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Shanghai Industry Since the Liberation

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**RESTRICTED**SHANGHAI'S INDUSTRY AFTER THE LIBERATION

Wu Pen-chia

## I. THE COLONIAL CHARACTER OF SHANGHAI'S INDUSTRY

It has been often said that China's industry is an assembling (i.e. assembling machinery and machine parts imported from foreign countries) and fabricating (i.e. making finished products from imported semi-finished goods) industry. This points out unmistakably the colonial nature of China's industry, especially Shanghai's industry. In fact, in recent years Shanghai, a large city with more than 10,000 industrial plants and a population of 5 million, had served as a major outpost of imperialist exploitation. Since the later years of the Ching Dynasty, Shanghai has been brutally exploited by the imperialist countries and their conspirators -- the bureaucratic capitalists. Due particularly to the destruction inflicted on the national industry in Shanghai by the reactionary Kuomintang, not only were the basic industry materials such as wood pulp for paper industry, steel-alloy for the manufacturing of household utensils, raw rubber for rubber industry, high-quality naphthalene for manufacturing dye, etc., dependent on foreign supply; but agricultural products used as basic industrial materials, such as wheat for the flour industry, cotton for the textile industry, wool for the woolen textile industry, etc., as a consequence of insufficient domestic supply as it was in the case of wheat and cotton or as a consequence of erroneous preference for foreign goods as it was in the case of wool and tobacco. All these indicate clearly the colonial character, the inherent weaknesses and the dependence of

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of Shanghai's industry.

It was for these reasons that Shanghai was confronted with many difficulties in the period immediately following the liberation. However, these difficulties can be overcome, including the new and many possible difficulties from internal or external sources. In fact, Shanghai's economy has taken a basic turn for the better since it survived the most trying months of June and July of last year and also the first half of August. It took another change toward a new stage of development after the violent price fluctuation in November 1949 and the air attack which occurred on 6 February 1950. Events of the past 10 months show, that Shanghai's industry is now undergoing a basic change from serving the few and being dependent on foreign countries to serving the people and being self-sufficient.

As a matter of fact, the above-mentioned industries which depended on foreign countries for raw materials are now doing what they can to find new sources. For instance, state-owned and private woolen textile firms have established a joint purchasing organization to purchase raw materials in the interior of China; the paper manufacturing industry is making experiments on paper pulp production; the Division of Industry of the East China Government is planning a paper pulp plant in Chun-kiang; the steel company in An-shan has developed thin sheet steel to replace ferrous sheet steel-alloy for the manufacture of household utensils; the cigarette manufacturers are now trying to use as much domestic tobacco as possible. All these are evidence that after the liberation, Shanghai was reborn and has laid new foundations for future development.

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## II. FROM RECOVERY TO NEW DEVELOPMENT

In the battle of Shanghai, because of the swift arrival of the People's Liberation Army and the protection of the plants by the brave worker, except for the state-owned China Textile Company No 5, which was destroyed completely when the enemy demolished its nearby bridge, and the privately-owned Fu-Feng-lung Flour Mill, which was also completely ruined, the rest of the industrial plants remained undamaged. The six public utility industries (electric lighting, telephone, coal-gas, water supply, street car, and bus) did not ~~even~~ suspend service for even a single day. On the very day -- 27 May -- when Shanghai was liberated, all China Textile Company's mills resumed operation. Plants formerly belonged to the National Resources Committee also gradually resumed production on a later date as a result of the Government's policies of "taking over swiftly, confiscating carefully, and interfering patiently."

The liberation of Shanghai has enable workers in the state enterprises to raise their political awareness and has created a new attitude toward their labor; they have developed their enthusiasm for work and have cultivated their inherent creativeness. Consequently, production efficiency has been increased and economy realized. For instance, the productivity of a spinning mill in a 20-hour period per spindle in terms of 20's cotton yarn was 0.883 pounds in May 1949 preceding the liberation, but increased to 0.955 pounds in December 1949, and to 0.963 <sup>pounds</sup> in January 1950. The productivity of weaving mills also showed increases. In a 20-hour period and in terms of 12-pound fine cloth, a weaving mill produced 58.9 yards in May 1949, 88.7 in December 1949, or an increase of 8 percent [sic ], and 88.7 yards in January 1950, or an in-

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crease of more than 50 percent over the preceding record. The breaking rate decreased to 4.1 percent, a 50-percent decrease compared with the average breaking rate of 8 percent in 1948. A bale of cotton yarn now requires only 401 catties of cotton in comparison with 410 catties in May 1949, showing a saving of 9 catties per bale of yarn. As to volume of production, Shanghai produced 306,204.3 bolts of cotton cloths, and 15,432.90 bales of cotton yarns for May 1949; but it produced more than twice as much as before in January 1950 with 699,435 bolts of cloths and 32,061 bales of cotton yarns.

The steel industry, which almost came to a standstill under the Kuomintang regime, is now making good progress. Due to the expansion of transportation facilities and the increasing demand for steel, the steel mills of the 23 public and private steel companies are rolling again. Despite the price spiral of last November, more steel mills are operating, while some individual steel companies are better off than before. An example is the Shanghai Steel Company, which is owned jointly by state and private investors. Due to the increasing zeal on the part of the workers and to the democratic management, the first steel plant of the Shanghai Steel Company produced more than 1,000 metric tons of steel from 4 January 1950 to 13 March, or an increase of 8.3 percent over the original target. This also exceeds the total production for last year. (It operated only 4 months last year.) The Company's second plant produced 603 metric tons, a 20.6 percent over the original target. Its production declined in February 1950 due to a lack of power supply resulting from the air attack. However, its output jumped again in March; by 29 March it had produced 664 tons of steel, a 28 percent improvement on the

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The original stipulated amount. The Company's third plant had an output of 1,014 tons in January and February as compared with the original target of 800 tons. It planned to produce 380 tons in March, but its production reached 423 tons by 21 March. Not only has production shown increases in these plants, but their machinery and equipment have also been expanded. For instance a new 2-ton furnace has been added to the Company's first plant, a medium size steel mill to its second plant, and a large steel mill has been repaired in its third plant. It is predicted that when these newly added or renovated installations begin operating in June this year 1950, production will exceed the highest peak of the past (1948); steel output will increase 3 times and cast iron 6 times over previous periods.

The recovery and re-development of private industry is attributed to the government's all-out support. In other words, had the government not purchased the finished products in the early days of Shanghai's liberation, the long-paralyzed Shanghai industry would not have recovered; had the government not encouraged the textile mills by rushing cotton supplies to the producers and by lifting import duty on cotton, the textile industry of Shanghai, which at that time had a stock of cotton only sufficient for half a month's use, would have closed down; had the government not rapidly restored transportation and provided better conditions for the circulation of goods, Shanghai's trade would have been strangled. In short, government support has put private industry back to normal operation and enabled it to forge ahead. This is indicated by the increasing number of plants which have resumed operation every month. According to data compiled by the

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Joint Association of Shanghai's Merchants and Manufactures, the number of firms resuming operation in percentage of the total number of firms in individual industries are as follows:

	<u>July 1949</u>	<u>December 1949</u>
	(Percent)	(Percent)
Steel industry	44.4	86.7
Machine building	20.0	91.4
Electric Equipment	44.4	79.3
Rubber industry	58.0	77.5
Blanket and Towel	31.0 (August)	64.0
Household utensils	55.0	60.0
Thermos bottle	14.3	79.6
Paper manufacturing	50.0	86.1

The monthly increase of industrial electricity consumption as well as indicates that Shanghai's industry is recovering and moving ahead. The Paper manufacturing industry is leading in this respect; its power consumption in September 1949 was 5 times as great as in May 1949, and that in November 1949 was 3 times as great as in May 1949. This shows that people are now more interested in cultural activities. The machine-building industry, which met with many difficulties under the Kuomintang regime, has increased its power consumption 3 times over the previous period as a result of government support and purchase contracts. Power consumption for other industries such as textile mills, flour, rubber, and others increased 20 to 200 percent.

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## SHANGHAI'S INDUSTRIAL POWER CONSUMPTION, 1949

(Unit: Watt/hour)

Industry	May	June	July	August	September	October	November
Cotton Spinning	17,131,674	18,585,699	15,184,478	13,090,791	16,160,972	14,137,000	20,567,000
Cloth Weaving	2,331,394	2,217,562	2,474,179	2,703,528	3,136,375	2,375,000	3,364,000
Paper	517,045	1,047,053	1,085,254	2,178,896	2,799,823	1,515,000	1,847,000
Machinery	494,363	523,078	824,519	937,745	1,029,578	1,020,000	1,453,000
Flour	543,790	308,208	1,272,760	2,612,123	1,920,464	1,667,000	1,026,000
Wool weaving	639,000	664,000	612,000	608,000	636,000	582,000	863,000
Rubber	392,558	582,788	662,665	649,705	663,907	621,000	766,000
Silk	206,475	260,497	235,419	193,320	207,615	193,000	224,000
Vegetable oil	105,830	157,642	292,149	397,866	323,588	94,000	109,000
Cigarette	109,789	132,870	21,350	244,508	187,721	167,000	222,000

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III. FOUNDATION FOR RECOVERY AND DEVELOPMENT

One of the basic factors which has successfully led Shanghai's industry toward recovery and development is that the revolutionary force has wiped out of China the imperialists' influence, the Comprador capitalism fostered by the imperialists, and feudalism. Had these imperialist and feudalist elements not been wiped out, Shanghai's industry probably could have barely survived or could have made only limited and uneven progress. In order to describe how Shanghai's industry has recovered and is on its way toward future development despite a shortage of capital and raw materials, and despite the absence of a strong market demand for industrial goods and many other difficulties, some concrete illustrations should be presented:

(1) Communist policy with regard to cities has contributed much toward the rapid recovery of Shanghai's industry. In essence, the Communist city regime did not interfere too much with the city's industry. Mr. Liu Shao-wen, head of the Light Industry Division, when he took over the China Textile Company said the following: "All participating delegates and employees shall unite as one to make this industry grow. Henceforth, all employees shall maintain their former positions and keep the same salaries. Every employee will from now on stick to his job and perform his work contentedly."

Thus under the policy of "taking over swiftly, confiscating carefully, and interfering patiently", all industrial plants which were taken over by the government have resumed production rapidly.

(2) Shanghai's industrial recovery is also the result of loans provided by the People's Bank and support given by state

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enterprises. According to statistics available, the People's Bank made loans to the state-owned enterprises amounting to 294,290,000 yuan in June 1949; 2,503,950,000 yuan in July; 3,867,910,000 yuan in August; 4,454,720,000 yuan in September; 7,332,570,000 yuan in October; and 23,312,930,000 yuan in November. Loans to the privately-owned industrial firms amounted to 1,983,540,000 yuan in June; 7,237,980,000 yuan in July; 14,240,840,000 yuan in August; 21,851,140,000 yuan in September; 29,191,290,000 yuan in October; and 72,855,590,000 yuan in November.

The Bank of China made loans totalling 1,160,000,000 yuan in August 1949; 4,011,210,000 yuan in September; 7,030,400,000 yuan in October; and 8,453,390,000 yuan in November.

The Bank of Communications made loans in November, the very month it resumed business, totalling 1.2 billion yuan and 270 thousand units of subsistence allowance. In order to render assistance to the chemical industry during its months of depression, the Bank of Communications made commodity mortgage loans to the chemical manufacturing firms and purchased their products. Thus it purchased 42,000 barrels of sodium sulphide worth 780 million yuan, and 214 barrels of ammonium sulphide worth 180 million yuan. The former is made of saltpeter which is produced in winter and spring and must be stored in sufficient quantities in order to keep the plant in operation. The government purchase of ammonium sulphide was mainly the result of the slack market.

From what has been mentioned above it is obvious that the total amount of loans is increasing by the month; the total amount

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of loans to state enterprises in November is 8 times greater than that in June, while the total amount of loans to private business in November is 4 times in excess of that in June. These loans have increased the rate of capital turnover and thus rendered great assistance to industrial production.

While the bank credits given to private enterprises have facilitated industrial production, the distribution of raw materials and the signing of marketing contracts initiated by the state enterprise have also contributed a good deal to production. Last October when prices of imported goods went up, the state-owned importing company distributed to private enterprises about 600 tons of rubber, hence lowered their production costs and solved the problem of the raw material supply. On the other hand, the signing of marketing contracts between state enterprises and private enterprises has assured private enterprises of a steady market and stimulated their capital turnover. Thus the state-owned Shanghai Trading Company and the Cotton, Yarn, and Cloth Company signed a series of marketing contracts respectively with the Number 2, 5, and 9 plants of the Shen-hsin Textile Company, the Ho-feng Trading Company, the Heng-feng Yarn Company, and the Ying-hsin Chemical Company. Processing contracts were also signed between the Cotton, Yarn, and Cloth Company and some dyeing firms in Shanghai; from last September to December the Company signed processing contracts with 45 dyeing and weaving firms involving the weaving of 268,441 bolts of cloth and the dyeing of 106,209 bolts of cloth. Beginning in 1950, more processing contracts will be signed; by now about 30 firms have signed processing contracts with state enterprises.

(3) Private banks in Shanghai have also made loans to

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private enterprises. With encouragement from the People's City Bank, private banking institutions have made industrial loans in addition to making commercial loans. From the standpoint of private banks, it is a healthy reform for them to shift their business emphasis from commercial loans to industrial loans. It is the beginning of a change from the pure banking business attitude prevailing under the Kuomintang Regime toward a recognition of the necessity of fostering industrial development. In fact, under the new economic system of the People's Republic, private banks must gradually change their business policy and promote industrial production. Only by so doing can the private banks fulfill their historic mission and make some contribution as do other types of economic enterprises toward the entire economy. So far private banks in Shanghai have followed such a sound policy as indicated by the types of loans made by Shanghai's private banks since the liberation. For instance, industrial loans constituted 48.6 percent of the total loans made last August by the Tung-shang Bank, one of the major banks in Shanghai, 62.5 percent in September, and 63.6 percent in October. Percentage distribution of that bank's loans among various industries are as follows: Textile 39 percent, flour 2 percent, paper manufacturing 2 percent, chemical industry 19 percent, vegetable oil extracting industry 3 percent, cigarette manufacture 4 percent, communications one percent, cultural industries 13 percent, food industry 2 percent, cotton, yard goods and silk goods retailing 3 percent, department stores one percent, fruit retailing 5 percent, and others 6 percent. For the Bank of

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Communications, industrial loans constituted 68.23 percent in August, 73.68 percent in October, and 70 percent in November. And for Hsin-hua Bank, monthly industrial loans constituted 75 percent of the total loans on the average.

What has been stated above is limited to actions taken individually by private enterprises. In order to boost production, collective action is of greatest importance. Hence, a joint organization for making loans to finance the purchases of cotton was set up and was participated in by 93 banks, 76 loan companies, and three trust companies. In order to make financial assistance available to industries other than the textile industry, another collective loan office was set up last December by private and public banking firms with capital totalling 12 billion yuan. Under the leadership of the People's Bank, this collective loan office is mobilizing the available financial resources to develop industries which are beneficial to national welfare and people's livelihood; it has transformed short-term social funds into long-term investment. By 10 February 1950 there were 237 loan applications; loans were made in six installments for each approved application. Forty-nine firms benefited by these loans. The Joint Cotton Purchasing Department received the greatest amount in loans while the textile industry and the chemical industry received the second largest amount. Undoubtedly these loans have had a very positive and stimulating effect on industrial production. They mark the beginning of the government's effort to regulate private banking business in the interest of industrial development. In order to fully utilize the united effort, this collective loan office has

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increased its capital by 18 billion yuan or a total of 30 billion yuan.

Other factors such as price stabilization, campaign against speculators, and the ever expanding market as a result of the successful revolution have also helped in the recovery of Shanghai's industry.

**MEASURES TO COUNTERACT THE NEW DIFFICULTIES  
ARISING FROM BLOCKADES AND AIR ATTACKS**

However, while Shanghai's industry is on its way toward recovery and development, there exist along with favorable elements, which would eventually lead toward ultimate victory, new difficulties springing up from hidden evil social forces. People are always bewildered by the surface facts without being able to go deeper for the meaning of the phenomenon. For instance, when prices jumped up by several hundred percent, a majority of the owners of industrial plants still maintained the same attitude as before -- they valued goods more dearly than money. When they expected prices to rise, they not only withheld goods from the market, but also borrowed heavily to buy raw materials in huge quantity. Therefore, the government was forced to sell commodities, revise previous regulations on savings and loans, reduce interest rates and take other deflationary measures. As a result, prices once again went down and those who gambled on commodities suffered and took the consequence of their speculative activities; for when prices went down, those who had previously withheld goods from the market were unable to resell them now even at lower prices. Being

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confronted with a slow market, the speculators really suffered.

In fact each price rise was not caused by a genuine purchasing power; it was caused by speculation. Naturally when speculative buying receded and prices dropped, general market conditions slackened. This was the actual situation in Shanghai. For instance, the shirt manufacturing industry experienced lagging sales in November because shirt prices were too high. Consequently shirt producers were short of working capital and few of them resumed production -- the store-opening rate was one percent lower than in October (total number of shirt producers: 319). Manufacturers of knitted goods felt even worse when prices fluctuated violently; the number of producers of knitted goods opening for business in November was 11 less than in October, (a total of 844 producers), and their total output amounted to only 29.6 percent of the normal monthly output, or 15.4 percent below October's. The cigarette industry experienced violent fluctuation: 63 firms resumed business in October, but only 5 or 6 did so in November. Other industries such as the dyeing and weaving industries, textile industry (silk, cotton, wool), aluminum ware, porcelain, soap industries ... all faced a lagging market, felt financially insecure, and finally either reduced output or went out of business.

After having filled government orders for goods, the machine-building industry, the steel industry and the metallurgical industry were all confronted with a business depression.

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It was most unfortunate that before the business crisis was averted, Chiang's American planes waged attacks on Shanghai's main power plants for a period beginning 6 February 1950. This turned out to be a heavy blow to industries concentrated in Shanghai. However, the Chinese Communist Party has always been a party which fears nothing. We believe that the broad masses of people can solve any difficulty. Thus a movement to cope with air attacks was begun immediately and spread everywhere in Shanghai: workers in power plants rushed to repair the damaged machinery; some of them even donated their wages voluntarily to the companies in order to purchase new machines; business firms, government offices, and schools all made an effort to reduce power consumption. To take care of the new situation, the government made up operation schedules for power plants and regulated the use of electricity by non-industrial users. In order to maintain production, some plants of the machine-building electric appliance, chemical, dyeing and weaving, aluminum ware, textile, steel, paper manufacturing, drug and glass industries supplied themselves with power generators. It was by means of these efforts that the anti air attack movement achieved some gains. In the third week of February, the number of operating spindles was cut from 1,100,000 to 123,501; yarn from 7,000 to 418 bales; and cloth from 50,000 to 1,470 bolts. Only less than one tenth of the textile mills remained in operation (Total mills: 54). Fortunately from the fourth week of February to the second week of March more textile firms resumed operation with greater output and better quality. In the second week of March textile spindles amounted to 1,055,469; yarn 3,735 bales; and cloth

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22,088 bolts. Yarn productivity increased from the previous 0.697 to 0.747 pounds. Only 7 out of a total of 54 plants did not resume production. These facts show that workers and employees responded to the anti air attack movement with a greater enthusiasm toward work. In order to enable the reader to get a clearer picture of the recovery that has been made in the textile industry, the following series of indexes is given: (The third week of February equals 100)

	<u>4th week, Feb</u>	<u>1st week, March</u>	<u>2nd week, March</u>
Spindles in operation	539.67	11.83	19.47
Yarn	393.79	43.60	26.01
Cotton cloth	383.06	175.51	12.90
Productivity	0.579	2.28	4.18

In February some plants affiliated with the state-owned China Textile Company operated their mills equivalent to only one third of their operational level in January. Cotton yarn and cloth were lowered by two thirds as compared with January. But both cotton yarn and cloth showed increases in March as compared with January -- yarn increased to 32,061 bales or was equal to 72 percent of January; cloth increased to 699,435 bolts or equal to 75 percent of January.

Furthermore, some industrial plants moved inland to avoid air attacks. According to incomplete data, 57 plants have been dispersed by this time to the interior, among which there are

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10 textile plants, 11 electric appliance plants and nail manufacturing plants, 11 cigarette plants, 9 match plants, 8 cultural enterprises, 4 consumer goods manufacturing firms, and 4 drug manufacturers.

Of more significance is the fact that there has been some change in production policy as called for by the government. For instance, the China Textile Company, which has 35 plants, has concentrated on the production of the 20's cotton yarn and 12-pound fine cloth; it has also tried to use domestic cotton exclusively. Thus last August and September it converted and subsequently enlarged 120,000 spindles for making the 20's yarn and also converted 3,000 mills to producing the 12-pound cloth. The average size of yarn has been changed from what was 26.3's previously to now 23.6's yarn. Consumption of imported cotton also decreased. For instance, the 20's yarn was made of 60 percent imported cotton from January to April 1949, but of only 9.7 percent in October. In August 1949 prints constituted 10.7 percent of the total processed cloth for all dyeing and weaving firms in Shanghai, bleached cloth 15.4 percent, and solid-color cloth 73.9 percent. But in September, prints constituted only 9.1 percent, bleached cloth 1.3 percent, both of which show a decreasing ratio, and solid-colored cloth increased to 89.6 percent. Wool textile plants also tried to produce more useful and economical goods; they have cut the production of worsted and fine woolen goods but increased the production of coarser but more economical wool material for making uniforms and overcoats.

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The Heavy Industry Division has also taken the same direction; it has given all out support toward the mechanization of agricultural equipment. It plans to produce the following farm equipment:

## I General Agricultural Equipment:

1. Water pumps.
2. Motorized plows.
3. Grain husking machines.
4. Grist mills.
5. Hand-operated threshing machines.
6. Hand-operated twisting machines.
7. Sack-making machines and corn-husking machines.

## II Cotton Processing:

1. Hand-operated cotton gin.
2. Cotton-husking machines.
3. Cotton oil-extracting machines.
4. Cotton-packing machines.
5. Donkey engines.

III Motors: Combustion engines of 4, 12, or 25 horsepower.

IV Rural Factories: Consisting of medium and small-size factories, equipped with various machine tools for handy repairing and small-scale manufacturing of farm implements.

Remarkable progress has also been made by some private industries. For instance, the needle industry relied in the past on export of 70 percent of its products to Southeast Asia, India

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South America and other areas, while it has now found a good market in China's interior. As a consequence of the liberation of the China mainland, the cloth manufacturing industry is recovering; more people are buying phonograph records; hence, the needle manufacturing industry finds a much better market on the mainland. For instance, domestic monthly sales of sewing needles amounted to 150 cases in 1948, but rose to 345 cases in November 1949. Sewing needle production in 1949 increased 130 percent over 1948, and pin production also doubled in 1949.

A change in production policy can also be seen in many other industries. For instance, the wool textile industry has utilized used wool; it has succeeded in using cotton, domestic wool, and some imported wool to make blankets and coarse woollens for uniforms; the shirt-making industry has shifted to making inexpensive clothes for peasants and workers; the Sheng-hua Drug Manufacturing Company has attractively packaged its products and reduced prices to attract rural buyers. There are many other examples . . . .

**V. FUTURE PROSPECTS**

The general objective of Shanghai's industry will be the full utilization of present production facilities and the development of self-sufficiency in the supply of raw materials and in marketing. Furthermore, it will serve to break the blockade. The final goal will be the reorientation of the entire economy along the lines of the new people's democracy and the building

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of a socialist state.

Facts strongly indicate that the industrial crisis in Shanghai is the result of the unbalanced development of various industries and the distant location of the supply of raw materials from the product market. For instance, over one half of China's textile industry facilities are concentrated in Shanghai with more than 2,300,000 spindles, yet the East China region produces only 2,400,000 piculs of cotton annually or less than one fourth of the total cotton crop of the country -- 8,300,000 piculs. In other words, Shanghai can hardly obtain sufficient cotton for its mills from its nearby areas. Shanghai's flour industry, constituting 39 percent of the total in the nation, imports 50 percent of its processed wheat from abroad, and 70 percent of its product is sold to North China. It is quite apparent that such industrial over-concentration renders it impossible for Shanghai's industry to achieve self-sufficiency. For this reason, it must be urged that the over-expanded industries in Shanghai study carefully the feasibility of industrial location.

First, although China's industry is concentrated in Shanghai, most of the industrial plants are of a small scale. According to data compiled by the former City Trade Association, the 13,617 firms in Shanghai have a total of 472,277 workers, or only 30 workers per industrial establishment. This has given rise to unnecessary competition and waste. In order to work together towards the building of a new people's democratic

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society and realization of the benefits of the division of labor, it is necessary to merge industrial plants. In fact, individual management without a merger is always subject to exploitation by the middlemen; furthermore, it cannot obtain the necessary credit by individual effort alone, nor can it receive government purchase orders and other assistance. Therefore, a merger is the most advantageous method of coping with present difficulties for industrial plants on a medium or small scale. After the liberation, some 20 different industries such as cigarette, flour, cotton, textile, wool textile have merged or will merge. This is a very sound approach.

Second, Shanghai's industry should develop a trend towards moving inland. It should follow the instructions issued by the Communist East China Bureau to move to the interior in the interests of the people. However, these instructions have not been fully observed. Except for the state-owned China Textile Company, most of the industrial plants are still continuing to produce goods which only the urban population can buy. These goods which they produce do not reach the broad masses. If the present state of things is allowed to persist, we will be confronted with an ever more limited market. Thus in order to find a market for the present products which have faced lagging sales and in order to secure the future, we must follow the Party's instruction to move plants to the interior.

Third, a collective contract is an efficient means of boosting production and improving labor relations. However, few industries in Shanghai have signed collective contracts. This is



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an important task that must not be overlooked, particularly for the good of private enterprises.

Fourth, the policy set by the East China Industrial Conference on the machine-building industry, which advised the latter to develop machinery for the old liberated areas instead of relying on the production of machinery for the textile industry alone, is a sound policy that should be followed. In fact, the numerous mines in the old liberated areas offer a future without limit to the machine-building industry.

Finally, because the government has at its disposal a great amount of cash, it can cope with inflation. In fact, commercial speculation has been held in check. Instead of gradually rising, prices are beginning to move downward. According to the East China People's Bank, the wholesale price index (January to June 1937 equals 100) was 25,316 on 6 March 1949, showing only an increase of 8.5 percent over the period close to Chinese New Year's Day, which is 23,328; the index for 31 March 1949 is 23,853, showing an apparent decrease from 6 March. A stable price level offers very favorable conditions for the development of private industry, particularly in places such as Shanghai where speculative capital is always active. It is possible to recognize the importance of having stable prices if the damage resulting from the price spiral of last November is recalled. Now prices no longer fluctuate; the blockade will be broken if Taiwan is liberated; and the peasants' buying power will increase as a result of the agrarian reforms. All these will be very favorable for Shanghai's industry.

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However, the above objectives can be realized only with difficulty. Since August 1949, Shanghai has won its first battle on the production front. Pride must not be allowed to make us relax; the struggle must be carried on with greater confidence. It must be realized that birth is painful; pain is felt because a new offspring is expected. It will not be long before a new people's Shanghai will proudly emerge and announce the death of its dependence on foreign imperialism, and the birth of prosperity, independence, and freedom for the people.

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