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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY	China	REPORT	
SUBJECT	Production Plan Results of the Chinese Communist Ministry of Light Industry for the First Quarter, 1953	DATE DISTR.	17 November 1953
DATE OF INFO.		NO. OF PAGES	4
PLACE ACQUIRED		REQUIREMENT NO.	RD
		REFERENCES	50X1-HUM

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The following is from a report submitted by the Ministry of Light Industry to the Committee of Finance and Economics of the Chinese Communist Government Administration Council in May 1953 on the results of the Ministry's production plan for state-operated light industries during the first quarter of 1953:

- a. Production targets in 15 of the 36 principal products of the industries under the Chinese Communist Ministry of Light Industry were achieved or surpassed during the first quarter of 1953 in the following percentages:

<u>Product</u>	<u>Production</u>
Cigarette paper	108 percent
Paper for cement bags	104 percent
Paper	100 percent
Chemical woodpulp	107 percent
Refined salt	109 percent
Paludrine	124 percent
Ephedrine	127 percent
Penicillin	104 percent
Glucose	107 percent
Sugar	109 percent

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STATE	EV	x	ARMY	x	NAVY	x	AIR	x	FBI	ORR	EV	x
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<u>Product</u>	<u>Production</u>
Edible oil	103 percent
Canned food	107 percent
Table balance	122 percent
Stand scale	111 percent
Balance	160 percent

- b. Production targets in 21 of the 36 principal products that were not met were fulfilled in the following percentages:

<u>Product</u>	<u>Production</u>
Newsprint	98 percent
Class C printing paper	78 percent
Wrapping paper	99 percent
Paper board	91 percent
Paper pulp	99 percent
Reed pulp	96 percent
Motorcar tires	93 percent
Motorcar inner tubes	99 percent
Rubber tubes	75 percent
Flat rubber belts	92 percent
V-belts (triangular belts)	94 percent
Handcart inner tubes	95 percent
Handcart tires	84 percent
Rubber shoes	62 percent
Crude salt	36 percent
Re-baked tobacco leaves	99 percent
Sulfathiazole	83 percent
Sulfaguanidine	35 percent
Oil cakes	92 percent
Heavy leather	71 percent
Light leather	98 percent

- c. The materials in which production fulfilled or overfulfilled the targets each month during the first quarter of 1953 were chemical woodpulp, glucose, paludrine, and sugar.

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The materials in which production failed to fulfill targets each month were Class C printing paper, handcart tires, flat rubber belts, rubber tubes, rubber shoes, crude salt, and heavy leather.

The products in which production was far from attaining targets, that is, below 70 percent of the quota, were rubber shoes, crude salt, and sulfa-guanidine.

- d. A comparison of the production records of the various divisions of the Ministry of Light Industry showed the following:
- (1) The Paper Manufacturing Industry Division fulfilled production targets for four of its ten principal products and failed to fulfill targets for six products.
 - (2) The Light Industry Division fulfilled production targets for six of its nine principal products and failed to fulfill targets for three products.
 - (3) The Rubber Industry Division failed to fulfill any of the targets of its eight principal products.
 - (4) The Medicine Industry Division fulfilled production targets for four of its six principal products and failed to fulfill targets for two products.
 - (5) The Tobacco and Wine Industry Division failed to fulfill the target for its only principal products. Cigarettes and wine were not included in the report because data for these two products were incomplete in May 1953.
 - (6) The Salt Administration Division fulfilled the target for one of its two principal products and failed for the other.
- e. Regional comparisons placed the Central and South China Area first; the North China Area, second; and the Northeast and East China Areas, last.
- f. Classification by industry showed that the record of the sugar industry was the best and the record of the rubber industry was the worst.
- g. The various administrative divisions adopted different measures for the improvement of the quality of products. For example, the factories in Northeast China Area called for conferences for improving quality and for conducting technical inspections under the direction of Soviet experts. Generally, the quality of products improved. The results of quality improvement, however, were not uniform. For example, the medicine industry, incidents involving the quality problem still occurred constantly. The K'o Fa (4430/4099) Pharmaceuticals Factory of Shanghai changed the prescription of a medicine on its own authority by reducing the preservative, and the medicine became more susceptible to deterioration. This caused the State to suffer a loss of JMP 7,500,000,000.
- h. Most of the enterprises failed to accomplish the original targets for the cost of products. For example, the factories under the Paper Manufacturing Industry Division exceeded their cost by a total of JMP 6,500,000,000 in the first quarter. Individual factories of the Rubber Industry Division exceeded their costs although the division's total costs for the first quarter were JMP 37,000,000,000 lower than the quota. The factories in the Northeast China Area had the greatest losses since operations were suspended because of the poor quality of their products. Because of the stockpiling of products, interest alone on credit loans for the first quarter amounted to JMP 4,000,000,000.

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- i. The main reasons for failure in production projects were the lack of an effective control system and the inability of leading cadres, staff members, and workers to comprehend what accomplishing the whole plan would mean. In the past, quantity was given emphasis rather than quality. Since the call for improvement of quality, a general drop had occurred in the quantity of all production for the sake of fulfilling the demand for improvement of quality.
- j. Incidents that hindered the normal process of production occurred regularly. For example, in the Northeast Number 7 Rubber Factory, the sulphurating machines for making handcart tires had to undergo two or three checkups daily. In the Hsuanhua (N 40-37, E 115-01) Paper Factory, trouble in the furnace caused the machines to stop operations for an extra 12 hours. On 11 March 1953 a fire broke out in the sulfaguanidine workshop of the Northeast Pharmaceutical Factory and hindered production. A lack of planning in the supply of raw materials also resulted in work stoppages. For example, the Northeast Pharmaceuticals Factory stopped work in the sulfaguanidine workshop because a supply of acetaldehyde did not arrive on time. The same trouble caused the Peiping Paper Factory to stop work for 114 hours. The Northeast Number 6 and Number 7 Rubber factories stopped work because of a shortage of ultramarine (ch'un ch'ing, 5028/7230). The factories were unable to buy it anywhere and could obtain no substitute.

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Comment

[redacted] in April 1953 the Committee of Finance and Economics, Chinese Communist Government Administrative Committee, instructed the Ministry of Light Industry to take measures to improve the quality of products manufactured under its direction and to reduce production costs.

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