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SOURCE Hsin-hua Jih-pao.

THE PROBLEM OF PUBLIC AND PRIVATE RELATIONSHIPS

Chi Yin (1) [numbers refer to appended characters]

The Central People's government believes in a policy of mutual benefit and fair dealing in the relationships between government, civil, and military agencies and private business. While many private concerns and individuals are conducting their business with the government sincerely and honestly, unfortunately some are dishonestly enriching themselves and defrauding the government and the people by resorting to the corrupt practices that were common under the reactionary KMT regime. As a result, the country has been subjected to astounding large losses.

Last fall (1949) the Nanking branch of the China Foodstuffs Corporation (then operating under the name of the First Branch Company of the General Trading Corporation), in order to adjust the supply and demand for foodstuffs in Nanking and to get currency into circulation in the rural areas, engaged the services of private grain merchants to buy up to 15 million catties of grain in the producing regions. Among these merchants were some unprincipled men who took this opportunity to withhold payment of funds advanced to them. Sixteen grain shops held up delivery of some 2 million catties of grain; one of them was the Jung-feng Mi-ch'ang. This shop took the funds advanced to them for the purchase of rice and with them bought salt, transported it to Anhwei, and there exchanged it for rice; they brought the rice to Nanking and sold it at a huge profit, refusing to deliver 4,000 piculs of the rice which they were commissioned to buy.

The Hsiang-t'ai and Yung-feng grain shops, both in Wu-hu, took grain-purchase money but delayed the delivery of over 7,400 piculs, using the government's money for illegal and economically disturbing speculation. Also, the Sheng-ch'eng Company, a private transport company in P'u-k'ou, Kiangsu, which began business in September 1949, by means of large bribes bought over Chu Wei-hua (2) and Wang Pao-nien (3) and others, clerks in the employ of the P'u-k'ou forwarding office of the government-operated East China Trade Bureau, and in

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league with them, carried on avaricious practices resulting in losses to the People's government equivalent to about 10,000 piculs of rice. In February 1950 alone, in connection with the transport of rice, they took dishonest and illegitimate profits of 226 million yuan.

The committee charged with the urgent repair of the wharves and river embankments at P'u-k'ou, Kiangsu, contracted with a private concern for the supply of a large quantity of willow withes. This private concern used a portion of the funds advanced for commercial speculation. So far, they have not made delivery of a portion of the withes and are in default by 267,800,000 yuan. This malfeasance delayed the commencement of the work 16 days, and, beginning mid-March 1950, caused a 24-day interruption of work.

In January and February 1950, the Second Field Army, in a transaction for the purchase of fuel, was swindled out of 4,500,000 yuan. Units of the Third Field Army were repeatedly defrauded in connection with fuel. In one case, the fuel was to be stored for the army by the supplier and delivered as requisitioned, but the supplier unfaithfully stole and sold some of the army's fuel. In another case, some individuals posing as fuel merchants took funds for the purchase of fuel for the army and then decamped for parts unknown, thus entailing to the army a loss equivalent to 100,000 catties of rice.

The government-operated Ch'ang-chiang Rice Company in September 1949 arranged with the private Kung-ta Grain Shop to turn over to the latter 300,000 catties of over-old rice with the provision that 3 months later the Kung-ta Grain Shop was to return the same amount of new rice. But the grain shop failed to deliver the new rice at the time agreed on. They had used the proceeds of the old rice as capital for operating a new company under the name Cheng-ta Grain Shop, which has done a large and profitable business. Up to now, it is still in default by over 900 piculs of rice. The private Hou-feng Grain Shop of Wu-hu similarly defrauded the Ch'ang-chiang Rice Company to the extent of over 300 piculs of rice.

These cases are merely typical examples of the nature and proportions of the losses which the country has sustained. These malpractices not only defraud the government but also damage the interests of law-abiding private business concerns by injuring the relationships between public and private agencies. The government has already placed under arrest the parties guilty of the most flagrant fraudulence and they will be dealt with severely according to law to protect the financial interests of the country.

How is it that actions causing such vast losses could be perpetrated? What questions do they raise? What lessons do they teach us? The first observation to be made is that there are in Nanking a number of unprincipled scoundrels left behind by the reactionary and corrupt KMT regime, men who have no loyalty to the People's government and who cannot give up the dishonest tricks and corrupt practices to which they have been accustomed.

An analysis of the cases of corrupt practices points to weakness in our own cadres. Many of our cadres, especially those in the government's commercial and industrial offices, have never learned how to conduct business in big cities. They come from the simple life of the rural areas into the complex economic activities of the great cities and they are lacking in sufficient knowledge and experience to cope with them. They are not able to accommodate themselves quickly to new conditions. This kind of weakness is clearly seen in the cases mentioned above. Government agents have made contracts, and without any guarantee whatever, have turned over large sums of money. In too many cases, with money in hand, the contractors then treat the contracts as mere "scraps of paper." The deceptions and losses by which the military groups in particular have been victimized are principally due to this weakness.

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In connection with the P'u-k'ou cases, on unguaranteed contracts, and without knowledge of the trustworthiness of the other parties to the contracts, cadres have handed over in advance 80 and 90 percent of the funds for large undertakings, only to find that the contractors fail to live up to the terms of the contracts. Allied to such ineptness as mentioned above is the lack of perspicacity on the part of many cadres concerning the affairs and businessmen with which they have to deal. A case in point is the loss of 620,000 catties of grain by the China Foodstuffs Corporation through incautiously relying on a certain Nanking private commercial company for the storage and custody of a large consignment of grain.

Some of our comrades make the mistake of considering private firms better to deal with than government agencies. An instance of this is the large contract for the transport of grain that was given to two private companies without having contacted or negotiated with the China Merchants Steamship Company or the Railway Bureau, with the result that a huge loss was sustained.

In connection with the procurement of materials for the urgent repair of the wharves at P'u-k'ou, cadres were of the opinion that private concerns were more reliable than government agencies, and they split the contracts between public and private parties. The result was that the private company, after 3 months' delay, delivered only 20.9 percent of the order, while the local governmental agency on its contract, in only 1½ months, delivered 70.4 percent, and the Yang-chung (San-mao-chen) local government delivered 122.2 percent of its order. The private concern, furthermore, was in default to the extent of over 300 million yuan.

The above case clearly proves that cadres who consider private firms better to deal with than government agencies are completely mistaken. They do not appreciate the importance of the principle that in protecting the interests of both public and private agencies, it is necessary to discriminate between good and bad private concerns. It is still more important to give preference to public enterprises over private enterprises -- there must not be the slightest uncertainty on this point.

A further practice which accounts for extensive losses is the resort by private operators to bribery of our cadres. The weakness in knowledge and experience of many of our cadres furnishes an opportunity for gouging the government. A rather large number of cadres are men who have not been sufficiently trained for their duties and responsibilities. Chu Wei-hua and Wang Pao-nien, mentioned above, are cases in point. Merchants entertain such men socially, present gifts, and finally offer bribes. These practices of the old society surround and attack our men. The majority of the cadres resist these blandishments and temptations, but a minority, because of weak ideological defenses, yield to the attacks.

How to put this matter of public-private relationships on a right and proper basis? The government, military, and business circles ought quickly to give serious consideration to this problem; otherwise, the consequences will be extremely damaging to both government and business. Private business concerns should be exhorted to abandon these sharp practices and cooperate sincerely with the government for their own best interests as well as for the country. Those who persist in the old perfidious practices should be severely punished according to law. Business circles should purge themselves from their unprincipled elements and illegitimate practices, and do business with honesty and integrity.

Cadres engaged in government undertakings, trade agencies, and military supply services ought to take to heart the lessons to be learned from such bitter experiences. They should intensify their study of the best methods of conducting business dealings. However, they must be on guard against another

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danger: turning away completely from doing business with all private concerns, even those of good repute, because of being cheated by a few dishonest private merchants. That would be a great mistake.

Cadres handling economic matters, particularly new men, should diligently cultivate proper political and economic ideologies, rid themselves of loose standards of business conduct, and strive continuously to improve their competency. We men who are doing the work of the revolution are supposed to reform the old society and its ways. We have two tasks, one is to properly discharge our own personal duties, and the other is, by our exemplary conduct, to seek to influence and reform the business world, and not be captivated by its old ideas and crooked practices.

CHARACTERS

1. 季 音
2. 朱 維 華
3. 王 保 年

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