civil governor of Anhwei, 1921, premier, 1925-26; chairman, National Famine Relief Commission, 1928-35; ambassador to Japan, 1936-37; acting chairman, National Relief Commission, since 1938.

Li Ching-chai -- Minister of Land Administration; Kuomintang leader; born in Honan, 1887; D.Sc. Michigan Univ.; dean, Chungchow Univ., Kaifeng; principal, Mining Technical School, Fuchow; commissioner of Education and member of provincial government, Honan; elected, member of Standing Committee of the Kuomintang Central Political Council.

Liu Wei-chih -- Chairman of the Overseas Affairs Commission; born in Kwangtung, 1892; graduated, Hawaii Univ.; secretary-general, Kwangtung provincial government; head, salt revenue administration, National Government; director, general affairs department, ministry of communications; vice-minister, ministry of communications and ministry of industry; minister, overseas affairs Board, Kuomintang, since 1941.

Hsueh Tu-pi -- Minister of Water Conservancy; member of Kuomintang Central Political Council; born in Shansi, 1890; chief of justice, Pingyang, Chekiang; magistrate, Changteh, Honan; civil affairs commissioner and finance commissioner, Honan and Shensi; governor of Kansu; vice-minister of interior; vice-minister and acting minister of Justice; minister of interior, minister of health; member of state council; chairman, National Conservancy Commission, Executive Yuan, since 1940.

Peng Hsueh-pei -- Minister of State without portfolio born in Kiangsi, 1898; graduate, Brussels Univ., 1925; professor of National Central Univ., Central Institute of Political Sciences, National Peking Univ., and National Sun Yat-sen Univ., member, standing committee, Kuomintang Central Executive Committee, fifth plenary session, 1935; vice-minister of Communications, 1935-43; deputy secretary-general, Central Planning Board

1942-44; deputy-director, War Production Board, 1944-45; minister of information 1946-47; author of "Political Parties of European Countries, United States and Japan" "Monetary Policies of China and Foreign Countries", and "General Review of Reconstruction."

Kan Nai-kuang -- Secretary-General, Executive Yuan; born in Kwangsi, 1896; graduate, Lingnan Univ., 1922; research fellow, Chicago Univ.; professor, Lingnan Univ.; instructor, Whampao Military Academy; member, Control Yuan; vice-minister of interior; 1932-35, deputy secretary-general, Kuomintang Central Executive Committee, 1938-42; deputy secretary-general, Supreme National Defense Council, 1942; member, Board of Supervisors, China Association of Foreign Policies; member standing committee, board of directors, Chinese Foreign Relations Association, 1945; vice-minister, Ministry of Foreign Affairs, 1945-47.

Hollington K. Tong -- director, Chinese Government Information Office; born in Chekiang, 1887; B.A. Missouri; Hon. Ph. D., Park College; founder, Tientsin Yun Pao, 1926; editor, Peking Chronicle; Chinese delegate, International Press Convention; editor and managing director, China Press, Shanghai; Accompanied Madame Chiang Kai-shek during her tour in United States, 1943; vice-minister of information, 1938-45; president, Post-Graduate School of Journalism, Central Institute of Political Sciences, 1943-45; accompanied Generalissimo Chiang Kai-shek to Cairo Conference, 1943; counsellor, Ministry of Foreign Affairs; member, Chinese delegation to Five Foreign Ministers Conference in London.

Tso Shun-sheng -- Minister of Agriculture and Forestry; born in Hunan, 1895; returned student from France; leader, Young China Party; information minister, Young China Party; member of presidium, National Assembly, 1946; member, People's Political Council; member, Committee for Promotion of Constitutional Government 1943; visited Yenan, 1945; professor, Great China Univ. and Central Institute of Political Sciences; editor, Hsin Chung Kuo Jih Pao; publisher, Chung Hua Shin Pao.

Miao Chia-min -- Member of the State Council; Industrialist; born at Kunming, Yunnan, in 1882; studied metallurgical engineering, in U.S.A. returned to China as General-manager, Kochiu Tin Company, Yunnan; Assistant-Manager, Fu Tien Bank; appointed member of the Yunnan Provincial Government and concurrently Commissioner of Agriculture and Mining, 1920; Commissioner, Department of Industry, Yunnan; General Manager, New Fu Tien Bank, Kunming, 1941; Chief, Provincial Food Control and Supply Department; Chairman, Cotton Extension Committee, Yunnan; advisor, Southwestern Bureau of War Production; member, good-will Mission to Burma, 1941; non-partisan representative, Political Consultation Conference, 1946; independent delegate, National Assembly, 1946.

Y.T. Tsur (Chou I-chun) -- Minister of Health; born in Hankow, 1883; M. A. Wisconsin University, 1910 professor, Tsing Hwa University and Peking University; president of Tsing Hwa College; executive director, China Foundation for Promotion of Education and Culture, 1924-33; member, Senate, Peking government; manager, Chung Fu Bank, Peiping; vice-minister of Industry, 1936;

member and finance commissioner, Aweichow Government, 1940-45; advisor, National Government; Minister of Agriculture and Forestry, 1945; received in 1944 the Order of Brilliant Star, Third grade.

Chang Nai-teh (Chang Yen-sheng) -- Minister of State without portfolio, Leader of Young China Party; age, 49; born in Yutze, Shansi; studied in Japan; professor of history, Yenching, Great China and West China Universities; also taught in Honan and Szechwan provincial universities; member, People's Political Council, since 1938; author of a series of books on history and philosophy.

Chiang Yun-tien -- Minister of State without portfolio Democratic Socialist Party Leader; age, 44; born in Fengyang, Anhwei; graduate of National Political Institute; studied in Japan; editor, Peiping Morning Daily; magistrate of Pengpu, Anhwei; principal, Ching Sung Middle School; secretary, Political Consultation Conference; now member of the standing committee and assistant-director of information, Democratic Socialist Party; author of "Relations between Labor and Farmers.

Li Hwang -- Minister of Agriculature and Forestry; Young China Party Leader; born at Chengtu, Szechwan; age, 32, M.A. Sorbonne (University of Paris); professor of history, Peking University and National Wuhang University, Hupen; Member, People's Political Council, since 1942, member, presidium, PPC; Chinese delegate, San Francisco Conference; author of many books on history and social sciences.--END.

(NOTE TO EDITORS: This is the fifth in a series of articles on the activities of CNRRA, its subsidiaries and the windup of the emergency relief program.)

Operating with an airlifting capacity of 48,000,000 pounds of cargo a year, CNRRA Air Transport is bringing remote areas of the interior back into contact with the rest of China after ten years of isolation due to the war.

As the "air arm" of CNRRA's transportation set-up, CAT carries emergency relief and rehabilitation cargoes and passengers to otherwise inaccessible regions from coastal points. On return flights from the interior, CAT carries regular commercial cargo.

CAT is scheduled to dissolve simultaneously with the cessation of the activities of CNRRA, whose liquidation has been tentatively set for December, 1947.

Organized and operated by Maj. Gen. C.L. Chennault, wartime chief of the famed Flying Tigers, and his partner, Whiting Willauer, formerly director of the Far Eastern Branch of the U.S. Foreign Economic Administration, the CAT fleet now consists of 12 planes in continuous operation, and a personnel staff which will, at peak, number 300 persons.

With nine years experience in China, General Chennault is thoroughly familiar with the general flying areas within the sphere of CAT's operations.

Since the first CAT planes arrived here in late January, 1947, they have flown more than 100,000 miles without even a minor flying accident, despite weather conditions which were poor throughout the winter. The first relief flights began on Feb. 2, following a careful survey of operating bases and areas.

For the operation, repair and maintenance of these planes, as well as for communications, ground transportation, supply, security, administrative matters and medical care, CAT employs well-trained workers from China and abroad. With the exception of most of the pilots and a handful of administrative and technical personnel, the employees are Chinese.

At maximum utilization, CAT's airlift is approximately 4,000,000 pounds a month, depending of course on length of haul, both inbound from China coastal cities and outbound from the hinterland, where lack of transportation has until now choked off export production and interfered with the livelihood of the people.

While CAT's contract with CNRRA stipulates that inbound flights are limited to relief and rehabilitation cargoes and passengers, return flights may carry commercial supplies.

(more)

Hengyang, Nanchang, Hankow and Shanghai originally specified as subsidiary operational points. Other regular operational points may be agreed upon in the future according to the contract with CNRRA, which also has the privilege of chartering special flights as required to any part of China.

To maintain its 12-plane operating strength, according to the agreement with CNRRA, CAT will have as many as 19 planes, counting seven spares. Thirteen C-46's and five C-47's now have been delivered to China out of surpluses in the Hawaiian and Philippine Islands.

The original agreement provided for the procurement by UNRRA of planes and other equipment up to a cost of US$2,000,000 and the provision of an additional maximum sum of US$1,000,000 in foreign exchange to cover in part the purchase of fuel and imported supplies, and the home salary allotments of foreign personnel. These sums, however, have since been reduced respectively to US$1,170,000 and US$505,000.

The entire obligation, that is, up to US$1,675,000 is to be repaid by CAT-- before CAT acquires title to the planes and equipment -- either set off against freight charges accruing against CNRRA or out of other revenue. The US$505,000 foreign exchange allotment is to be made available by UNRRA only in proportion to CNRRA's use of CAT's facilities.

General Chennault and his associate, Mr. Willauer, who work without salaries from CNRRA, have raised a working fund, equivalent in Chinese currency to US$1,000,000, to be furnished without obligation to the relief organization, and they have agreed to be compensated by profits from the operations of CAT, if any, and to bear all losses which might be incurred.

The entire cost of the planes and equipment, plus interest at 10 percent, is to be refunded on a monthly amortization basis with the last payment due in May, 1948. But upon liquidation, General Chennault and Mr. Willauer would have the option of purchasing the planes and equipment outright by payment of the delivered cost less amortization charges already paid.

CAT's service began in February when 9,000 pounds of urgently required medical supplies for Kwangsi Province were airlifted from Tien Ho Airfield, Canton, to Liuchow in two C-47's. They delivered this cargo in two hours where other transportation would have required a minimum of two weeks.

The strangest mission yet flown by CAT was the airlift of 25 valuable thoroughbred sheep -- a gift from New Zealand breeders -- from Shanghai to Lanchow, 1,200 miles away in the Chinese Northwest. It worked out as a model of efficiency in utilization of airlift. The following day the plane returned to Shanghai with a load of bristles for export, helping to revive an important pre-war industry.

(more)

lie fallow.

The first seed cargo, 4,000 pounds of cotton and vegetable seed from Shanghai, was delivered to Chengchow, Honan Province, on Apr. 16. Since then CAT's seed cargoes have totalled 40,000 pounds.

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1 — Ind. Power Tug Ship Chan
2 — Trade Police
(3) Coast + Emp
(4) Fresh for Chin

UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION

Shanghai, China
No. 275
24 April 1947

FOR IMMEDIATE RELEASE

Four new ocean-going vessels purchased by UNRRA in New Zealand have arrived in Shanghai this week via Australia, Amboina and Manila to join China's growing fishing and merchant fleets, UNRRA announced today.

Two of the vessels, the steam trawlers "Awatere" and "Tawhai", were delivered to the Fishery Rehabilitation Administration at Point Island. The "Murray" and the "Canning", both 300-ton cargo carriers, are for use by UNRRA Water Transport.

The vessels sailed originally from Auckland, New Zealand on different dates, called at Sydney, Australia, rendevouzed in Amboina and proceeded to Shanghai in convoy via Manila, where they stopped for provisions and refueling.

Arrival of the two new fishing boats brings the total powered fishing craft supplied to China by UNRRA to 85 vessels, a number of which are currently being sent to four new bases in China and Formosa.

Seven vessels are now operating from the new FRA base at Keelung, where Formosan fishermen are being trained in the operation of the modern power boats and their deep sea fishing gear.

The fishing boat "El Rey", which left Shanghai on Wednesday to join the "Martinolich" and the "North Cape", now at sea on a survey of northern fishing waters, carried supplies for the new FRA base to be established shortly in Tsingtao.

According to Robert J. Schoettler of Juneau, Alaska, UNRRA Fisheries Officer, operation of the four new bases, in addition to the Shanghai Point Island headquarters, will spread the large FRA fish catches widely up and down the China coast and Formosa and will provide training facilities for Chinese fishermen in five important areas of China. The remaining two bases will be established at Canton and Tinghai, near Ningpo.

By present UNRRA plans, sub-charter of powered vessels, now held by FRA, will be transferred to Chinese fishermen trainees who show the best ability to operate the vessels efficiently--now being taught them under the FRA training program--and who are otherwise qualified. The training program is expected to be completed by the end of September.

Item No. Subject

568. CNRRA AIR TRANSPORT (549)

(a) Procurement (439a)

Radio 695 from Manila — Estimated Leyte availabilities will equal 37% of total CAT spare parts and ground equipment requirements, including communications approved to date, Manila Surprop Office recommends acceptance of the Leyte proposition for following reasons:

1. Supplies available for immediate delivery and use.
2. Prices considered reasonable.
3. Condition of supplies excellent.
4. Breakdown of CAT C-46 operations feared within 30 days if spare parts not made available at once.

Radio 706 from Manila — CAT proposes 150 thousand dollar balance be used as procurement fund out of which spot procurement, limited to U. S. continental War Assets Administration sources can be made, such procurement not to be limited by master requisition.

Radio 707 from Manila — OFLC availabilities in Japan estimated at 1% of total CAT master requisition.

Radio 725 from Manila — Washington Headquarters approves purchase of CAT supplies from Leyte Supply Corporation at cost of U.S.$183,600. Manila recommends shipment of supplies via LCM to Canton.

(b) Requirements (549a)

Radio 706 from Manila — Communications list in CAT master requisition being revised in view of MOC order that CAT must provide its own communication network.

Radio 720 from Manila — Manila Surprop Office has rewritten CAT requirements program. Copies being forwarded Shanghai and Washington for approval.

International Department
Ministry of Information
Daily Bulletin, Shanghai Edition
No. 203 (No. 298)
April 30, 1947

(NOTE: Editorial or feature translations are for the information and reference of readers of the DAILY BULLETIN. Such translations in no way indicate that the Chinese Government advocates or endorses the opinions expressed therein.)

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NOVELS PUBLISHED IN POSTWAR CHINA

By Peng Fei

"Literature is the reflection of reality and cannot be separated from it," said a certain Chinese literary critic. This definition can be best used to describe the latest Chinese novels, most of them written about the struggle against Japanese aggression and published in this postwar period.

The novelists have offered a kaleidoscopic and graphic view of the Sino-Japanese War and the life and death of the people in all strata of the Chinese society during the war years. Some of the fiction has its setting in the enemy-occupied territories, such as Shanghai or Peiping, and the notorious rule of the puppets and the Japanese or the dangerous and exciting lives of secret agents and spies are vividly depicted. Generally, in all these works, the authors have used their characters as mouth pieces for their own opinions.

Even when authors are writing of historical episodes, realism is never abandoned. The writer, finding certain aspects of contemporary life intolerable, parallels the "status quo" with comparable ancient environments.

Most Chinese novels today are written either to expose the evils of society or to present the ideals of the author and convert the readers to the same beliefs. Some use an objective approach; others have been charged with unwonted zeal or "preaching." Li Fei-kan, alias Pa Chin, author of revolutionary novels, has said: "I am never a cold-minded author; my life is colored with love and hatred, melancholy and anticipation. These, in turn, infiltrate into my writings, and without them, I would never write a single novel. I write as I live."

"The Story of the First Stage" written by Mr. Shen Yen-ping, better known as Mao Tung, and published in March, 1946, is, as the name suggests, a novel about the initial phase of the Sino-Japanese War, three months of sanguinary and victorious fighting in Shanghai in 1937. The characters in this book are familiar and representative types, and the language used is simple.

"The Rapid" written by Miss Sung Ling deals with the aspirations, successes and failures of a bourgeois industrialist. The author, serious with her theme and thrifty with her sentiments, vividly portrays the unhappy condition of makeshift Chinese industry in the interior provinces during the war.

"The Lost Divinity" by Wang Hsi-yen tells of a kind but weak-willed teacher in a small town. Dissatisfied with the gloom and evil around him, yet lacking the courage and strength to fight his way out, he serves both as a guide and a mirror for the readers.

"The Night," by Pa Chin, chronicles the hard life of a civil-servant's family in Chungking during the last years of the war. The zealous author emphasizes the extremes of wealth and poverty and the difficulties of unselfishness amid material want. Pa Chin does not use vociferous harangus, but creates his effort through detailed descriptions of characters and simple, yet forceful dialougues. The whole story is haunted by the uncertainty and desperation of a wartime atmosphere.

"The Four Generations," published in three volumes, was an ambitious undertaking by Shih She-yu, well known in America by the pen name, Lao Sheh. The author is thoroughly familiar with the mellow and cozy life of upper-class Peking people, and the old city in the years of Japanese occupation is the setting of his work. The hero of the first two volumes, entitled "Uncertainty" and "Escapade," is named Chi, and he represents intellectuals as well as [illegible] sufferers of generation after generation of old conventions and family traditions. He is aware, as others are, of the flagrant acts of the Japanese and yet, the most conservatives, is unprepared and disinclined to throw off the unbearable yoke.

Feng Tse, poet, philosopher and a believer in the fundamental goodness of human nature has written a novel "Wu Tse-hsu," published in September, 1946. This recreates a well-known historic event -- Wu Tse-hsu, the faithful premier of the Wu kingdom, was misunderstood by his king and had to flee for his life to another kingdom. Aside from retelling these facts, Mr. Feng also makes his work a reflection of present-day problems. "Reminiscences of the past life are in some sense constructive," says Mr. Feng, "As they will help strengthen the morale of a nation and comfort the hearts of the people."

The following passage from "Wu Tse-hsu" epitomizes Mr. Feng's conviction: -- "The world is in turmoil with one country fighting against another or countries fighting against countries. However, there is still some mute understanding, good will and sympathy between a few. The universe is infinite and the boundaries between countries almost impenetrable. However, among the minority, their hearts are close to each other. Wu Tse-hsu, aware of this grain of mutual love and understanding, was still hopeful and gracious." --E.M.D.

THE GOVERNMENT OF CHINA

NATIONAL GOVERNMENT

(Reorganized April, 23, 1947)

People's Political Council

(362 members)

Secretary-General ..... *Shao Li-tze*
Deputy Secretary-General ..... *Lei Chen*
Members of the Presidium:
Chang Po-ling, *Lin Hu*, *Wu Yi-fang*, *Mo Te-hui*, *Li Huang*, *Chiang Yung*, *Carson Chang*

State Council

(40 members, but so far only 29 appointed)

Chairman ..... *Chiang Kai-shek*

Young China Party
Tseng Chi
Chang Nai-teh
Ho Lu-chih
Yu Chia-chu

Democratic Socialist Party
Wu Hsien-tze
Hu Hai-men
Chi Yi-chiao
Hsu Fu-lin

Independents
Mo Te-hui
K. P. Chen
Wang Yun-wu
Burhan

Kuomintang
Sun Fo
Chang Chun
Chu Cheng
Yu Yu-jen
Tai Chuan-hsien
Chang Chi
Tsou Lu
T. V. Soong
Wong Wen-hao
Wang Chung-hui
Chang Chia Hutukhtu
Shao Li-tze
Wang Shih chieh
Monlin Chiang
Niu Yung-chien
Wu Chung-hsin
Chen Pu-lei

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Vice-President ..... *Sun Fo*

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Bureau of Ceremonies ..... *Wu Sze-yu*

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(Office of Comptroller-General)

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Bureau of Statistics ..... *Chu Chun-yu*
Bureau of Accounts ..... *Wen Yi-yu*

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Bureau of Documents ..... *Hsu Ching-chih*

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Vice-President ..... *Chou Chung-yueh*
Secretary-General ..... *Shih Shang-kuan*

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Vice-Ministers ..... *Wang Tse-chuang*, *Ma Hung-huan*

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Vice-President ..... *Wu Te-chen*
Secretary-General ..... *Wu Shang-yin*
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Foreign Affairs Committee *John C. H. Wu*
Finance Committee ..... *Chen Chang-heng*
Economic Affairs Committee *Tsou Tung-sun*
Military Affairs Committee *Ho Sui*

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Vice-President ..... *Wang Yun-wu*
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Cheng Cheng-wen
Li Ta-min
Chiang Yun-tien
Miao Chia-min
Peng Hsueh-pei
Lei Chen
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Deputy Secretary-General . *Dison Hsueh-jeng Poe*

Control Yuan

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Vice-President ..... *Huang Shao-hung*
Secretary-General ..... *Li Chung-shih*

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Minister ..... *Lin Yun-kai*
Vice-Ministers ..... *Liu Chi-wen*, *Tsai Ping-fan*

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Vice-President ..... *Li Wen-fan*
Secretary-General ..... *Chang Chih-pen*

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President ..... *Hsia Chin*

Administrative Court

President ..... *Mao Tsu-chuan*

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Census Bureau ..... *Pao Hui-tseng*

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Secondary Education ..... *Tsao Tsu*
Primary Education ..... *Wu Yen-yin*
Social Education ..... *Ying Chien-li*
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International Culture & Education ... *Tang Chi-ho*

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Forestry ..... *Li Hsung-chin*
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Rural Economy ..... *Yeh Chieh-chi*
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Minister ..... *Hsieh Kuan-sheng*
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Administrative Vice-Minister ..... *Hsieh Ying-chou*
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Criminal Cases ..... *Yang Shao-lung*
Prison Administration ..... *Chu Wei-min*
General Affairs ..... *Ku Ju-hsun*

Ministry of Social Affairs

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Social Welfare ..... *Chang Hung-chun*
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Labor Bureau ..... *Ho Chung-han*

Ministry of Foreign Affairs

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Administrative Vice-Minister ..... *George K. C. Yeh*
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West Asiatic Affairs ..... *Pu Tao-ming*
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Railways ..... *Sa Fu-chun*
Posts & Tele-Communications ..... *Tao Feng-shan*
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Directorate-General of Tele-Communications ..... *Chu I-cheng*
Directorate-General of Posts ..... *Ho Hsi-hsiang* (acting)
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Rivers, Canals & Harbors .....
Hydraulogical Surveys.....
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Mechanical Industry ..... *D. Y. Dou*
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Vice-Chairmen ..... *Hsijaochiatso*, *Pai Yun-ti*

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Deputy-Directors ..... *H. P. Tseng*, *Teng Yu-teh*
Department Chiefs:
1st Department (Domestic) ..... *Chan Chieh-wu*
2nd Department (Foreign) ..... *James Shen*
3rd Department (Research) ..... *Wang Chia-yu*

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