

INFORMATION REPORT

CONFIDENTIAL

CD NO.

DATE DISTR. 8 MAY 50

50X1

COUNTRY China/USUR

SUBJECT Wool Trade, China

NO. OF PAGES 3

PLACE ACQUIRED

NO. OF ENCLS. (LISTED BELOW)

DATE OF INFO. ELLEN

SUPPLEMENT TO REPORT NO.

50X1-HUM

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT OF U. S. C. 51 AND 52, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

50X1-HUM

1. [redacted] the North China Skins and Wool Corporation (NCSWC) was established as the Chinese Communist Government monopoly for all wools, hair, furs, skins, hides and casings. Its head office was in Peiping, with branches in Tientsin, Kalgan, Tatung, Kweisui, Paotou, Tsinan, Taiyuan, Kaifeng, Sian and other smaller centers. It had agents and collecting stations scattered along all railroads and truck and animal routes in the wool-producing areas. The corporation was described as purely a trading agency and its functions were as follows:
 - a. To collect wools and other products directly from the producers and to supply them with manufactured goods, implements and other requirements.
 - b. To distribute collected wools, skins, etc., to domestic consumers, factories, tanners, etc.
 - c. To sell these products abroad.
2. Private enterprises were allowed to carry on within China, but all exports were strictly controlled, and foreign exchange was to be surrendered to government-appointed banks.
3. According to the latest [redacted] Chinese Communist decrees,* NCSWC exports will be handled by the North China Foreign Trade Corporation. Both of these organizations are controlled by the following organs of the Chinese Communist Government:
 - a. The Economic and Finance Commission, which is the highest policymaker.
 - b. The Ministry of Foreign Trade.
 - c. The Foreign Trade Commission for North China.
4. The activities and cargoes of NCSWC in the various areas of China are under the strict control of local Military Control Committees.

50X1-HUM

CONFIDENTIAL

CLASSIFICATION SECRET/CONTROL - U.S. OFFICIALS ONLY

STATE	<input checked="" type="checkbox"/>	NAVY	<input checked="" type="checkbox"/>	NSRB	<input checked="" type="checkbox"/>	DISTRIBUTION												
ARMY	<input checked="" type="checkbox"/>	AIR	<input checked="" type="checkbox"/>	FBI	<input checked="" type="checkbox"/>													

50X1-HUM

This document is hereby segregated to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States. Next Review Date: 2008

Document No. [redacted]

No Change in Class. [redacted]

Declassified [redacted]

Class. Changed To: TS S/C [redacted]

Auth. [redacted]

Date: [redacted]

SECRET/CONTROL - U.S. OFFICIALS ONLY

50X1-HUM

CENTRAL INTELLIGENCE AGENCY



- 2 -

- 5. The Chinese Communist Government has taken over some 10,000 tons of wool at collecting stations in North Shansi, Shensi, Suiyuan, Ninghsia, Kansu and Tsinghai which belonged to various organizations such as the MA Group (a wool business operated by Nationalist Governors MA Hung-kuai and MA Pu-feng), Nationalist-operated companies and former government banks. This stock consists mostly of sheen's wools collected 50X1-HUM
- 6. estimate of these privately owned wool stocks is as follows: 50X1
 - a. Three thousand tons in Paotou, Kweisui, Tatung, Kalgan, Hsuannua, Yulin and three smaller centers of this area.
 - b. Eleven thousand tons in Tientsin and Peiping.
 - c. Not less than 10,000 tons in Ninghsia (including Alagshan and the Ordos Region), Kansu and Tsinghai.
- 7. Thus the Chinese Communist Government controls at least 24,000 tons of exportable wool, considering local consumption and rejects. Some stocks of wool in Manchuria (Hailar and Jehol districts) are not included in this estimate.
- 8. At least one-third of the export stocks is 4 to 5 years old, stale, partially water-damaged, discolored and moth eaten. These old stocks were never properly warehoused nor protected from outside moisture, but were piled up right on the ground in the original grease, dung and dust, and some were adulterated with sand. A large risk to export-import firms lies in the fact that these damaged wools may be brought to Tientsin for sale abroad. such wools were offered in Paotou and Tientsin, mixed in with some fresher goods and sold under various popular type-names, mostly to newcomers or speculators. At present, foreign wool buyers' activities are limited to stocks which were brought into Tientsin . 50X1-HUM
- 9. Partial trade between the USSR and Sinkiang has been resumed, and talks are being held to establish new arrangements for the wool trade. Russian wool experts were sent from Sinkiang and Outer Mongolia to the Lanchou and Wuwei (102-48, 37-58) areas to supervise Chinese wool deliveries. Russian experts are very familiar with China wools, particularly those from the Northwest, and there is no doubt that they will reject all damaged or stale wools. They will have the pick of the crop for their own use or for export where prices and demand are very favorable during the present world shortage in carpet wools. 50X1
- 10. The wool could be transported on trucks from Lanchou via Ninghsia in 6 to 8 days to the Russian rail terminal recently completed at Ulan Bator. Wool can be transported from Sining to Ulan Bator in 10 days and from Ninghsia to Ulan Bator in 4 or 5 days. Formerly 18 to 20 days were required to take wool from these collection centers to Russian railheads in Sinkiang.
- 11. Wools could be washed hot or cold at Lanchou, and river-washed at Wuwei to increase the value of the truckload.
- 12. There is very little chance of exporting North Inner Mongolian wools via Dairen as in former years.
- 13. Even if the Chinese Communist Government wool monopoly can keep some wools for domestic use and for obtaining foreign exchange, lack of inland transportation will prevent the delivery of any cargo to Tientsin until the summer or fall . No stocks can be taken to Tientsin from Kansu or Tsinghai in the near future. Only limited quantities of wool will be available from places close to the Peiping-Suiyuan railroad or other rail lines, or from nearby areas such as Suiyuan, North Shensi, North Shansi, Chahar or Ninghsia. All available motor transport and gasoline is commandeered by the military. Besides, the cost of moving wool by truck over long distances is prohibitive; a 5-ton truck on fair roads can carry only 2-2½ tons of the bulk wool. Only one 50X1-HUM

SECRET/CONTROL - U.S. OFFICIALS ONLY

SECRET/CONTROL - U.S. OFFICIALS ONLY

CENTRAL INTELLIGENCE AGENCY



50X1

- 3 -

round trip by camel in spring and one in fall is possible between Lanchou and Wuwei. Two round trips in spring and two in fall are possible between Paotou and Kweisui. The Yellow River is frozen until April and has only two high water seasons, May-June and September-November. A skin raft and crew usually makes only a one-way trip from Lanchou and Paotou to the coast during each season.

50X1-HUM

14. In Manchuria, North and Central Inner Mongolia (Lama Miao and Beitze Miao districts), Hailar and Jehol, little or no production can be expected because most of the livestock, including the Mongols' sheep, have been confiscated, first by the Russians and later by the Chinese Communists. Transportation is also a problem.

50X1-HUM

50X1-HUM

15. Since the surrender, Charhar, Suiyuan, North Shansi and Shensi have been involved in civil strife with attendant loss of livestock, though not as severely as in Manchuria. Production is expected to be very much less than in pre-war years, and less than that under occupation.

50X1

50X1-HUM

50X1-HUM

16. Ningxia, Kansu and Tsinghai enjoyed peace through the war years, and no other disasters occurred. Production will be the same or more than in pre-war years.

50X1-HUM

17. There will be no production in Honan and Shantung because livestock has been sharply reduced in numbers by continuous large-scale military depredations, floods and droughts.

18. Szechuan and Siliang wools are dependent upon restoration of inland transportation for their availability. Hopei, South Shansi and Shensi were never important wool-producing areas.

* Comment. This new order brings in more middlemen between the producer (and, for the time being, the dealer) and the prospective foreign buyer. It means more local and central controls and, consequently, more outlays at the growers' expense. It is doubtful that this new system will be an effective way for the Chinese Communists to dispose of their wool.

50X1