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Office Memorandum • UNITED STATES GOVERNMENT

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TO : Chief, [REDACTED]
 THRU : Chief, ST/PR, ORR
 Acting Chief, D/M, ORR *Agall etc*
 FROM : Acting Chief, M/AG, ORR

DATE: 16 September 1954

SUBJECT: *21308*
 Requested Study on the Chinese Communist Grain Control Program

REFERENCE: Case #K-944

1. This report is a survey study in response to a series of questions, the answers to which, were desired by [REDACTED]. Many of the answers given in this study are to questions which deserve a full scale study in themselves. Within the limits of time available and the tremendous scope of the subject matter, it is felt that this report makes a significant contribution to the understanding of the Chinese Communist Grain Control Program. ✓

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2. Every effort was made to give an answer to each question asked. Frequently, only a general answer could be given. In many cases information was lacking as to details. ✓

3. In the M/AG, [REDACTED] meeting of 28 June 1954 which discussed this project, it was agreed that documentation of the finished study was nonessential. ✓

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4. If [REDACTED] wishes to consult with M/AG on any aspect of this study the responsible analyst in M/AG will be available to [REDACTED] for that purpose. ✓

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5. No important procedural or substantive problems developed in the preparation of this report.

Enclosure

BM:se

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CENTRAL INTELLIGENCE AGENCY

Office of the Chief, Economic Research

Office of Research and Reports

Date 16 September 1954

MEMORANDUM TO THE CHIEF, ECONOMIC RESEARCH

Attention: Chief, Planning and Review Staff

IP-371

SUBJECT: Transmission of Draft Report, Ch/E Project No. 21.308

Title: Chinese Communist Grain Control Program

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Author: [Redacted]

ENCLOSURE: Subject draft report (original and 2 copies).

1. Enclosure is forwarded herewith for review and publication. Recommended category: IM RR PR RA Other

2. Statement of coordination attached, with initials of individuals and their units. None

3. Arrangements for maps and/or graphics through St/PB with Cartographic Division. None

4. Recommended Dissemination: Standard Requester
 US OFFICIALS ONLY EIC Subcommittee Other, foreign, etc. (attach list)

5. Has information on US military and products or manpower been used? Explain. No

6. Has direct use been made of the intelligence or information of another agency? No

7. Have all sources been considered in the preparation of this report? Yes

8. Man-hours utilized by this division in producing this report: 80
Branches of other CER Divisions contributing to this report, and (if available) man-hours utilized by each: None

9. The analyst responsible for consultation is:

25X1A [Redacted] M/AG 3819
(Name) (Branch) (Extension)

10. Comments:

None

Chief, Division

The classification of this transmittal sheet will be changed to conform to the classification of the draft report which it covers.

TABLE OF CONTENTS

	<u>Page</u>
I. Terms Frequently Used in Taxation	1
II. Methods of Obtaining Revenue from Agriculture	2
III. General Points Regarding Agricultural Taxation in Communist China . .	3
A. Tax Rates	3
B. Administrative Structure Relating to Finance	5
C. Levying of Agricultural Taxes	6
D. National Tax Yield and Average National Tax Rate	9
IV. State Purchase of Grain	10
A. Order for the Planned Purchase and Planned Supply of Grain . . .	11
V. Specific Questions on the Chinese Communist Grain Control Program . .	13
A. General	13
B. Specific	17
1. Supervision of Harvesting	17
2. Weighing and Examination of Grain	18
3. Amount of Total Crop Collected from Individual Peasant . . .	20
4. Payment for Rice Collected	23
5. Collecting Agency	25
6. Storage Agency	28
7. Distribution	30
<u>Appendixes</u>	
Appendix I CAC Directive on Agricultural Taxation During 1953	35
Appendix II Order of CAC for Enforcement of Planned Purchase and Planned Supply of Grain	45
Appendix III CAC Issues Provisional Measures for Control of Grain Market .	50

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CHINESE COMMUNIST GRAIN CONTROL PROGRAMI. Terms Frequently Used in Taxation.

Definition of certain terms that are frequently used in this survey of the ChiCom Grain Control program are as follows:

- a) Public grain - is the standard designation of grain that is collected by the government as taxes.
- b) Surplus grain - is the standard designation of grain that is purchased from the peasant by state organs.
- c) Normal annual yield - an average yield concept which, in theory, takes account of the quality of the soil, "normal" weather, irrigation, manpower, animal power, number of harvests and prevailing cultural practices of the locale in question. Taking account of these factors an average output is established for each plot of land. This average output is termed "normal annual yield."
- d) Province - the administrative unit analogous to a state in the United States. With the abolition of administrative regions in 1954, the province is the next administrative echelon below the central government at Peking.
- e) Hsien - the administrative unit analogous to a county in the United States.
- f) Ch'u - an administrative district within a hsien.

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g) Hsiang - an administrative unit, usually covering several villages,

within a Ch'u. This unit is generally the lowest administrative organ of the Chinese Communist State.

The village itself, of course, has rudimentary administrative organs and functions but the hsiang is the smallest unit that normally reflects the characteristics of the monolithic structure which is patterned on the Central Government at Peking.

II. Methods of Obtaining Revenue from Agriculture.

The Chinese Communist Government secures control of agricultural products by a number of methods. Three different methods of acquisition are of major importance. Taxation in kind is the most important method of acquiring revenue for the support of the state. Purchase of grain by state organs is almost equally important, in terms of absolute volume, in gaining control of agricultural produce. This purchase and sales program is also relatively important as a revenue producer for the state as grain is purchased at prices fixed by the state and sold under fixed prices. The margin is sufficient to yield a considerable surplus which is regarded as general revenue in the budget. The third method of securing control of wealth is in drives for donations, such as the "resist America, aid Korea" movement, and in the sales of bonds such as the "victory bond" and construction bond." This last method in terms of volume is relatively small as compared to the taxation and planned purchase programs. Moreover, this last method extracts wealth from both the urban and rural population. For the purposes of discussion of the Chinese Communist Grain Control Program it should be sufficient to discuss aspects of agricultural taxation and aspects of the state purchase of agricultural products.

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III. General Points Regarding Agricultural Taxation in Communist China.

It must be recognized that during the past several years the Communist regime has been undergoing the process of growth and development. In this process physical and economic control of resources has become steadily greater, administrative experience has grown, training and experience of cadres has increased, and statistics on resources have been improved. As a result of these and other factors the tax program has changed over time. Also, because of these and other factors, the program has varied by areas during any given time period and its application has varied widely between areas even where the intent of the central government was uniform. These comments serve as notice that the following summary description of agricultural taxation in China is generalized and that deviations from this description may occur in a specific locale.

A. Tax Rates.

In practice there were at least two district systems of levying the agricultural tax up through the crop year of 1952. The first and oldest method was a proportionate system under which the tax was levied on a percentage of the crop or of the acreage and no exemption was calculated. This system was used in the Northeast in 1952. The tax rate varied from a low of 15 percent in Jehol province to a high of 23 percent in Heilungkiang, Sungkiang, and Kirin. It is not known whether the proportionate system was again used in this area in 1953.

The second major rural tax system is the progressive system in which the tax is levied according to fixed rates determined by per capita income. During 1950 and 1951 in East China, Central-South China, and Southwest China the tax was levied according to a set of regulations promulgated by the central authorities in September 1950. These areas were covered by a slightly different set of

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regulations in 1952. The schedule of agricultural tax rates for 1952 were as follows:

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<u>Classification of Taxable Income</u>	<u>Average Agricultural Income of Each Member of the Family (LBS of Unprocessed Food Products)</u>	<u>Tax Rate (Percentage)</u>
1	Below 165	Exempted
2	165 to 220	7
3	220 to 275	8
4	330 to 385	10
5	385 to 440	11
6	440 to 495	12
7	495 to 550	13
8	550 to 605	14
9	605 to 660	15
10	660 to 715	16
11	715 to 825	17
12	825 to 935	18
13	935 to 1045	19
14	1045 to 1155	20
15	1155 to 1265	21
16	1265 to 1375	22
17	1375 to 1485	23
18	1485 to 1595	24
19	1595 to 1705	25
20	1705 to 1815	26
21	1815 to 1925	27
22	1925 to 2035	28
23	2035 to 2145	29
24	above 2145	30

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In the General Administrative Council directive on agricultural taxation during 1953 (5 June 1953) it was stated: "The 1953 tariff of agricultural tax shall generally be based on the tariff for 1952. However, if the tariff rates for 1952 are found to be not in keeping with local conditions, the provincial and municipal people's governments may draw up separate ones to be submitted to the Administrative Committee of administrative regions for approval and to the Ministry of Finance [National] for record." Thus, except for local circumstances the above 1952 tariff schedule was apparently operative in 1953. No new tariff schedule for 1954 is known.

The 1953 directive on agricultural taxation also stated that "for the next three years the target of agricultural taxation should be stabilized at the level of actual tax collections of 1952 and should not be increased any further." This would infer, together with the observations on the tariff schedule, that there is a good probability that the tariff rates will remain as shown through 1955.

B. Administrative Structure Relating to Finance.

The organs of administration of the agricultural tax are as follows:

The highest authority in China, before the election of the All-China People's Congress, is the plenary session of the Chinese People's Political Consultative Conference (PPCC).

The PPCC elects the Central People's Government Council and vests the Council with the power of exercising state authority. Under the direction of the PPCC, the Central People's Government Council sets up a Government Administrative Council (GAC) as the highest national executive body. For the direction of national finance and economy, the GAC sets up a Committee of Economic and Financial Affairs. This Committee is accountable to the GAC and directs the work of various ministries such as the Ministry of Finance, Ministry of Food Industry, Ministry of Agriculture,

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forestry and fisheries, and various others. To carry out the orders of the Committee of Financial and Economic Affairs, a special unit of financial administration is set up at each governmental echelon. Schematically the organization is somewhat as follows:

Ministry of Finance	-	National Government
Ministry of Finance	-	Major Administrative Region*
Commission of Finance	-	Province
Department of Finance	-	Hsien

Since agricultural taxes are collected in kind a Bureau of Food Administration is under the Finance Administration at each level. Under the Food Administration Unit is another organization entitled the Division of Agricultural Taxation. The general overall relationships are indicated schematically in the chart on the next page.

C. Levying of Agricultural Taxes.

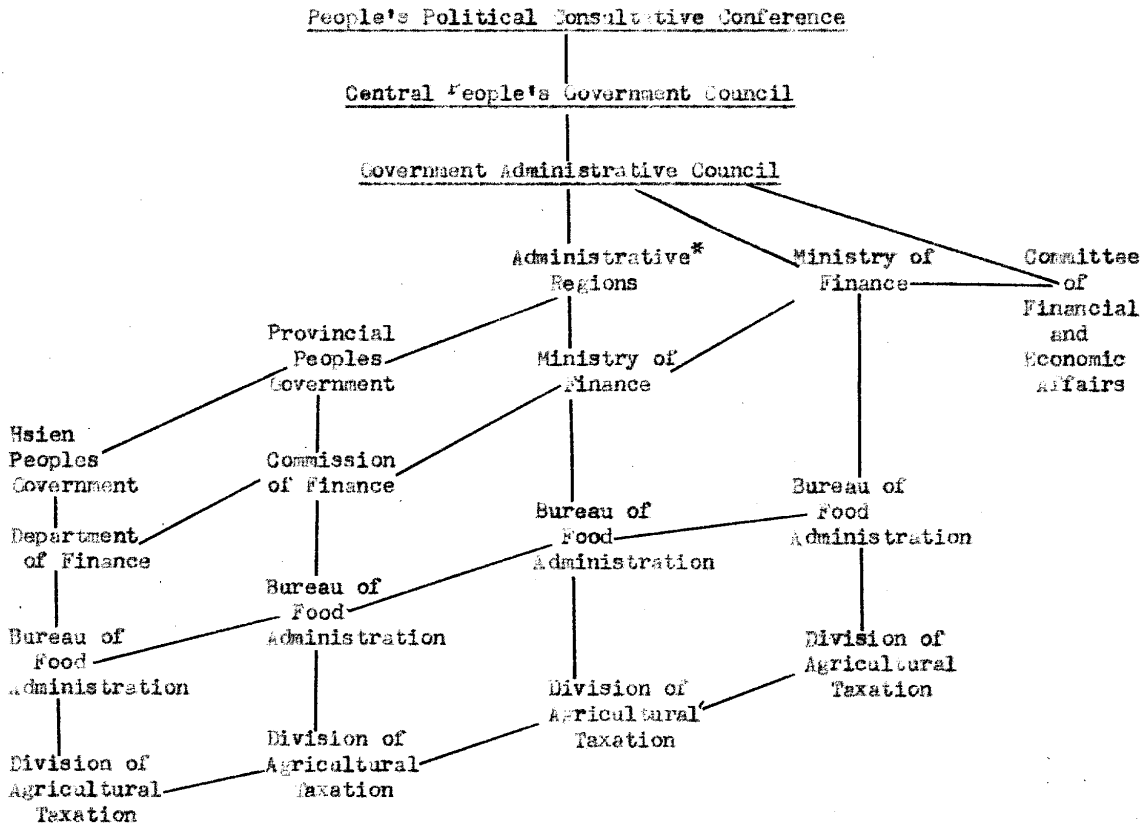
In theory, under the existing regulations, the collections of agricultural taxes should follow a pattern which approximates the description given below. There are two tax collection periods during the year. One is the summer collection period which begins in late July and runs up to the middle of August. The second period is the autumn tax period. Generally this period will begin in September and extend through October. Taxes are calculated as follows: A Committee at the Hsien level---called the Land Survey and Output Assessment Committee is responsible for the determination of normal annual output. It is assisted by

* Abolished in 1954 and their functions transferred to the provincial and/or municipal levels.

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Formal Structure of Governmental Units Dealing
With Agricultural Taxation in Communist China



* Abolished in 1954 and their functions transferred to the provincial and/or municipal levels.

either a Ch'u or Hsiang agricultural tax survey and evaluation committee who is responsible for the actual survey of agricultural population and land area. There is also a Provincial land survey and output assessment committee which has the duty of promoting and assisting the Hsien Committee in its work and in settling disputes and adjusting land-output assessments between Hsien. The biggest task of these various committees was, of course, finished in the early days of the Communist regime when taxes in a particular area were collected for the first time. However, the committees have continued to function in each tax collection period in order to improve or make uniform the output assessment work -- which was obviously hurriedly done the first time around.

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Each unit of land is given a normal annual yield. This assessment, in theory, must be discussed at public meetings, i.e. democratic discussion, before they become final. When the normal annual yield is finalized a peasant household should then know its tax base. The normal annual yield of the land controlled by the peasant household is divided by the number of members of the household. The resulting per capita figure then determines the tariff rate applicable. This tariff rate applied for each member of the household and the resultant tax liability per head, when added together, gives the tax liability of the household. Actual harvest may be above or below this normal annual yield but tax liability is not affected. However, if the actual harvest is below the normal annual yield for reasons beyond the control of the peasant, such as drought, flood disaster, or other adverse conditions, adjustments and exemptions are provided for in the regulations.

In practice, local level tax collection, quite frequently deviates from the general framework as given above. In part this is only natural since the basic governing directive of the CPC is to some degree internally contradictory. The total tax yield for the nation is estimated, for budgetary purposes, and this estimate becomes more or less of a target. Provincial and hsien quotas became established in order to reach the national tax yield total. At the level of rate application the scheduled tariff may or may not yield the quota established for hsiang, ch'u or hsien as the case may be. The compulsion for the tax-collection units at this level is greater to achieve the target figure than it is to observe the rates as promulgated in the regulations. As a result the peasant is often squeezed to a degree which is not reflected in the decrees establishing the formal structure. Another large problem, in practice, is the establishment of the normal annual output figure. Assessment units are frequently inexperienced. The normal

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annual yield for a hsien or ch'u is either set too high or too low. If set too high protests of peasants at the farmers discussion conferences are often ignored. If set too low the farmers representatives of the particular district do not object and this may place pressure on other areas to achieve targets - when actually there exists justification for exemptions or for a more realistic appraisal of normal annual yield in other areas. Then finally, there is the ultimate problem of "commandism" or "leftist deviation" among the tax collecting units. Such attitudes lead to rejection of legitimate appeals for exemptions, adjustments in normal annual yields, and to over collection for the personal glory of the cadres concerned.

B. National Tax Yield and Average National Tax Rate.

Within this general framework the task of securing public grain by the Chinese Communists has been quite successful. It is estimated that the tax yield of public grain amounted to approximately 30 million tons in both 1952 and 1953. This would indicate an average tax yield rate of about 27 percent in terms of grain production.* Taking foodstuffs production as a base the average national tax yield would be approximately 21.5 percent.**

* Grain production being defined as wheat, rice, corn, kaoliang, millets, oats, and barley--the total of which was estimated at approximately 112 million tons in 1952 and 110 million tons in 1953.

** This average rate is based on a foodstuffs production figure of 140 million metric tons. This amount is representative for both 1952 and 1953. This datum would represent the grains plus the pulses, soybeans, peanuts, certain of the oilseeds, and potatoes on a grain equivalent basis. The 140 million metric tons is approximately the figure reported by the American Consul General from Hong Kong and is roughly 25 million tons below the foodstuffs figure officially reported by the Communists. Use of the Communist official figure of approximately 165 million metric tons would yield an average tax rate of 18 percent.

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IV. State Purchase of Grain.

From the time the Communists gained control of Mainland China, various state organs have purchased agricultural goods from the peasant. In the past four years this state purchasing program has grown steadily in size, in terms of volume purchased, and in late 1953 became almost the only outlet through which the peasant could dispose of any marketable produce.

Prior to 1953 the major purchasing group was the supply and marketing cooperatives. These cooperatives are in effect consumer cooperatives whose major purpose was the distribution of goods in both rural and urban areas. Since these cooperatives sold staple foods -- rice, wheat, cooking oil, and salt for example-- they had purchasing departments designed to supply commodities to the cooperatives for resale. It is unclear as to whether, prior to 1952, purchases of commodities by the cooperatives were at the disposal of the government in the same sense that public grain was at the disposal of the government, or whether the cooperative purchases should be considered in the light of a straight merchandizing transaction. This point, however, is little more than a technical quibble since the holdings of cooperatives were, for the budgetary purposes of the national government, listed as assets in the national account.

Another purchasing unit, which by 1953, attained considerable importance was the state grain agency. These agencies are possibly under the Ministry of Finance and apparently have little or no connection with cooperatives.*

The cooperative purchasing points are much more numerous than the purchasing points of the state grain agencies. For example, in East China, during the summer

* This is based on reports that state grain agencies and cooperatives have engaged in price competition in the purchasing of grain. It has also been reported that state grain agencies pay cooperative purchasing departments a commission fee for contract purchasing for the agency. This, with other minor evidence, suggests the possibility that state grain agencies may be under the Food Control Bureaus of the Ministry of Finance.

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grain purchasing work of 1953, the cooperatives established 6,730 grain purchase points as compared to about 810 grain purchase points under the control of the state grain agencies. It is apparently national policy that, in general, state grain agencies should undertake purchasing in the markets of large and medium cities and in major hsien cities. Cooperatives should control purchasing in small hsien cities and in first class markets below the hsien level.

A. Order for the Planned Purchase and Planned Supply of Grain.

Up through October of 1953 private traders, cooperatives, and state grain agencies provided markets for the surplus commodities of the rural producer. While pressure was undoubtedly applied to the peasant to sell his surplus to the state controlled organs, a certain measure of choice appeared to exist.

In November of 1953 the Government Administrative Council adopted an Order for Enforcement of planned purchase and planned supply of grain. This Order, for practical purposes, eliminated all private grain merchants. It also placed all markets in cities and market towns under state auspices and sets-up a compulsory marketing quota for the peasant.

The process of determining how much the peasant must sell to the state is, under the regulations, as follows:

- a. The peasants should be mobilized to sell as much surplus grain to the state as possible. This is to be done through a quota system formulated at "higher levels" with agreement reached at "lower levels" through "democratic discussion" and any changes referred back to higher authorities for approval.
- b. Each agricultural household is treated as a unit.
- c. The amount of surplus grain is to be determined as follows:

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actual grain production of the household minus

1. public grain (the tax liability of the household).
2. the amount of grain to be used as seed.
3. the amount of grain to be used for consumption in the household
(apparently till the next crop harvest).

It is unclear as to who is to make these determinations although the administrative level at which they are to be made is fairly certain. In the only grain directive which is known to cover these details, the provincial governments are charged with the responsibility of formulating the general consumption standards.* This general standard may be adjusted by the district or hsien government in accordance with local conditions. The hsien is the administrative level charged with the determination of the amount of grain to be left the peasant for seeding. A standardized seeding rate of the crop for the hsien is to be determined with consideration to be given to the soil, the weather, and the prevailing agricultural working methods. The same committee which determines the normal annual yield for tax purposes apparently is also going to calculate the actual grain production of the unit. The peasants or the peasants representatives are apparently to be consulted in this process and the determination of actual output is "subject to screening by the hsiang government and approval of the ch'u government.

* Lack of information on these points is not surprising once the circumstances are known. The SAC order was issued November 19, 1953. It was apparently forced on the SAC because the government grain purchasing program was badly behind schedule. This is the most likely case--for if the action was not of an emergency nature the order would have logically been made well before the autumn harvest. This order was not released in the general press till Feb. 1954. By this time most of the arrangements and most of the compulsory purchasing of the 1953 autumn crop had been completed. Thus, the summer crops of 1954 were the first on which any details could be logically expected. In much of the country, the summer purchase program was not emphasized because of the flood emergency that began in the latter half of June. The Summer Grain Directive, from which the above details are taken is that of the Northwest China Administrative Region. The Directive was published in the Far East FBIS Daily of 15 June 1954.

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From these details it would appear to be a fair inference that the administrative line of control for these determinations of compulsory selling quotas is much the same as for the agricultural tax levy. That is to say that the responsibility is probably lodged under the Bureau of Food Administration of the Ministry of Finance.

It has been estimated that in 1953 this procurement program gave the state control over 25-30 million metric tons of foodstuffs. This would be in addition to the 30 million metric tons raised under the tax program. These are tremendous quantities of food goods and their very size tends to arouse some degree of doubt. But the state has apparently assumed the responsibility of distribution of food for urban populations, populations in rural areas which engage in industrial crop production, and areas which are short of food because of crop failure or from other natural disasters. In the spring of 1954 the totals of these populations were estimated to approximate 200 million persons. Within this context 60 million tons of foodstuffs would appear more in terms of a minimum necessary for the state to control if it expected to meet the demands with which it was faced.

V. Specific Questions on the Chinese Communist Grain Control Program.

A. General.

(1) Chinese Communist Government Administrative Council, Committee of Financial and Economic affairs policy states ^{results} concerning, and the delegation of authority for, the collection, storage, and distribution of rice in the provinces of Hunan, Hupei, Chekiang, Fukien, Kwangtung, and Kiangsu.

The organiza decrees relating to tax collection and to compulsory sales are attached as Appendices I, II, and III. While a certain degree of latitude is allowed to lower administrative units, the national decrees will determine the general

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As indicated in the general text which prefaces this section, tax collection is under the Ministry of Finance. Specifically, tax collection is under the Division of Agricultural Taxation of the Food Bureau of the Ministry of Finance. Storage responsibility for public grain is also lodged with the Food Bureau of the Ministry of Finance. The general text also indicated that compulsory procurement and storage of surplus grain probably followed the same chain of authority. However, this point has not been positively established.

It was also pointed out that Supply and Marketing Cooperatives purchased grain. The Supply and Marketing Cooperatives are under the Ministry of Trade. In the merchandizing process these cooperatives are also responsible for grain storage.

Distribution of public grain, and probably of surplus grain, is under authority of the Ministry of Finance. The Ministry of Trade is engaged in distribution through the Supply and Marketing Cooperatives. Stocks required for cooperatives, in so far as they are not obtained under the cooperative purchasing program, are probably acquired from the Ministry of Finance under a Ministry of Finance and Ministry of Trade internal governmental arrangement. The cooperatives are the actual retail outlet for the bulk of the grain sold at retail.

(2) Government structure(s) established for the implementation of these policy statements and directives; i.e. co-operatives, mutual-aid teams, state farms, Farmer's associations, etc.

Agricultural producer cooperatives, mutual aid teams, state farms, and collectives are production organizations not administrative units. They are taxed and must deliver surplus grains under the same regulations which govern the individual peasant producer. Tax concessions are made to these units, however.

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SECRET

14

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Collectives and State Farms are taxed but under rate concessions that may exceed 5 percent of the rates applicable to an individual peasant. Agricultural producer cooperatives, and mutual aid teams also receive tax concessions. For these organizations the tax concession may not exceed 5 percent of the general tariffs. State Farms are required to turn their profits over to the Ministry of Finance.

Farmer's associations are in a different classification. In theory, and probably to some degree in practice, the hsiang land survey and normal annual output assessment committees consult with the Farmer's Associations of the villages in the determination of normal and actual output for individual peasant holdings. This is the level at which "democratic discussion" is held. Leaders of the Farmer's Associations may actually be on the land survey and output assessment teams at the hsiang level.

(3) Segments of society to whom authority has been designated for specific aspects of this over-all program, as follows:

(a) Supervision of harvesting.

As quotas for public grain and surplus grain are determined for each peasant household the supervision of harvesting is not necessary. As far as is known, no systematic system of ^{supervision of} harvesting exists.

(b) Weighing and examination of grain.

Public grain is weighed and examined by cadres working under the authority of the Agricultural Tax Division. The tax work imposes a twice a year peak work burden on the organs of the Ministry of Finance. To meet this workload the Ministry of Finance is authorized to borrow personnel from administrative units under the authority of other Ministries such as agricultural and trade. These local level tax enforcement and collection teams are usually headed by a regular

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employee of the Ministry of Finance from the hsien administrative level.

(c) Amount of total crop collected from the individual peasant (quota).

In theory the amount collected should vary from peasant household to peasant household in line with the tariffs shown in the general text and with the application of these tariffs to the assessed normal annual yield of the land farmed by the peasant. In practice wide deviations occur because of variations in the establishment of the normal annual yield assessment. Also, it is apparent that tariff schedules are ignored, as are legitimate exemptions, when the rates yield a total of public grain in a particular area which is lower than the expected quota total for that area. The amount of the total crop collected from the individual peasant may vary from nothing (probably a rare case) up to 70 to 80 percent.

Because of the recent imposition of the compulsory purchase program little is known as to sales quotas for individual peasants. The general pattern will probably have many of the characteristics of the tax collection program. It is known that attempts are being made to coordinate the two programs and efforts are being made to operate them together.

(d) Payment by collecting agency for rice collected.

No payment is made for public grain.

Surplus grain is purchased at prices set by the government.

These prices are artificially low. It is roughly estimated that the government purchase price is anywhere from 35 to 45 percent below free market prices or what the supply and demand circumstances would normally dictate. The payment for surplus grain is made at the time of delivery to the purchasing point. Pressure is placed on the peasant to deposit sales receipts with state banks or credit cooperatives.

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16

This pressure is of an informal nature, propaganda, advice, and pressure to stand well with local cadres and party officials. Prior to the compulsory purchase program-- sales to cooperatives were also made at fixed prices and the payments were often in goods and cash--perhaps on a 50-50 basis.

(e) Collecting agency

Local units and teams of organs under the Ministry of Finance.

This refers to public grain, probably the same is true of surplus grain but this is not definitely known.

(f) Storage agency

The Food Bureau of the Ministry of Finance.

(g) Distribution agency

Distributed under the authority of the Ministry of Finance.

Cooperatives are the retail outlets, in large part, for sale of grain to the public. Cooperatives are under the Ministry of Trade which probably secures cooperative stocks by dealing with the Ministry of Finance.

B. Specific.

1. Supervision of harvesting.

* (a) Must grain harvesting be supervised?

No.

(b) By whom supervised?

Not applicable - see (a) under 1 above.

(c) Disciplinary action taken (and by whom) in event grain is harvested without supervision?

Not applicable - see (a) under 1 above.

* Indicates questions that requester indicated as being of particular interest.

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2. Weighing and examination of grain.

* (a) Is all grain weighed or only that portion designated for state collection?

Only the portion designated for public grain was weighed prior to the 1953 autumn harvest. With the compulsory purchase program, which was established in late 1953, it is now necessary to weigh the amount designated as surplus grain. Under this program it is necessary to estimate actual output of the peasant household. It is very improbable that this estimate of actual output is actually weighed after the harvest. In sum, even with the new program, it is improbable that all grain is weighed. As in the case of many general practices local deviations may occur but in this case the weighing of all grain would still be a relatively rare phenomenon.

(b) What weight unit is used?

May vary locally to a considerable extent. The standard weight unit in most cases will be the shih catty which is 500 grams or one-half of a kilogram.

* (c) Is a portion of rice weighed designated for seed-rice for subsequent plantings?

See (a) under 2 above for the general conditions bearing on this question. With the compulsory purchase program it has become necessary to establish an estimate of seed requirements. As noted in the general text this standard is established on the responsibility of the hsien government. The individual household now has a portion of its grain reserved to its use under an estimate of its requirements for seed. It is improbable that the quantity is actually weighed.

* Indicates questions that requester indicated as being of particular interest.

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(d) Weighing authority.

Tax collection teams of the Ministry of Finance. Purchasing teams, probably under the Ministry of Finance, would do the weighing of the surplus grain.

*(e) Where is weighing conducted (at peasant's farm, in village, at co-op, etc.) and if conducted in village, is peasant accompanied when he brings rice to village from farm for weighing?

Weighing is done when the peasant delivers his public grain to the tax collection station. These collection stations are usually located where the government has storage facilities for the public grain. However, it is general policy of the state to set up a sufficient number of collection points so that no peasant will have to spend over half a day away from his farm in any one delivery of grain to the collection point.

From the above it is clear that weighing is not conducted at the peasant's farm. It may or may not be conducted at the peasant's village depending on whether that village is a collection center or not. The peasant is not accompanied when transporting his public grain from the farm to the collection point.

Sale of surplus grain to the state will generally follow the pattern described for tax grain.

Cooperatives who buy grain from the peasant may act as agents for the Ministry of Finance in the purchase of surplus grain. (Cooperatives in many areas have a policy of establishing a purchasing station in each ch'u.)

(f) For what purpose is rice examined, i.e. to detect adulteration, overweighing, underweighing, etc.

* Indicates questions that requester indicated as being of particular interest.

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Public grain is to be of a minimum quality which is defined in the government regulations as "standard grade." No standards are known for this grade of rice in China but it apparently approximates a medium grade.* Inspection for the purpose of determining grade would involve examination for the detection of excessive quantities of foreign matter, moisture content, and damaged kernels.

This is point on which both "rightist" and "leftist" deviation have occurred among the tax collection cadres. Some cadres have insisted on the very highest quality of rice for public grain. (leftist deviation). Some reports have even given examples where peasants and their families had to select the best kernels of their crop by hand for the public grain levy. On the other hand some cadres have accepted as public grain rice with an excessive moisture content. (rightist deviation). Such grain, of course, is extremely difficult to store.

3. Amount of Total Crop Collected from Individual Peasant.

See discussion (c) under 3 above.

*** (a) Must peasant purchase rice from a governmental designee or is a portion of his own crop left with him for this purpose? How much does rice cost him when purchased from this designee and is the cost more or less than paid him by collecting agency for grain harvested for state use?

It is clearly the intent of the government regulations covering both public and surplus grains that the peasant be left sufficient grain for household consumption requirements through the period to the next harvest.

* U.S. No. 3 rice is defined as having as maximum limits a) in 500 grams 12 foreign seeds or heat damaged kernels; b) 2% of red rice or damaged kernels; c) 4% chalky kernels; d) 3% rice of contrasting classes; e) 18% moisture.
** Indicates questions that requester indicated as being of particular interest.

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It is also apparent from reports from China and by articles in Communists newspapers admonishing cadres that overcollection has frequently been the case. As a result peasants have been left with an insufficient portion of their crop to carry their household to the next harvest.

When, for reasons of over collection or because the peasant wishes to exchange one type of food good for another type, he may purchase food from supply and marketing cooperatives. He may also engage in small exchanges with other peasants in the country side or transactions in markets under state control in market towns.

If the state has purchased grain from him under the compulsory procurement program he will have received an artificially low price. It is estimated that for rice this price may be approximately 750-850 yuan per catty. If he must buy rice from a cooperative he will be forced to pay approximately 1400-1600 yuan per catty.

(b) Is collection on a quota basis? What action is taken when a peasant (or co-op, state farm, etc.) fails to meet a quota?

The answer to the first part of this question has been covered in the general text as well as specifically under A-3-c above.

When the peasant fails to meet the assessment against him for public grain he is subject to certain penalties. These penalties vary from province to province as they are probably determined by the provincial level of government. The penalties in Kwangtung for 1953 are probably representative and are as follows:*

* Enforcement measures for the collection of the agricultural tax in Kwangtung, 1953. Taken from the Canton Nan Fang Jih Pao, 23 July 1953.

SECRET
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"Article 33. A person who violates the provisions of these measures through the falsification of his report on population, acreage, yield in the attempt to evade the tax, on verification after investigation, shall be ordered to correct the false statements and to pay up the evaded tax, and in addition, he shall be liable to a fine, by the hsien (or municipal) people's government, of not more than 60 percent of the amount of the evaded tax. In more serious cases of resistance of the tax, or sabotage of the work of tax collection, the parties may be handed over to the People's Court for attention."

This latter action will usually mean imprisonment. There have been a number of reports of persons being sent to prisons or labor camps either through ~~failure~~ ^{avoidance} or inability to meet taxes.

It is not known what action is taken when an agricultural cooperative or state farm fails to meet its taxes. It is known that state farms have incurred large losses in their operation. While this may result in shakeups of the management of the farms nothing more drastic is known to have happened.

*(c) How is quota determined; by size of plot, amount of seed-rice furnished, by estimate of yield conducted prior to harvest, etc.?
~~See Section III - Basis of general text.~~

Public Grain -

1. Step one is the determination of normal annual yield. The definition of this is given in Section I of the general text.
2. Step two is the division of the normal annual yield for the peasant household by the numbers of members in the household. This places the output of the household on a per capita basis.

SECRET 22

U. S. OFFICIALS ONLY

3. Step three is the application of the per capita tariff for the determination of tax liability. This tariff schedule is shown in the general text. Tax liability per capita is multiplied by the number of the household and the product is the tax liability of the household.

4. A further step may be involved if the household has a legitimate reason which requires a reduction in its tax assessment. Crop failure, or a poor harvest for reasons beyond the control of the household are reasons for reduction in tax liability.

5. If the taxpayer considers the determination of normal annual yield to be inaccurate, unfair, or the computations to be mistaken he may appeal to the hsiang people's government for re-examination and re-decision. If his appeal fails he may carry the appeal to the ch'u or hsien people's government. The decision of the hsien people's government is final.

Surplus Grain -

The determination of the surplus grain quota is outlined in Section IV-A of the general text. As explained at that point information on this program is still relatively limited.

(d) Who or what designee of the government establishes quotas?

See Section IV B and C of General Text.

4. Payment for rice collected.

No payment is made for public grain. Payment for surplus grain is made by the purchasing unit. This may be a cooperative, state grain agency, or purchasing station especially established under the new procurement program.

(a) Amount: fixed, variable, and quantity?

Surplus grain - fixed price within a given area but price may be varied between areas to reflect local conditions. Amount paid varies with type

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of commodity purchased. For rice 750-850 yuan per catty is a rough estimate.

(b) By whom paid?

Surplus grain - ultimate payer is Ministry of Finance although subsidiary organs of other Ministries may be acting as agents and thus making the purchase directly from the peasant.

* (c) Is payment in kind (i.e. is peasant allowed to retain a portion of rice and is this extent of payment)?

The peasant is allowed to retain seed requirements and household consumption requirements - and perhaps some small surplus above these. This is not a payment in any sense.

* (d) Is payment in *JMP*? Must peasant purchase rice for own consumption from amount paid him, and from whom or what agency does he purchase rice for personal needs?

Surplus grain - payment is in *JMP*. In some cases may be consumer goods or production goods plus cash. Latter case is rare and cash is the standard form of payment.

For balance of question see (c) immediately above.

* (e) Must peasant purchase seed-rice for subsequent plantings or is a portion of the crop retained by him (or some authority) for this purpose?

Peasant retains seed-rice in his possession. If over collection of public grain or of surplus grain takes place it is clear that the peasant will eat up the seed grain rather than starve. In this case the government would probably loan him seed grain for his next crop.

* Indicates questions that require indicated as being of particular interest.

(f) From whom does peasant obtain new or have old farm implements repaired?

New farm implements are obtained through the sales outlets of the supply and marketing cooperatives. Since farm tools in China are relatively simple new implements are also obtained from local craftsmen, blacksmith, carpenter, etc.

Repair of old implements is done by the peasant or by the blacksmith or carpenter of the local area.

5. Collecting Agency.

For public grain - the Ministry of Finance.

For surplus grain - probably the Ministry of Finance but may be the Ministry of Trade.

(a) Specific location of major collection centers?

Really isn't any such thing. Collection points for both public and surplus grain are very numerous. Concentration, if it can be called such, are in major market towns, communications centers, and areas easy of access to the largest number of tax payers.

* (b) Collection is whose responsibility?

The Agricultural Tax Division of the Food Administration Bureau of the Ministry of Finance. The ad hoc teams for tax collection and grain purchasing are responsible at the lowest level.

* (c) What subsidiary role, if any, is played in the collection program by the cadres, the state cooperatives, mutual-aid-teams (both permanent and temporary teams) Farmer's Associations, etc.?

* Indicates questions that requester indicated as being of particular interest.

SECRET
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Cadres - the local cadre of the people's government at the hsien, ch'u, and hsiang level is subject to be drafted for the ad hoc tax collection and grain purchasing teams in the periods in which this work is carried on. He is also subject to working on the land survey and output assessment committees and the investigation committees that check up on the progress of tax collections. The cadre is, of course, expected to exhort and to propagandize the "masses" to make them understand the importance of paying taxes and selling surplus grain.

State cooperatives - Supply and marketing cooperatives have a role in the purchasing of surplus grain from the peasants. It is a moot question as to the degree to which they purchase on their own account and the degree to which they purchase on the account of the Ministry of Finance. Agricultural producer cooperatives act as leaders and examples to individual peasants in the payment of public grain and the sale of surplus grain. The same is true of mutual aid teams. As far as is known these groups, the APC's and the MAT's, play no official role in the collection and sale process. One exception, perhaps, is a statement in the Directive of the Hopeh Provincial Government on the summer tax levy of 1952. This statement reads: "Entry of the summer levy into the granaries. There should be strict prevention of injury and deaths of men and animals and efforts should be made to eradicate the wasteful use of men and animals. Using the agricultural producer's cooperatives and the mutual aid groups as a nucleus, the masses should be organized to transport the grain collectively, or, acting on a voluntary principle, the masses should levy or hire labor for the purpose with the village as the unit; -----." This particular directive would appear to require to use of APC's and MAT's as leaders in a mass movement to concentrate state grain in centers where storage was available. But this particular policy appears as being an exception to the general practice.

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Farmer's associations - the local or village farmer's associations

play an official role in their assistance in helping the land survey and output assessment committees make their determinations. Leaders of the associations may even be on such committees. As with the local cadres they are also expected to arouse enthusiasm for the payment of taxes and the sale of grain.

(d) Can individual soldiers or does military headquarters place separate levy on peasants for support in the supply of foodstuffs? If yes, is an adjustment of the amount collected by state made in terms of the harvest quota collected?

It has been general Communist policy in China to avoid requisitions on the peasantry by the armed forces. The services are supported by budgetary allocations of the Central Government and undertake procurement through regular supply services. Levies on the peasantry have only occurred in the case of emergency and during such periods as when the Communists forces were fighting Nationalist troops. Communist armed forces did levy on the North Korean population during the war in Korea but even here they followed the policy of using North Korean troops to carry out the actual requisiting.

(e) Are peasants liable for support of individual soldiers (i.e. does local political or military or party authority billet soldiers in peasant homes, and further, is the peasant liable for food and housing expenses entitled in this billeting?

No. Also see (d) immediately above.

(f) When, (in terms of harvest-time) is rice collected.

Immediately after the harvest in an area. The time will vary by location of the area as crops mature at different times as one goes from south

SECRET 27

SECRET
U. S. OFFICIALS ONLY

to north. The practice is to conduct two collections. One on winter and early spring sown crops that are harvested in June and July, the other on summer crops that are harvested in September and October. Where only summer crops are grown or where the summer harvest is ordinarily very small there is only one tax collection period.

6. Storage agency.

(a) Whose responsibility?

The Food Bureau of the Ministry of Finance.

(b) Facilities provided: are they guarded, fireproof, waterproof?

One of the major problems of the Chinese Communists has been the shortage of governmentally controlled storage space. In order to overcome this difficulty a number of measures have been used.

1. Temples, churches, homes of rich landowners, and other privately held buildings were confiscated at the time of the land reform and used to store government grain.

2. The government has been building grain storage space as rapidly as availability of construction materials, which ^{are} ~~is~~ also in demand for other purposes, permits. In December of 1952 the Communists claimed that 11.68 million cubic meters of granary space had been erected in the past three years. At .8 metric tons per cubic meter this new storage would handle roughly 9 million metric tons.

3. Out of doors storage on mats or surfaced areas has been used. Grain-storage in this fashion is always meant to be for short periods while waiting for space to open up elsewhere or for transport to other areas to take place. Covering on open storage is practiced either by the use of mats, tarpaulins, or thatch of some kind.

SECRET 28

~~SECRET~~
U. S. OFFICIALS ONLY

4. It has also been reported that the government has stored grain in peasants houses in the storage facilities used by the peasant. This would appear to be an emergency procedure.

The storage facilities are usually guarded. It is known that the Ministry of Finance makes disbursement to the public security forces in payment for guarding government grain. There are frequent reports that guarding government grain are among the duties of the village militia.

Storage may or may not be fireproof. Much of it is not as is obvious from the types of facilities listed in the answer to one above. However, as brick is a common building material in many parts of China a considerable amount of the storage, especially new storage, is probably fireproof to some degree.

Storage facilities may or may not be waterproof. Standard grain storage facilities in China have been noted for being rather poor. There are frequent reports of stored grains souring, germinating, or becoming moldy. This might occur because the grains became wet after storage or because they were stored while already having a high moisture content. The Communist claim that grain storage losses are being steadily reduced. This is probably true. They have claimed that storage losses were only 12 1/2 percent of the amount stored in 1952. This is a ridiculously low loss figure under the best of conditions.

(c) Are local rice needs stored in villages within the same facilities for storage of state grain stores, or are they stored separately?

There have been reports of local rice needs being stored with government grain. But this would surely be an exceptional case. It has been tradition for the peasant to harvest his crop, store the quantity needed for the household and for seed, and then exchange any surplus for the small consumer items

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the household required. The quantity needed to carry the household through to the next harvest and seed requirements were generally stored by the peasant in his home. It is clearly the intent, under the directives on public and surplus grain, that the peasant continue this practice. While the intent of the central government is often violated in practice by overcollection of public grain it is still probably true that the portion of the harvest left the peasant is still stored by the peasant on his farm.

(d) Are storage facilities located at hsiang, ch'u, hsien, cheng, and/or sheng level?

There is no general policy, that is known, that gives an answer to this question. Both ch'u and hsien Food Bureaus of the Ministry of Finance are responsible in part for food storage. Storage facilities are provided at this level. With new storage construction there are indications that storage is becoming more centralized. This centralization is not necessarily associated with political units as such, but is concentrated along communication routes, both water and rail, so that flexibility of movement will be increased. Major urban concentrations have large storage facilities.

7. Distribution.

(a) Method of distribution: in city, county, village?

Up to the early fall of 1953 any individual could purchase grain at government cooperative stores or from private rice shops without any sort of authorization. As early as August of 1953 certain major cities went on a ration system for a few items. Cooking oil was reportedly an item in short supply by the middle of 1953 and 1/2 catty per person per month appeared to be a fairly representative quota.

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With the establishment of planned purchase and distribution in November of 1953 the private retail outlet either ceased to exist or else operated under strict government supervision. The major sales outlet is presently the supply and marketing cooperative retail unit. In certain areas it is possible that grain can be purchased directly from the Food Bureau of the Ministry of Finance. However, the extent or the details of this operation are unknown and it is doubtful if this is in any degree a standard procedure.

* (b) Authority: Who exercises jurisdiction over the distribution mechanism on these geographic levels?

The cooperative stores are under the general jurisdiction of the Ministry of Trade. The Ministry of Finance is ultimately responsible for disbursements of public grain. That is to say all payments to government workers at all levels and under the line of command of any ministry must receive payment which has been approved by the Ministry of Finance. But this is typical of government operation in almost any nation. The wholesaling and retailing functions in the distribution of food to the population at large are under the operations of the Ministry of Trade. The supply and marketing cooperative is the implementing mechanism.

(c) Is quota for consumption rigid (i.e. ration cards) and what is the quota rate?

Since the next question deals with the peasant, remarks on the ration under this question will largely be confined to the urban areas.

There is not a uniform rationing system for the country as a whole. Rationing as such does not cover all foods. Only the major staples, certain grains and cooking oil, are under ration.

* Indicates questions that requester indicated as being of particular interest.

SECRET 3/

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Some of the quantities which were reported as being allowed on

the ration are as follows:

Shanghai - November 1953

Each person, regardless of sex and age, is allowed 20 catties ^{of rice} a month.

Canton - January 1954

Rice ration cards are issued in accordance with the census records of each household. Adults (including children above the age of 7) are entitled to half a catty each every day, and children below the age of 7 are entitled to 4 taels each. Edible oil is also on ration. Each adult is entitled to buy 12 taels of oil a month, while a child is entitled to only 6 taels. (This reports reliability is suspect for it was published in one of the anti-Communist Hong Kong newspapers. Reports from these sources are frequently badly distorted).

Peiping and Tientsin - December 1953

Flour rationing reported to be as follows:

Labor union organized workers physically engaged in production get monthly 18 catties for themselves and 8 catties for each dependent. Supervisors, office workers, et cetera, engaged in productive enterprises get 15 catties a month and 8 catties for each dependent. White collar workers and "national capitalists" get 8 catties a month and 8 catties for each dependent. The flour is reliably reported to be 80 percent flour and 19 percent bran. It has a brownish appearance.

Peking - November 1953

Basic ration is 8 catties per head (presumably per month).

Government workers, students, teachers receive 4 catties extra. Heavy workers get 10 catties extra through their organizations and factories. Rationing is not a serious hardship as other cereals are unaffected and do not seem in short

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supply. Good rice difficult to obtain for some months but second grade rice is plentiful.

Tangshan, Hopeh - November 1953

Flour, rice, and cottonseed oil now being sold only on basis of ration cards. Neither meat nor peanut oil available.

*(d) Is peasant's consumption of rice on a quota or ration basis; if so, how much for how long per person? Is the quota identical to ration established for the urban populace?

In pastoral areas, areas that were deficit because of crop failure, areas which largely produce industrial crops, and in timber felling areas the rural populace must normally buy foodstuffs. These areas are to some extent analogous to the urban areas discussed under (c) immediately above. It is probable, therefore, that some sort of quota system was operative in these areas in the fall of 1953 and the winter and spring of 1954. There is no known information on what the quotas were in these districts even though the supposition is strong that such quotas existed. It is probable, but again no concrete indications are known, that any quotas used in these areas were below the quotas for urban areas as reported in (c) immediately above.

To turn to the food producing rural areas a different situation is apparent. As outlined in the discussion on the surplus grain program the peasant is to be left a portion of his crop which covers seed requirements and the requirements for household consumption through the next harvest. This is a quota system but not in the normal sense of purchasing a determined quantity from a trade outlet. It was also mentioned in the general discussion that in the only directive known to bear on this situation, that of the Northwest Administrative Region, the

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provincial governments were charged with the duty of formulating the general consumption standard. Under this relatively new program there is no material known which can furnish a basis for an estimate of any quantities that might have been set for peasant consumption standards. It is probable that these standards, which are used to determine the surplus grain quota, will vary from area to area.

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APPENDIX I

GAC Directive on Agricultural Taxation During 1953

- adopted at 181st session of GAC on June 5, 1953 -

During the past 3 years, agricultural taxation has been based on the agrarian reform and production-increase campaign and, consequently, has won the support of the broad masses of the peasants. It was because of the support given by the peasant masses, the correct leadership and full aid given by the CCP committees, the importance attached by the people's governments to the work and the efforts exerted by rural cadres and taxation personnel that the target of agricultural taxation was basically fulfilled, thus playing a very important part in balancing the state budgets, regulating the market, stabilizing grain prices, assuring military supplies and civilian food requirements and alleviating famine in some places. In the past three years, the tax regulations have been revised on the principle of rational distribution of burdens and encouragement of higher yield and according to the development of rural economy, and a policy of fixing the normal yield, collecting tax according to tariff, reducing and exempting tax according to regulations and imposing no additional tax on output over and above the normal yield has been introduced step by step to rationalize peasants' burdens, thereby gradually stabilizing and enhancing peasants' production morale.

On the other hand, agricultural taxation is still characterized by many defects and mistakes. Most conspicuous is the fact that the policy on agricultural tax and the methods of fulfilling the target of taxation are not sufficiently publicized and are not clearly defined, and that, during the check-up of the fulfillment of the target of taxation, little attention is paid to the implementation of policy with the result that a working style of commandism emerged among certain cadres. The

~~SECRET~~ 35

SECRET**U. S. OFFICIALS ONLY**

unbalanced nature of China's economy is not sufficiently grasped and the necessity of enacting agricultural tax according to local conditions is not duly realized. While different tariff rates are in force in different parts of the country, there is still a tendency of generalization and the failure to fully conform with the concrete conditions of rural economy in different parts of the country. The methods of land investigation and fixing of normal yield are also characterized by mistakes, for they are not based on the amount of land and yield as appraised by the masses at the time of agrarian reform and customarily taken by the peasants as the basis for tax payment, nor are they based on reliance on local peasant masses; in consequence, the amount of land and yield fixed do not fully conform with local conditions, being set either too high or too low. Some measures governing tax reduction and exemption are too complicated; thus, while the total amount of tax reductions and exemptions for the whole country is very large, problems still remain unsettled in an effective and rational manner. Then, not all the granaries are centrally located. The work in connection with delivery of grain into granaries lacks concrete guidance and penetrating check-up with the result that accidents to men and animals still occur now and then. While in some cases the target of taxation is fulfilled and the work in connection with delivery of grain into granaries is well done, yet the experience is not reviewed and promoted in good time. Grain stocks in remote mountainous areas, where it is difficult to ship out, are not disposed of in good time, and even now some quantity of old grain stocks are still kept on hand and not properly disposed of. The above defects and mistakes must be strictly corrected. With this aim in view, the following instructions are hereby given concerning agricultural taxation during 1953:

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1. Policy on collection of agricultural tax. Target figures of public grain to be collected must be determined according to the general policy laid down by Chairman Mao, i.e. "develop economy, assure supplies", and on the basis of the needs of the country and conditions of development of peasants' production. We must firmly carry out such a fair, equitable and higher yield-encouraging policy as "collect tax according to normal yield and tariff, reduce and exempt tax according to regulations, imposing no additional tax on output over and above normal yield". For the next three years the target of agricultural taxation should be stabilized at the level of actual tax collections of 1952 and should not be increased any further. This policy which will enable the peasants to nurse their strength would considerably whip up the peasants' production activity and step up the output of crops, thereby to further develop rural economy. The people's governments and taxation personnel must do things in a practical way and according to policy. Not only will they have to carry out such measures as make tax reduction or exemption where it is warranted, impose no additional tax on output over and above normal yield and aid development of agricultural production; but they should also see to it that taxes that should be collected are indeed collected and that no tax reduction or exemption is made if it is not warranted. If things are not done in a practical way and according to policy, it would be equally wrong whether the target figures are attained and surpassed or whether the target figures are not attained. Policy must be observed while fulfilling the task. The two are united. To oppose task to policy is erroneous and must be changed.

2. The 1953 tariff of agricultural tax shall generally be based on the tariff for 1952. However, if the tariff rates for 1952 are found to be not in keeping with

SECRET 37

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U. S. OFFICIALS ONLY

separate ones to be submitted to the AC of administrative regions for approval and to the CPC Ministry of Finance for record. Pastoral tax applicable to minority areas should be studied and properly readjusted according to the principle of encouraging multiplication of animals, improving livestock and bettering the living conditions of herdsmen. Measures for collection of tax should be simplified as far as possible to conform with life in pastoral areas. Measures for collecting agricultural tax must not be applied to pastoral areas.

3. In order to carry out the fair, equitable and higher yield-encouraging policy, hereafter public grain must be collected in different ways according to different local conditions. In areas where land investigation and fixing of normal yield have not been completed or have not yet been done, such work should generally be stopped, and the scale for collection of public grain may be determined according to the amount of land and yield as appraised by the masses at the time of agrarian reform and preliminarily investigated during the collection of grain tax in the past, in the light of local conditions of production and through democratic discussion by the masses. In areas where land has been investigated and normal yield has been fixed, any normal yield fixed too high or too low in the past which caused mass discontent should be readjusted. The normal yield fixed too low may be raised while the normal yield fixed too high must be lowered, but in both cases the readjustment must be made in a systematic manner and without any rashness. Any striking disequilibrium between provinces, between hsien and between hsiang should also be properly readjusted; after readjustment, normal yield should be fixed for taxation purpose. In the case of minority areas, no normal yield should be fixed and the measures of taxation can only be gradually improved on the basis of customary method of taxation and according to local conditions and the people's

SECRET 38

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U. S. OFFICIALS ONLY

practical demand; in general, the taxes should also be fixed step by step. By fixing the amount of land and normal yield for collection of agricultural tax and by fixing the tariff rates, it will be possible to realize what Chairman Mao has said: "The peasants are enabled to compute the amount of tax according to the quantity and quality of the land cultivated by them. With such calculations the peasants can compute the ratios of their annual income and expenditure and can freely engage in production while increasing their production activity and ensuring increased production of food. No question of unfairness will come up at the time of government collection of taxes." (On Economic Problem and Financial Problem). The fixing of the amount of land and normal yield for taxation purpose in various provinces should be referred by the provincial and municipal people's governments to AC of administrative regions for approval and to the CPC Ministry of finance for record.

4. To make a good job of tax reduction and exemption is one of the crucial problems of grain taxation. The scope of agricultural tax reduction and exemption is divided into two categories according to different nature. One category is "reduction and exemption on account of famine", that is, to reduce or do away with burdens for famine-stricken peasants according to loss of crops due to natural calamities on the principle of "less reduction for slight famine, more reduction for severe famine, tax exemption for particularly severe famine". The other category is "social reduction and exemption", embracing the following: (1) peasants lacking labor power or experiencing difficulties of living due to lack of labor power; (2) peasants actually having difficulties in tax payment due to unforeseen calamities suffered or other reasons; (3) old revolutionary bases devastated by war or seriously ravaged by the enemy where production has not been restored; (4) areas inhabited by minority nationals experiencing difficulties of living; (5) destitute mountainous

~~SECRET~~ 39

SECRET
U. S. OFFICIALS ONLY

areas with poor communication facilities; (6) other areas to which the provincial or municipal people's governments consider it necessary to give proper care.

The implementation of the tax reduction and exemption policy will exercise tremendous influence over the alleviation of peasants' sufferings and improvement of relations between the Government and the peasants. We must draw on the lessons of experience and correct the two deviations - failure to make the necessary reduction or exemption and unjustified reduction or exemption. In order to ensure implementation of the tax reduction and exemption policy, it is necessary to make public the regulations governing tax reduction and exemption and to conduct extensive publicity so that these regulations are known to all. In determining the peasants who would be entitled to tax reduction and exemption, the method of "penetrating investigation, mass appraisal and governmental approval" must be widely introduced.

The measures for tax reduction and exemption should be simplified as far as possible. The Central People's Government only lays down a general principle and it is up to the provincial and municipal people's government to enact, according to local conditions, measures of enforcement for submission to the AC of administrative regions for approval and the CPG Ministry of Finance for record.

5. Delivery of grain into public granaries constitutes the final and also the tensest phase of work of grain taxation. In order to reduce and eliminate accidents to men and animals, it is necessary to promote the successful experience in delivery of grain into public granaries and to properly solve the following problems:

(1) The granaries should be properly established in such a way as will facilitate government transfer of grain and take into account peasants' difficulties in grain delivery. Except in Northwest, Inner Mongolia and other areas where special

SECRET 40

SECRET
U. S. OFFICIALS ONLY

conditions prevail, the mileage of free transportation undertaken by the peasants should generally be such as will enable them to return on the same day while specific mileage may be defined separately by the provincial and municipal people's governments according to local conditions. Inasmuch as conditions of grain transportation and transfer differ from place to place, the establishment and management of all granaries, except the granaries under the direct control of the Central People's Government, shall be dealt with by the provincial and municipal people's governments in their own way according to conditions of local communications and transportation and local transfers of grain while the Central People's Government shall not make centralized stipulations. In general areas, however, besides establishing large granaries along communications lines, it is advisable to establish in each chu one to several middle granaries. In individual remote hsiang (tsun), small granaries may be established. Since grain taxation has already started this year, temporary grain stations may be established in some areas to facilitate delivery of grain if new granaries cannot be built in good time. (2) Leadership should be strengthened and transportation should be well organized. A good job must be made of the organization of hsiang (tsun) transportation forces, of road and bridge repair, of the ensurement of traffic safety and of the receipt of grain at granaries. (3) The time of grain delivery should be properly arranged in order to avoid the crowding of delivery from all districts. (4) Granary storage should be strengthened in order to minimize the loss of grain stock.

6. The following provisions are made for several other problems:

(a) Old grain stocks now accumulated in remote mountainous areas should be disposed of as soon as possible. All possible methods must be adopted to ship out the accumulated grain stocks as much as possible. Grain stocks that cannot be shipped

SECRET 41

SECRET
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out but can be sold locally should be disposed of as much as possible. Grain stocks that can neither be shipped out nor disposed of locally may be used in exchange for native produce, for farming credit, for small-type local public works or for relief purpose, under practical and feasible measures to be proposed by the provincial people's government concerned and to be submitted to the AC of administrative regions for approval.

(b) The proportions of grain, industrial materials and cash in the total amount of agricultural tax must be fixed according to the principle of "national needs and people's economy" and according to local conditions. No grain or less grain should be collected in areas where industrial materials are grown or in areas where grain is lacking. The whole amount of tax should be collected in grain or a higher proportion of grain should be collected in the case of grain-producing areas. On the basis of previous years' experience, it is necessary to set from above the proportional target figures of grain, industrial materials and cash for each region and each province, but in the course of collection of tax certain leeway should be given to the different districts. If it is necessary to make main changes in accordance with concrete conditions, the provincial or municipal people's government may request the SAC Committee of financial and economic affairs to approve the changes. The conversion rates of various kinds of grain and the amount of cash to be collected in lieu of grain may be fixed by the provincial and municipal people's governments, using locally produced staple grain as the standard, and calculating according to the average price on the local market. But in this connection there must be equity and rationality so that the state revenue is not reduced while peasants' interests are taken into account. Medium grade grain produced locally during the current year may generally be used as the standard of public grain to

SECRET 42

SECRET

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be collected, but the grain stocks must be dried and thoroughly winnowed to ensure good quality. Concrete scales shall be set by the provincial or municipal people's governments.

(c) In regard to agricultural producer cooperatives, measures for collection of agricultural tax shall be formulated by the provincial and municipal people's governments in the light of measures in force during 1952.

(d) The financial sections of hsien people's governments should take on an appropriate number of additional agricultural taxation personnel to take special charge of the taxation work.

Finally, it is necessary to emphasize once again the importance of agricultural tax to the state. Agricultural tax had been our main source of revenue during the period of revolutionary war in the past. During the past three years it was also because of the fulfillment of the targets of agricultural tax that we succeeded in ensuring the balancing of the state budget, the needs of the resist-U.S. and aid-Korea campaign and the stabilization of market prices. Henceforward, with the development of industry, the proportion of agricultural tax in the total revenue of the state will relatively shrink, but it will always be a huge source of state revenue and an important guarantee to stabilize market prices and it will ensure the supply of military needs and civilian food requirements. The amount of marketed grain annually needed by the state is increasing steadily, and to ensure the supply of grain for cities, industrial and mining areas and industrial crop areas will be a regular and important political task. The people's governments of all levels must attach as much importance to the work of agricultural taxation as they did in the past and should from time to time guard against the possible neglect of the collection of agricultural tax. In collecting agricultural tax, full account must be

SECRET

SECRET

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taken of the heightened production activity and patriotic ardor of the peasant masses as a result of agrarian reform, mutual aid and cooperation in production and patriotic education. If only reliance is placed on the broad masses of the peasants and the initiative of Party and government organs and rural cadres is brought into full play, the target of public grain collection will certainly be successfully fulfilled.

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APPENDIX II

Order of GAC for Enforcement of Planned Purchase and
Planned Supply of Grain

(adopted at 194th session of GAC on November 19, 1953)

For the purpose of ensuring grain required for people's livelihood and national construction, stabilizing grain prices, eliminating grain profiteering and further strengthening the workers' and peasants' alliance, it has been decided to enforce planned purchase and planned supply of grain in a planned and systematic manner throughout the country under the following measures in accordance with the provisions of Art. 28 of the Common Program. "All enterprises vital to the economic life of the country and to the people's livelihood shall come under unified operation by the state":

1. Grain-producing peasants should sell their surplus grain to the state according to the types of grain, purchasing price and quotas of planned purchase fixed by the state. But after the peasants have delivered public grain and also grain to be bought by the state under planned purchase, they may freely keep and use their surplus grain. They may continue to sell it to state grain departments and cooperatives, or trade it on grain markets established by the state, and may carry on small inter-changes in the countryside.

2. At the commencement of planned supply of grain, it is desirable to adopt the following simple and easy measures for gradual improvement and perfection:

(a) In cities, the personnel of organs, bodies, schools and enterprises may be supplied through their organizations; citizens in general may be issued grain purchase certificates with which to purchase grain or purchase may be made against census books for the time being.

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(b) In market towns, industrial crop areas, famine areas and rural villages in general, control figures to be issued by governments of upper level should be combined with democratic discussions to be carried out by the masses, so that persons who are actually short of grain will be enabled to buy the grain they need while sales of grain can be placed under proper control and hoarding by profiteers can be prevented.

(c) Grain required for cooked food trades and food processing industry, grain required by hotels, railway trains and steamers for supplying food to guests and passengers as well as grain required for other industries should be supplied in fixed quantity according to the average quantity required during a certain period in the past and may not be purchased privately.

3. Control figures of planned purchase and planned supply should be properly determined according to the needs of the state and the people as well as the food situation in the countryside:

(a) Control figures applicable to administrative regions shall be determined by the SAC Committee of Financial and Economic Affairs on the basis of the national control figures fixed by State Planning Committee.

(b) Control figures applicable to provinces, administrative districts and hsien shall be determined by the governments of upper level.

(c) Control figures applicable to chu and hsiang (or tsun) shall be determined by hsien governments. Control figures applicable to hsiang (or tsun) should be publicly announced to the masses who should be directed and organized to carry out democratic discussions.

The provincial (or municipal) people's governments shall draw up draft plans of the types and standards of grain to be planned purchased for submission to the

SECRET
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4. The price for planned purchase of autumn grain this year shall basically be the prevailing official purchasing price; the price for planned supply shall basically be the prevailing official retail price. Prevailing official purchasing prices and official retail prices which are too high or too low and which are conspicuously out of line should be properly readjusted according to the following division of labor and procedures:

(a) The SAC Committee of Financial and Economic Affairs shall take upon itself the examination and readjustment of grain prices in cities under control of the Central People's Government and the formulation of the principle of readjusting grain prices.

(b) The AC of Administrative regions, the People's Government of Inner Mongolia Autonomous Region, the provincial (or municipal) people's governments, the administrative district and hsien people's governments shall undertake to examine, in accordance with the principle formulated by the SAC Committee of Financial and Economic Affairs, grain prices in towns under their control and draw up readjustment schemes to be submitted to the SAC Committee of Financial and Economic Affairs for approval in the case of administrative regions, to the AC of administrative regions for approval in the case of provinces (or municipalities), to the provincial people's governments for approval in the case of administrative districts and hsien, and to the SAC Committee of Financial and Economic Affairs for record in all cases.

5. All state-operated, local state-operated, public-private jointly operated and cooperative grain stores and mills engaged in grain business and grain processing shall be subject to the unified leadership of local grain departments.

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6. All private grain merchants shall without exception not be allowed to privately deal in grain, but may be commissioned by state grain departments to sell grain on their behalf under strict state supervision and control. Secondary miscellaneous grain (which is not the miscellaneous grain for principal food in local districts), which in principle should come under unified operation by the state, may pending unified operation by the state be temporarily handled by private grain merchants under strict state supervision and control.

7. All private grain processing mills as well as native mills which were doing business, without exception, may not purchase raw materials and sell finished products themselves and can only do processing jobs as commissioned by state grain departments or do processing jobs on behalf of consumers under state supervision and control and according to the processing standards fixed by the state.

8. Urban residents who have purchased grain supplied under state plans, in case of a surplus or a deficit or, for reasons of habit of consumption, having to exchange their grain for other types of grain, may sell their grain at designated state stores and cooperatives or may make mutual adjustments on the grain market established by the state.

9. To tighten up market control and eliminate profiteering, the governments of all levels should organize relevant departments to carry out regular check-ups and control. Profiteers who violate government laws must be sternly punished; public functionaries who practise profiteering and collaborate with and shelter profiteers should be given increased punishment; counter-revolutionaries who sabotage planned purchase and supply of grain should be punished according to the Regulations of the People's Republic of China for the Punishment of Counter-Revolutionaries.

SECRET
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10. The AC's of administrative regions, the People's Government of Inner Mongolia Autonomous Region and all provincial (or municipal) people's governments should enact measures for the enforcement of this order on the basis of the above provisions and according to concrete conditions in their districts. The measures for enforcement applicable to administrative regions and Inner Mongolia Autonomous Region should be submitted to the GAC Committee of Financial and Economic Affairs for approval; the measures for enforcement applicable to provinces (or municipalities) should be submitted to the AC's of administrative regions for approval and to the GAC Committee of Financial and Economic Affairs for record.

It is desired that the above provisions are carried out accordingly.

Premier CHOU En-lai

November 23, 1953

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APPENDIX III

GAC Issues Provisional Measures for Control
of Grain Market

At its 194th session on November 19, 1953, the Government Administration Council adopted the Provisional Measures for Control of Grain Market. These Provisional Measures have been carried out throughout the country except in a few areas where they are not to be carried out with approval of GAC. Full text of the Provisional Measures follows:

Provisional Measures for Control of Grain Market

(adopted at 194th session of GAC on November 19, 1953)

- Art. 1. Pursuant to the GAC Order on Enforcement of Planned Purchase and Planned Supply of Grain, these Measures are enacted for the purpose of tightening control over grain market.
- Art. 1. Following the enforcement of unified purchase and supply of grain, all private grain merchants shall without exception not be allowed to handle grain but may be commissioned by state grain departments to sell grain under strict state supervision and control. Except in a few major cities where they may with special permission of the state sell grain on its behalf, all private merchants who have been handling grain as a sideline shall be prohibited to handle grain as a side-line.
- Art. 3. All private grain processing mills as well as native mills doing business may be commissioned by state grain departments to do processing jobs according to needs and possibilities or may do processing jobs on behalf of consumers under state supervision and control and according to the processing standards set by the state but without exception may not, purchase raw materials and sell finished products themselves.

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SECRET

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- Art. 8. After delivery of public grain and also grain against planned purchase, peasants may freely keep and use their surplus grain, may sell it to state grain departments and cooperatives or trade on state grain market and may carry on small-scale exchanges in the countryside, but are strictly forbidden to speculate and disturb the market.
- Art. 9. To ensure implementation of state policy on unified purchase and supply of grain, the people's governments of all levels should organize relevant departments to carry out regular check-ups and control, should institute mass supervision and prosecution and must severely deal with those who speculate, disturb the market, spread rumors and violate the provisions of these Measures.
- Art. 10. The AC's administrative regions, the People's Government of Inner Mongolia Autonomous Region and all provincial (or municipal) people's governments may enact supplementary measures or rules for enforcement of these Measures on the basis of the principle enunciated in these Measures and according to actual conditions in their districts. The administrative regions and the Inner Mongolia Autonomous Region shall submit their supplementary measures or rules to the GAC Committee of Financial and Economic Affairs for approval; provinces (or municipalities) shall submit their supplementary measures and rules to the AC's of Administrative regions for approval and to the GAC Committee of Financial and Economic Affairs for record.
- Art. 11. These Measures shall come into force from the date of their proclamation.

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