

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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25X1A

COUNTRY China  
SUBJECT Copies of News Despatches by  
CHANG Kuo-hsun about Communist China

REPORT NO. [REDACTED]  
DATE DISTR. 22 April 1953  
NO. OF PAGES 1  
REQUIREMENT NO. RD  
REFERENCES

25X1A OF INFO. [REDACTED]  
PLACE ACQUIRED [REDACTED]

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1. Attached herewith are a series of articles prepared by CHANG Kuo-hsun, who traveled for about four months in Communist China in 1949 and 1950.
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RUSSIANS GIVING TECHNICAL HELP TO RED CHINA

Soviet Russian military and technical advisers are being despatched by the hundreds to Red China to help the Chinese Communists sovietise their country and assist in its incorporation into the Soviet military strategy.

Soviet advisers are helping to plot the invasion of Taiwan, which will be launched in summer of the latest with land, sea and air forces, according to authoritative Communist informants.

It is estimated that the Chinese Communists will be able to muster at least 100 fighting planes and 30 warships for the invasion of this last Nationalist stronghold.

General Chen Yi, mayor of Shanghai, whose Third Field Army has been given the task of invading the island, is at present marshalling a picked force of 180,000 men for this three-dimensional operation. This task force is concentrated around Shanghai and along the Chekiang coast, undergoing special amphibious training.

One important part of the training programme is making the soldiers into good sailors. About 30 miles North of Shanghai, the Chinese Communists have erected an ingenious device consisting of nets supported upon high poles. Small groups of soldiers climb into the nets which are then rocked like a ship in order to accustom them to the sea motion.

Soviet instructors are also helping to train Chinese Communist pilots and naval crews in Manchuria according to informants.

These sources said that about 20 Russian shipbuilders arrived in Shanghai last month to work in the Kiangnan Dockyards. Following the arrival of the Russians, several Americans employed by the dockyards, which were formerly operated under the Economic Co-operation Administration, were told to hand in their resignations.

MISSION IN CANTON

A Russian-language nurses' training school has been established inside Shanghai in order to train Chinese personnel for service with the Soviet military missions.

There are a number of such missions all over China, including at least one film unit which is filming strategic areas. This unit is accompanied by specially indoctrinated Chinese officers, whose task it is to familiarise the Russians with China's defence problems.

Most of the Soviet officers are at present stationed in Manchuria which has presumably been turned into a laboratory for testing the introduction of Soviet Communism into China. Soviet missions are, however, also encountered in Shanghai and as far South as Canton.

Although there has never been any evidence of direct material Soviet aid to the Chinese Communists, Manchurian observers believe that the Russians have supplied their Chinese allies with Japanese arms and replacement parts, made with the Japanese machinery which the Russians stripped from Manchuria and removed to within the Soviet border. An estimated 750,000 tons of Japanese arms have been turned over to the Chinese Communists by the Russians.

BRIDGE BUILDERS

One high-ranking Chinese "democratic personage" - meaning a pro-leftist who is not a Party member - declared that the latest technical mission which arrived in Manchuria recently comprises about 300 experts. Another mission of about 70 Soviet railway engineers is attached to the Chinese Communist railway repair corps.

The nine-arch steel bridge at Pengpu, 50 miles North of Nanking, has been repaired by Soviet engineers. The bridge spans the Hwai River. It is one of China's most spectacular engineering feats, and was originally designed and built by British engineers. It was badly damaged by the retreating Nationalist troops in December 1948.

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Chinese engineers who assisted the Soviet team, said that Chinese and Russian engineers were segregated and that liaison was conducted through Chinese Communist officials.

The same source said that Soviet advisers are also attached to the Health Ministry in Nanking.

(Peking radio recently reported that Russian doctors and scientists helped to combat the plague epidemic in Chahar province in Manchuria).

#### CREATING AN IMPRESSION

The source said that the Russians are taking special precautions to create a good impression among the Chinese. For example, in accordance with specific instructions from Stalin, the members of the anti-plague corps wore Chinese Communist Army uniforms, lived in Chinese barracks, and ate Chinese "Liberation Army" rations.

Informed sources said that Russian engineers also helped to refloat the cruiser "Chungking" and the destroyer "Chang Chih," which were sunk by Nationalist bombers after the crews had defected and sailed the vessels into Communist ports.

These vessels will presumably participate in the forthcoming invasion of Formosa, the sources revealed.

British-trained Admiral Teng Chao-hsiang, skipper of the "Chungking" when she defected to the Communists in March, - only a captain then - has been restored to his command of the cruiser with the rank of admiral.

#### REDS SEEKING TO EDGE FOREIGNERS FROM CHINA

The Chinese Communists' policy towards foreigners appears to be to edge them out of China - at least from the interior, writes Chang Kuo-sin, United Press staff correspondent who has just arrived in Hongkong after an overland trip from Shanghai.

A number of foreign missionaries, after observing Chinese Communist rule during the past few months, are given to pessimism as regards the future.

One prominent American missionary, who for obvious reasons cannot be identified, told me that the Chinese Communists, although avowedly guaranteeing freedom of religious belief, are out to eliminate freedom of religious action.

He said that the first blow against the Church has already been struck by the Chinese Communists, who closed 80 percent of the rural churches in Shantung Province, and over 50 percent in Manchuria and Hopei. Officially, the Shantung churches were sealed because they were "private organisations", which are not permitted to exist, while no official reason has been given for the closure in Manchuria and Hopei.

#### HANDY WEAPON

A similar policy seems to be followed as regards foreign businessmen despite Mao Tse-tung's assertions that the Reds welcome foreign trade. According to all indications, the Reds do not intend to expel the foreigners officially, but make life so difficult that they will leave voluntarily.

One of the handiest weapons are travel restrictions, whereby foreigners living in the coastal cities are not permitted to visit out-station or make business trips to other cities. For example, the British manager of a large export firm in Nanking was unable to take his home leave because the Communist authorities did not allow his colleague in Hankow to travel to Nanking to replace him. They told the latter that he could have a permit to leave China but not one permitting transfer from one city to another.

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COMPELLED TO SELL

Most foreigners believe that they will in the future be permitted to continue in business, but only in the larger cities and ports where they would do all the buying and selling. They believe that they will not be permitted to travel in the interior or maintain branches there after the present staff leaves. They believe that foreign firms with large properties in the interior of China - mostly British - will eventually be compelled to sell out to Chinese interests.

Missionary informants said that they have protested to Premier Chou En-lai against the closure of churches. The latter replied that the government would investigate, but no official action has been taken to reopen the churches. Some congregations have not been interfered with, but others are required to follow various regulations. Religious instruction has been banned in some schools, but elsewhere it is allowed to continue as a voluntary course.

In addition to the closing of churches, the Chinese Communists are also restricting the activities of missionaries. Some missionary sources said that this may be designed merely to eliminate foreign influence but to permit the indigenous clergy to remain.

NO LEGAL STANDING

At the present time, the Church has no legal standing, and some missionaries were told that they will have no legal protection as long as foreigners remain on the mission staff.

Travel restrictions are placed on foreign missionaries as well as foreign businessmen. Some missionaries in Anhwei province were not allowed to travel to Nanking even for medical treatment. However, they are being permitted to leave China altogether. Missionaries in Antung province are not allowed to move at all. American missionaries in Nanchang were questioned whether they were agents of the American government.

Apparently a great deal of authority is placed in the hands of local administrators who administer regulations in a number of different ways.

CHINA EXPERIENCING WORST FAMINE FOR LAST FEW DECADES

Communist China is at present in the midst of a very grave famine affecting an estimated 50 million persons.

The Chinese Communist government officially admitted on December 22 that 9,000,000 Chinese are "starving or half starving".

The announcement, which I later found had not been distributed abroad, described the famine as "the worst for the last few decades."

The announcement called on all local authorities to give priority to relief work. One of the most important measures was the organisation of refugees into farming and handicraft units for productive work.

Mao Tse-tung recently called upon Chinese Communist army units similarly to form themselves into co-operative units, which offered handsome incentives for boosting the production of food.

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Reliable sources estimated that between 30 and 40 per cent of Red China's arable land has been damaged by droughts, floods and pestilence during the latter half of this year, while undamaged areas yielded only half of the normal crop.

Reports from rural areas North of the Yangtse River said that the most fortunate people there were down to two meals of congee (rice gruel) daily.

#### SHANGHAI INFLUX

Many starving villagers are flooding the urban areas for food. Famine in the rural areas has caused the complete nullification of the Red's policy of dispersing "non-productive" residents from over-crowded Shanghai.

The Reds have now abandoned this policy because every man sent back to the villages returned to the city with many more.

One of those returners told me that he was unable to remain in his village because he had nothing to eat; he had to bring back his relatives because they were likewise starving.

Qualified sources said that there are about 120,000 foodless and homeless refugees in Shanghai alone, with the authorities unable to help. The number of beggars has risen sharply, and they are found in every street and alley begging from pedestrians and rickshaw passengers.

The famine has also caused widespread deterioration of public safety, with a sharp rise in the number of hold-ups and robberies.

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#### CANTON CONDITIONS

Communist trade bureaux have up to now succeeded in keeping the cities supplied with food, but the effects of the famine are beginning to creep into the urban areas, causing inflation and other dislocations.

The Chinese Communist New China News Agency admitted that famine was the primary cause of the violent price fluctuations in October and November wherein the government dumped thousands of tons of rice and other commodities on the Shanghai market in an attempt to half the runaway price spiral. (Recent economic reports from Shanghai indicated that the Communist currency has been inflated between 1,000 and 1,500 per cent within the past two months.)

#### HELP UNLIKELY

Famine is considered one of the most serious problems the Reds have yet encountered in the consolidation of their political rule, and one which - in view of their foreign policy - will have to be solved without - outside help.

Soviet Russia, to which country the Chinese Communists seem now definitely conjoined, is not only in no position to help, but has aggravated the situation by requiring shipments of Chinese food in exchange for Russian machinery under a one-year barter agreement.

The food situation in Manchuria appears to be slightly better than in China proper. Communist Press reports said that Manchurian rice would soon be shipped to North China to help alleviate the famine, although this does not necessarily indicate a Manchurian surplus.

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was also required to set up a seven-man editorial committee, consisting of Communist-trusted persons, to examine the articles before they were printed.

The Shanghai "Tai Kung Pao," which formerly was known as the best independent Chinese daily, is also now under the control of the Communists. One of the changes which the Communists made in its traditional editorial policy is to bring editorials of the official New China News Agency on the front page. The old editorial staff made an attempt to resist this change, but to no avail.

Only the news service of the New China Agency and the Soviet Tass Agency are made available to the newspapers. Consequently their contents are similar every day.

#### STATE MONOPOLY

Publication of books is now virtually a state monopoly in the hands of the Communist new China Book Publishing Company. There are several small privately-owned publishing houses, but like the privately-owned newspapers they are controlled by the Communists. The New China Company now has 375 branches. A plan has been mapped out to expand the company to the extent of having one branch in every hsien (county) in China.

Education is controlled through the appointment of teachers and professors and the alteration of the curriculum. Political courses are included in the curriculum even for primary schools. In universities, Communist leader Mao Tse-tung's New Democracy, the history of social development and Marxist dialectics are compulsory courses for all, even for engineering students.

English translation of Mao Tse-tung's speech on "The people's Democratic Dictatorship" on July 1, 1949, is now the first lesson in freshman English.

Communist control in this field is so rigidly enforced that in areas where Communist rule had been firmly established no one can now teach or write or publish as he himself sees fit, or express his personal opinions in any other public way without the approval of the Communists. As a result, many observers describe the Communist freedom of expression as the freedom to praise, but not to criticise.

2. Regimentation of social life. This is being achieved through the organisation of many kinds of societies and reorganisation of existing ones, covering all ages and walks of life. They are designed eventually to herd each and every Chinese into some sort of state-controlled body.

Children, when they are nine years old, may enter the children's corps, where they stay until they are 19 years old. Then they join the "New Democracy" Youth Corps. After the Youth Corps, they are regimented into the association of the profession which has been chosen for a livelihood.

#### LABOUR UNIONS

The Communists are laying special emphasis on the labour unions. House servants are also organised into unions and even business guilds are now gradually being brought under state control.

In places where regimentation of social life had been carried out to an advanced stage, it is virtually impossible for a man who is not a member of one of the state-controlled organisations to earn a living.

3. Political indoctrination. This is the policy into which the Communists are presently putting most of their energies, because in their eyes its success is essential to the consolidation of Communist rule in China.

It is being done through the so-called "Learning Movement." Learning classes are conducted in all schools, factories, government offices and public organizations which have been brought under official control. Communist representatives stationed in these organizations make the encouragement of learning their first duty.

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The "Learning Movement" is designed to make each and every Chinese a political supporter of the Communist regime. It teaches Marxism, Leninism and Mao Tse-tung's political theories.

Its chief precepts at this initial stage are: 1. Communism is the perfect and only democratic system and the best solution for all evils; 2. Soviet Russia is China's only true friend and not an imperialistic power; and 3. The United States is an imperialistic country and therefore China's enemy. Another purpose of the "Learning Movement" is to acquaint the people with, and convince them of the wisdom, of current policies.

Even university professors are required to attend "learning" classes, although some of them know more about Marxism and Leninism than the average Communists. Political indoctrination is the first prerequisite to getting a job with the Communists.

#### CHINESE REDS' EFFORTS TO DISGUISE THEIR TOTALITARIAN SYSTEM

The Chinese Communists are covering up their totalitarian system under a cloak of high-sounding democratic terminology and pretensions, according to Chang Kuo-sin, a United Press Correspondent who has just arrived in Hongkong from Shanghai.

The Communists' arch pretension is that they represent the people, and that their party and Government are the People's Party and the People's Government. Therefore, theirs is the only real democracy. What they say and do and advocate, is what the people say and do and advocate.

Anyone opposing them is opposing the people, and to say that they do not represent the people or that their system is not democratic is blasphemy and a capital offence.

At present one of the chief missions of their propaganda is to smear the western political system - which the majority of educated Chinese had accepted as true democracy - as "false democracy." The reason they give is that the western system is dominated by the capitalist class, which is in the minority, for the purpose of exploiting and oppressing the majority.

#### MAJORITY WILL

They call their present transitional political set-up in Peking a system of "democratic concentration." The basic principles of the system, according to the Premier, Mr. Chou En-lai, are that the the minority shall obey the majority, and the lower levels shall obey the higher levels.

But in practice these basic principles rarely apply. To mention just one out of the many violations of these principles. the minority opinion (Communist party) prevailed over the majority opinion (non-party "democratic parties and personages") in the selection of the national flag in the People's Political Consultative Conference in Peking last September.

The majority opinion, according to the Ta Kung Pao, favoured a flag with one five-pointed star on a red background with a nationalistic horizontal yellow strip running across the middle of the flag symbolizing the Yellow River, the "Cradle of Chinese Civilisation."

The Communists call their permanent system which will follow the present provisional coalition set-up in Peking a "People's Democratic Dictatorship." This, in the minds of many Chinese, is a contradiction in terms. Mao Tse-tung in his treatise "On the People's Democratic Dictatorship" on July 1 explained that it is democratic because political power is vested in the hands of the people and a dictatorship because it denies political power to those who are not the people.





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workers are reported to have "voluntarily" reduced their salary and worked longer hours, coolies "voluntarily" carried loads for the Communist army, office employees "voluntarily" resigned to go back to the village to produce and so forth.

#### "PERSUASION"

To mention just two out of the many instances of "voluntariness" which have come to the attention of this correspondent:

Firstly, is the case of a staff member in the Nanking Irrigation Bureau. He was discharged in the recent austerity campaign, but was asked by the Communist departmental chief to sign a paper saying he had "voluntarily" resigned to return to the village to produce." The man refused. He was then subjected to an exhaustive process of "persuasion" by the departmental chief. He was called in to the chief's office every hour. After five rounds of "persuasion" he finally submitted.

Secondly, is the case of the students of a girls' middle school in Nanking. The girls refused to join in the parades in celebration of the establishment of the new People's Government. Communist students went in to ask the principal to "persuade" the students to join in the parade "voluntarily." The principal at first declined to do so, but later agreed and called a meeting of the whole student body. The students still refused to join. The principal finally announced that she would join herself. That broke the stalemate and the students went to the parade "voluntarily."

5. Hope. When the Communists want the people to do something which is not in the line of duty but which is politically significant, such as parades, their tactics are to tell them "We hope you will do it." But "hope" has now come to be understood as an order, because several workers in a factory in Nanking who did not join in a recent parade as they were "hoped" to do were discharged for some other flimsy reasons.

#### DEMOCRATIC SIDE OF CHINESE COMMUNIST PARTY

Despite totalitarianism in state rule, the democratic spirit prevails within the Chinese Communist Party, writes Chang Kuo-sin, United Press correspondent who came to Hongkong recently from Shanghai.

The Chinese Communist Party, like its counterparts in other countries, is tightly-organised, requiring absolute obedience and discipline from its members. But party decision and action are always preceded by democratic discussion.

Its democratic spirit is best demonstrated by mutual and self criticism, confession, repentance and pardon.

In the administrative office, the subordinate obeys his superior, but in the "learning" or "work-review" meetings, held virtually every day after or before office hours, rank is forgotten. All are comrades on an equal footing, and an orderly is free to criticise his army commander if he likes.

Even Mao Tse-tung, the undisputed leader of the party, is not exempt. Chou En-lai in a speech in Peking revealed that Mao had been severely criticised many times in the old Yanan days.

"Work-review" meetings are said to be an effective weapon in boosting organisational and administrative efficiency and also in boosting fighting morale in the army. Communist sources said that after every battle, meetings are held between officers and men to discuss the strategy followed.

#### OFFICERS REMOVED

These sources said that many officers were removed because their men complained of bad leadership, and many men were known to have displayed greater valour after they were branded as officers.

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meetings. One source said General Chen Yi, Third Field Army commander, once shed tears in apology and repentance when his men played him with good reason for faulty tactics in a certain action.

The average Communist is imbued with a large amount of sporting spirit. He does not feel hurt when criticised by his comrades, nor does he hesitate to criticise himself, confess and repent when he makes a mistake. In Nanking, the manager of the Communist Trade Bureau flirted with a non-Communist girl in his office and used the office jeep too often for private purposes. He was immediately criticised and was dismissed for harbouring petty bourgeois thoughts.

Confession is an extenuation, and when made immediately after an offence the offender usually has only to make a public apology.

#### LONG DAY

Thus, in Nanking, the newspaper reader comes across daily advertisements of apology inserted by black market dealers and other lawbreakers. Twelve pro-Kuomintang professors of Nanking University (formerly the National Central University) were reinstated after they confessed their "reactionary" thoughts to a joint meeting of the faculty staff and students.

These democratic practices are, in effect, a process for purging the party of diversionism. They mean inevitably frequent and long meetings.

Consequently, in addition to the normal eight office hours, the average Communist member has to put in another three to four hours a day for meetings.

The common daily routine of a Communist official is: Up at 6 a.m.; "learning" meeting at 6.30 a.m.; office, 8-12 noon and 1-5 p.m.; "work-review" meeting 7 p.m. till sometimes midnight.

The average Communist member, probably because of his political training, is a long-winded speech-maker. A speech always lasts at least two hours. A shorter speech is a rarity and a longer one is common-place. The longest speech known to the public was the one made by Chou En-lai at the meeting of the Preparatory Committee of the National Scientists' Association, which ran over seven hours with only 10 minutes interval.

#### SHORTAGE OF STAFF

The Chinese Communists are now faced with a serious problem of shortage of personnel in running the expanding areas under their control. The shortage is aggravated by their reluctance to employ "outsiders" because of their suspicion of non-Communists. In the newly-occupied territories, they are solving the problem by making one department do the work of several, and one man do the work of several men.

The Communists have established training camps or "universities" in practically all the major cities to train non-Communists for administrative jobs. The training in these "universities" is essentially political indoctrination, because in the eyes of the Communists political qualification ranks above experience and technical skilled and knowledge in public service.

At the present time the Communists are drawing upon their manpower resources in the old "liberated" territories to run their expanding domain. In some old liberated areas, their administrative staff has been drained to only twenty kanpus (administrative workers) for each hsien, where formerly there used to be one kanpu for every three villages.

#### ILLITERATE OFFICIALS

These village kanpus are mostly raw country boys, who though firm and thorough in their devotion to revolutionary ideals are, however, of a low educational and intellectual level. Some of them, now heading large administrative departments in the newly-occupied areas south of the Yangtse River, cannot even read, like some of the judges in the Nanking

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They are usually restricted in their knowledge of the outside world, presumably because of their "lean to one side" indoctrination. Some Communist kanpus went to Shanghai with the belief that the atomic bomb does not exist because they were told in the villages by their political commissioners that it was merely imperialistic propaganda.

Some of the Communists are so over-zealous in their devotion to revolutionary ideals that they sometimes unconsciously encourage lawlessness. This is especially evident in their sponsorship of the cause of the poor. The following are two instances to illustrate this point:

#### TWO INSTANCES

1. The owner of a timber shop in Nanking one day caught a burglar. He took him to the police station. The next morning a police officer came back with the burglar and asked the owner to employ him, saying: "He steals because he has no money. He has no money because he has no employment. So if you give him a job he won't steal any more."

The owner protested, but the police officer was insistent and the owner was compelled to employ the burglar. Two days later the owner gave the burglar some money and told him to quit.

2. Last June a crowd of poor men and women forced their way into a construction project to collect pieces of wood and other odds and ends. The gateman could not stop them. So he reported the pilferage to a Liberation Army guard. The guard, however, told him to be calm, saying: "You have lots of wood. They are poor people. There's no harm in giving them some of your wood."

#### CHINESE REDS FACE THREAT FROM INSIDE

Neutral political observers are of the opinion that one of the gravest threats during the next few years to the Communist programme of creating a totalitarian China may come from "within the Communist Party itself."

This threat is diversionism, which has already cropped up among the rank and file of the party and army. The existence of liberalism, democratic individualism, nationalistic patriotism and laxity in party and army discipline has been openly admitted by Communist newspapers.

"Incorrect" implementation of policies on the part of Communist administrative officials and a relaxation in the revolutionary spirit, crystallised in the sentiment of "now that we have got it let's take it easy," have been reported.

In contradistinction to departure from the "party line," there is also what Communist leaders describe as "ultra-leftist" tendencies in adhering to the "party line," endangering the many devious measures which the Communist high command is adopting to achieve totalitarianism.

Especially distasteful to the "ultra-leftists" are:

1. The Communist policies of "co-operation" with the so called democratic parties and personages in which these parties and personages are given a share in the new political power and treated like "royal guests" in Peking; and
2. The policy of permitting private business and industries in the urban areas.

#### POPULAR COMPLAINT

One of the results of these policies is that many Communists who went through years of hardship and danger in the revolutionary struggle found themselves being asked to continue to bear hardships and danger, while men who had not made any active contribution towards, or were ideologically against, the revolution are given high official positions and a comfortable livelihood.

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This gave rise to the popular complaint among the "ultra-leftists" that "to be an old revolutionary is not as good as to be a new revolutionary. And to be a new revolutionary is not as good as to be a non-revolutionary."

This dislike of the new revolutionaries is evidenced in the action of lower-ranking Communist officials in adopting a "closed door" policy in the admission of members to the New Democracy Youth Corps which, according to regulations laid down by the Communist high command, is open to youths of all creeds for indoctrination as potential members of the Communist Party.

In addition, there are signs of divergent sentiments on several basic political issues. For instance, one Communist member told this correspondent in a private conversation that new China would fight all imperialists, including Soviet Russia if she is found to be also imperialistic. Such doubt about Soviet Russia is taboo in the eyes of the doctrinaire Communists whose conviction is that Soviet Russia cannot be imperialistic.

#### PROPAGANDA STUNT

Another instance is the belief of a high-ranking Communist official in Nanking that the anti-United States policy of the new government is merely a "propaganda stunt" and not an unchangeable state policy. In a conversation with a friend of this correspondent, the official advised him to tell his American friends not to worry about the "propaganda stunt."

There are also signs of cliquism in the offing. These signs are more evident in the East China area, where for several months General Chen Yi's Third Field Army and General Liu Po-chen's Second Field Army exercised joint control. There were known cases of wrestling for technical personnel between the two field army commands, and also cases of wrestling for power between army commander Chen Yi's men and those under his political commissar Jao Shu-shih, and between the "technical men" faction and "political men" faction in Shanghai.

Diversions as yet is still confined to the minority of the Communist rank and file, but it is spreading and apparently is regarded with concern by the Communist high command. Many Communist commanders, including Mao Tse-tung, Liu Po-chen and Lin Piao, on several occasions publicly reprimanded the diversions.

In Nanking a party meeting was held last September to conduct a "purge of thought" and strengthen organisational discipline.

#### SUFFERING STRAIN

The majority of Communist members are, it is generally conceded by neutral observers still conscientious and loyal revolutionaries. There is universal praise for their devotion to their revolutionary cause and ideals and their spirit of self-denial and self-sacrifice.

Their capacity for "eating hardships" is also considered exemplary. The average Communist kanpu (staff worker) works from 10 to 14 hours a day. He is given lodging, food and clothing of the lowest grade and is paid the equivalent of two packets of native cigarettes a month for pocket money. If he is married, his wife has to work to support herself.

The strain of overwork and hard living conditions over a number of years has, however, had telling effects on the health of the Communists. According to one Nanking doctor, who was given a temporary appointment in the medical corps, tuberculosis, neurosis and night blindness - all due to under-nourishment and over-exertion - are the most common diseases in the Liberation Army. For the purpose of maintaining the spiritual morale of individual workers, tuberculosis is recorded as bronchitis in one Communist organisation in Nanking.

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CHINESE OPPOSE PEKING REGIME'S 'LEAN TO ONE SIDE'

The chief basic political principle of the Chinese Communists is "lean to one side." Mao Tse-tung made a powerful exposition of the principle in his famous July 1 speech on the "people's democratic dictatorship." He said: "In order to win and consolidate victory, we must lean to one side. To sit on the fence is impossible; a third road does not exist. Neutrality is a camouflage."

The principle applies to all Communist policies and actions, and governs individual conduct and thinking. It is designed to bring about a oneness in all spheres of action - one kind of thought, one kind of education, one kind of news, one kind of truth, one kind of literature, and so forth. Always it is the Communist kind and side.

Applied to the individual, it means he must believe and accept Communist theories and rules of conduct. Not only must he not be an anti-Communist or "reactionary" in the Communist language, but he must also not be an independent or neutral. It is consequently described as the tightest restriction on civil liberty and a heavy blow to the democratic individuals or free-thinkers who constitute the majority of the Chinese population.

In foreign policy, it requires unconditional alignment with Soviet Russia and the Soviet satellites. This is where application of the principle has aroused much scepticism among politically-minded Chinese, who maintain that neutrality in international politics and a little friendship with the West would help much more than unconditional alignment with Soviet Russia in the task of rehabilitating war-wrecked China.

MECHANICAL UNITY

Many attempts have been made to persuade the Communists to abandon their "one-sided" principle, at least in foreign policy, but to no avail.

Hsian Chun, the well-known Chinese leftist writer, who had been a Communist supporter since he started his public career, made the first attempt.

Beginning in August last year, he wrote a series of articles in his journal, Culture in Harbin, criticising the "lean to one side" principle. He said that Soviet Russia is also imperialist and that to make Marxism, Leninism and Mao Tse-tung's political theories the only education for the Chinese people would be a "one colour purge" or "mechanical unity."

He was immediately dubbed a reactionary and diversionist, despite his long record of loyal service to the Communists, and "exiled" to a factory "to learn from the workers, whom he had insulted."

A qualified source said "a very high personage" had recently talked to Mao Tse-tung for four hours trying to obtain a modification of the "lean to one side" principle. The source refused to reveal the identity of the "very high personage," but said he was not the first one to talk to Mao Tse-tung on the subject.

MAO'S INTERVENTION

At the Political Consultation Conference last September, the so-called democratic parties and personages had also raised, according to a Communist source in Shanghai, suggestions for a modification of the principle in the fields of foreign and internal policy, and the discussion at one stage became so heated that Mao Tse-tung was obliged to intervene with a firm declaration that "we must and will lean to one side."

The principle apparently has its roots in the Communist belief that their system is the best and that all other systems must be wiped out. Current Communist totalitarian policies, such as regimentation of social life, political indoctrination and control of press, publication and education, are designed to implement the principle.

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The thorough realisation of the principle, in the eyes of the Communists, is the key to making Communism a political success in China, but it is feared among political circles that its implementation may lead to a contrary result because of its obvious unsuitability to Chinese conditions.

### THREE ROADS

Special emphasis is being laid on the principle in indoctrination classes. The Communist representative in the Shanghai China Textiles Incorporated told the workers one day that there are "only three roads open to you; either lean to our side, leave the country to become a 'white Chinese' or commit suicide."

Frequently, Communist officials are heard declaring in public speeches that "either you are for or against us, either a progressive or reactionary. There is no middle road."

The principle was the cause of a dramatic incident in Nanking last August. At the conclusion of a two-month indoctrination course for middle and primary school teachers, the Communist educational representative Chao Cho told the teachers that they henceforth must lean to one side.

An aged teacher stood up and said: "Yes, we are going to lean to one side. During the Yuan Shih-hai days, I leaned to his side and what he said and did was wisdom to me. After the Peking warlords were ousted by the Kuomintang, I leaned to the side of the Kuomintang, and what they said and did was wisdom to me. Then Wang Ching-wei. Just as before, I leaned to one side. The Kuomintang returned after V-J Day and I leaned back to their side. And now you come. I will without doubt lean to your side."

The aged teacher's speech sent Chao into a rage. He shouted: "That's opportunism, not the kind of leaning we want." To which the teacher reported; "Mr. Chao, there's nothing else I can do. I have to live."

### CHINESE REDS TRYING TO SELL SOVIET RUSSIA TO CHINESE

HONGKONG, Jan. 6 - One big problem facing the Chinese Communists in their programme of building a totalitarian China is how to sell Soviet Russia to the Chinese people.

Some observers consider this a basic problem. A Chinese "democratic personage" who had spent several months in the North China University - one of the many Communist indoctrination camps - came to the conclusion that once a man has accepted Soviet Russia as not being an imperialistic power it would be easy for him to accept the rest of Communist ideology.

Communist propaganda is at present mobilizing all its resources and technique to make the Chinese people believe that Soviet Russia is China's only true friend, and is also the only foreign country which can help rehabilitate and reconstruct China.

### FRIENDSHIP SOCIETY

A National Sino-Soviet Friendship Association, with branches in all major cities, has been established. Membership of the association, according to the New China News Agency, has been boosted to over 2,000,000 since its inception three months ago. This figure is probably correct, but it was achieved by en bloc enrollment of the members of other Communist controlled associations, such as the National Society of Writers and Artists.

Books on Soviet Russia are printed in millions for sale to the general public at low prices. Soviet Russia, according to the Soviet cultural workers delegation which visited China recently, will send in 6,000,000 more books to help in the "friendship" drive.

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LEARN FROM RUSSIA"

A movement has been initiated by top Communist leaders, including Chou En-lai and Chu Teh, to urge the people to learn from Soviet Russia. A recent incident in Peking showed, however, that the Communist leaders themselves also are in need of learning more about Soviet Russia.

When the Soviet cultural workers delegation arrived in Peking last October, the crowd massed by the Communists to greet them sang a famous Communist song to show their welcome. The song is called "You (meaning the Communist party) are the Lighthouse." The Communist leaders were surprised when the Soviet delegates pulled long faces at the song. The chief of the delegation told the Communist leaders that the song should not be sung at welcome parties because the tune was that of a funeral song composed for Lenin at his death.

COMMUNIST SONG

Message were flashed immediately to all parts of the country ordering that the song should not be sung any more. The song was one of the first song the Communists taught school children to sing when they enter a new city. When the Soviet delegation arrived in Nanking, the welcome party was specially reminded not to sing the song.

Photographs of Lenin and Stalin and Soviet flags are displayed in profusion in prominent places in the major cities. Communist newspapers carry articles almost praising Soviet Russia even to the point of idolization. Russian language is taught on the radio.

However, present indications show the Communists have not achieved much success in their Soviet-friendship drive. The prevailing conception of the general public about Soviet Russia is that she is imperialistic vis-a-vis China and that she among all the foreign countries is least able to help in China's economic reconstruction.

CZARIST RIGHTS

The fact that Soviet Russia has wrested back many of the old Czarist imperialistic rights in China which she had voluntarily renounced in 1924, and that she has removed US\$2,000,000,000 worth of industrial equipment and materials from Manchuria is common knowledge among the Chinese people.

This fact is regarded as a big hurdle in the Soviet friendship drive. Questions regarding Soviet control of the Chinese Changchun Railway, Port Arthur and Dairen are often the first ones raised in meetings held by the Communists to foster Sino-Soviet friendship.

These questions were even raised in Communist indoctrination camps. According to one indoctrination camp cadre, the chief Communist propagandist in Shanghai, Fan Chang-chiang, to the question was: the interests of China and Soviet Russia in the world revolution are identical. Soviet control of the Changchun Railway, Port Arthur and Dairen is equivalent to China controlling them. Besides, Soviet Russia would eventually return them to China, therefore there is no cause for concern.

SECURITY MEASURE

Another explanation made by other Communist officials is that Soviet control of Port Arthur and Dairen is an essential security measure for the protection of both China and Soviet Russia against American "imperialism," and Soviet control of the Changchun Railway is essential in making her control of the two ports effective.

As the situation stands today it is correct to say that the Communist Soviet-friendship drive is being sneered at by the majority of Chinese people. The Communists seemed to concede this too, as evidenced by their recent retreat in promoting the drive.



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Recently, the Communist high command ordered that no Soviet flags or photographs of Stalin and Lenin be displayed except on occasions connected with Sino-Soviet relations. The Ta Kung Pao daily in Shanghai was once reprimanded for printing Stalin's photograph to the left of Mao Tze-tung's photograph.

Though the Soviet-friendship drive is an essential part of the Communist political programme, a probable clue to its eventual outcome may be found in the reaction of many Chinese to this correspondent that they probably would be able to compromise with the Chinese Communists, but never with Soviet Russia.

#### OPINION SURVEY

Once the Communists conducted a survey of opinion in a Shanghai factory on which is the best and which the worst foreign country, The majority answer from the workers was: America is the best foreign country, because she gave them flour and Soviet Russia the worst because she wrested the Changchun Railway, Port Arthur and Dairen from China.

The Communist political director of a Shanghai middle school told a friend of this correspondent in private conversation that his biggest problem is how to find geography and history teachers for the school, because the students always ask "embarrassing" questions regarding Soviet Russia in geography and history classes. He said that he got one geography teacher after a long search but the teacher quit soon after because he could not answer the students question whether Outer Mongolia, Port Arthur and Dairen belong to China or Soviet Russia.

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CHINESE LOOK FORWARD TO NEW WORLD WAR

Many people in Communist China feel that a third world war would be preferable to living under the Communists.

There is widespread disillusionment and discontent with Communist rule in China, mainly because of the impoverishment in living conditions.

There is a general desire for something new and better than the Communist government. Most of the disillusioned and discontented people see a third world war as the only solution for their troubles. Some even wish for the return of the Kuomintang.

The New China News Agency reported that rebelling peasants in some areas, such as Manchuria, are also banking on the possibility of a third world war and are using this as one of their chief political slogans.

Anti-Communist feelings are reported to be more widespread in the rural areas and small towns than in the major cities, where the Communists are more lenient and less radical in their policies. But resentment is also evident in the big cities. In Nanking, seven out of 10 persons expressed anti-Communist views for one reason or another, with five out of the seven showing an interest in the possibility of another global flare-up.

Disillusionment and discontent is now held down by the military might of the Communist army and police, but in some rural areas where Communist political power has not yet been firmly established it has erupted into armed opposition. These areas include Manchuria, Honan, Anhwei, Kiangsi and Shangtung provinces.

THE BACKBONE

The backbone of the resistance movement is reported to be composed mainly of Chinese secret village societies, such as the Red Spear Society, which were formed hundreds of years ago, originally for the purpose of self-protection and opposing Manchu rule.

The best organized resistance group is said to be the "Ninth Route Army" now based in the Tapiehshan Mountains, in the Honan-Anhwei-Hupeh border region, which only one year ago was the chief operating base of famous one-eyed Communist General Liu Po-chen.

The Ninth Route Army, named apparently in contradistinction to the Communist Eighth Route Army, is in control of large areas in the Central China provinces, as indicated by a New China Agency report that Communist suppression forces, after two months, had succeeded in ousting it from two districts in Anhwei containing a population of over 4,000,000

PROFESSOR LEADS

The Ninth Route Army is said to have a political programme, the aims of which are indicated by its slogans "Down with Chiang Kai-shek" and "Capture Mao Tse-tung alive."

A report current in Nanking, the reliability of which this correspondent was unable to check because of the Communist blockade of news, said a politically-minded Chinese professor named Lo Meng-tse, who is both anti-Kuomintang and anti-Communist in his political views, had gone to the Tapiehshan Mountains to be the Army's chief political commissar.

When he was in Nanking during the Kuomintang days, Lo was the editor of the magazine Social Trends, which advocated a British-patterned socialism for China.

Discontent in the major cities is still in the passive stage, but it is beginning to be expressed openly. Anti-Communist posters have appeared in some cities, and verses scornful of the Communists have been coined. Three of the more popular verses are:

SCORNFUL VERSES

1. The Communists are good but we have not enough to eat;

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Chiung Kai-shek is bad, but we had a bellyful.

2. The Communists have liberated us, but our counters are growing moss. (This is sung by businessmen, referring to the economic depression).

3. We have turned over our body, but it is like turning over from the bed to the ground. (Turning over the body in Chinese is "fanshen," meaning "emancipation from slavery or political oppression"). This is sung by the labouring class.

#### SONG REWRITTEN

Another current open expression of anti-Communist feelings in the urban areas is the rewording of Communist political songs. The second sentence of one song which reads, "Out of China comes a Mao Tse-tung" has become "Out of China comes a Mao Tsa-chung." Tsa-chung is a contemptuous term meaning "mongrel breed."

The first sentence of another song which reads "The skies of the liberated areas are downcast skies."

This correspondent on several occasions heard the reworded songs sung in Nanking streets, when there were no Communist soldiers or officials around.

#### CHINESE COMMUNISTS HAVE GOOD POINTS, BUT ALSO BAD ONES

Hongkong, Jan. 7 - Last August Chinese Communist leader Mao Tse-tung showed a long letter to the first conference of the Representatives of All Classes convened in Peking to review the city government's administrative policies. It was written by an anonymous citizen, who drew an eye on the letter.

Mao did not give his interpretation of the meaning of the eye, but presumably the writer was appealing to the Communist leader to open his eyes to see things happening outside his closely guarded house.

The writer complained of the economic inflation, price fluctuations, frequent readjustment of public utility rates, impoverished livelihood, business and industrial stagnation, increasing unemployment and heavy taxes assessments and levies, but praised the forbearing spirit of Communist workers in serving the people and the Army's good discipline.

Mao did not reveal the remaining contents of the letter. He said the writer's opinion was that the Communists are "better, but not much better" than the Kuomintang. Mao commented, "His opinion is just."

#### MAJORITY OPINION

This opinion can be taken as pretty well representative of the majority of the Chinese population in China. The Communist government is definitely better than the outgoing Kuomintang regime in administration and many people maintain that it would be deplorable if they fail.

Its good points are in its comparative thoroughness, cleanliness and efficiency of administration, the discipline of its Army, the conscientious, patriotic and the forbearing spirit of its workers and its elimination of many evil, feudalistic and obsolete customs and institutions.

Its weaknesses are considered to be its lack of real democracy its "lean to one side" foreign policy, its political radicalism and its lack of administrative experience and knowledge.

It is the consensus of political observers that the Communist government minus its totalitarianism and "lean to one side" foreign policy, be the best for China and the Communist worker minus his political bias would be the ideal administrator for the country.

The lower-ranking and especially rural Communist kanpus (workers) are the most obsessed with political bias.

#### PUBLIC FEELING

Unlike their top party bosses in Peking and other major cities,

they rarely show consideration for public feeling. This makes them act exactly according to the "party line" and thus appear devoid of feeling to the common men.

At present, it is only in the rural districts, interior cities and small townlets that the real face of Communism has unfolded itself. Real Communism has not yet come to the main coastal cities, notably Shanghai. Shanghai is considered the most fortunate city in Communist China, because civil liberties exist on much the same scale as before. For instance, professors in Shanghai unlike their colleagues in the other cities, have not yet been required to undergo a period of political indoctrination. In rural districts, people putting on a good dress or buying a group of more than five persons frequently get into hot water.

Higher-ranking Communists are also considered much better than the lower-ranking kanpus. One common comment among Chinese circles is the high-ranking kanpus are too good, the middle-ranking kanpus too few and the lower-ranking kanpus too inconsiderate.

Many Shanghai industrial and commercial leaders who were disgusted with local Communist administration, were known to have brightened in outlook after a visit to the top Communist leaders in Peking, whom they found sympathetic to their opinion and troubles.

Some of them brought their problems up to the top Communist leaders after they had failed to affect a settlement with local kanpus. Shanghai industrialist Chien Chia-hsun gave the following story in a public speech showing how top Communist leaders and intervened to remedy "misgovernment" by local kanpus:

The Tientsin Chiuta Salt Company during the first few months following Communist occupation of the city found no market for its salt. All the markets were monopolized by the Communist Trade Bureau. The Company sent a consignment of salt to Linching for sale. When its salt arrived there, the local Communist Trade Bureau forced down prices and the Company incurred heavy losses.

#### CEMENT CONTRACT

The Tientsin Chihhsin Cement Company made a contract with the Communist Trade Bureau for sale of all its cement to the Bureau for a period of eight months. The price was fixed at JMP \$4,000 a bag, which was a good price at the time of the signing of the contract. However, to inflation the price became unrealistic and the Company incurred heavy losses. The Communist Bureau refused to make any readjustment in the price.

The two companies appealed to Liu Shao-chi, No. 2 Communist, Liu journeyed to Tientsin and investigated the situation. He immediately ordered the cancellation of the cement contract and substitution of a new one with a flexible price. He also ordered the Trade Bureau in Lingching to cease its "forcing-down-price" policy and told the Chiuta Company to send its salt there.

Despite the good showing of the Communists in administration and army discipline, many observers feel uncertain regarding the future. The popular question is: would they be good forever or would they also deteriorate in the course of time like the Kuo-mintang, which also had shown high standards in government and army discipline at the beginning.

#### POPULATION OF RED CHINA DISILLUSIONED

The disillusioned and discontented people of Communist China have a variety of reasons for being so, but the chief reason is that the Communists expect too much.

Economically, they call upon the individual to work harder and live harder. Politically, they want him to give up his own thinking and calculating self and follow the Communists, that is, do and say what the Communists tell him to.

Generally speaking, the individual, as the situation stands today, has not yet reached the stage of being merely a cog in a

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machine, but the trend is in that direction. And a popular comment is that the Communists want the individual to act as docilely by as a pet dog, work like a bull ungrudgingly and be loyal to the master all times.

Psychologically, Communist propaganda, with its "rosy" promises, is chiefly to blame for the widespread dissatisfaction. One of the promises of Communist propaganda is that the dawn would come to any place upon "liberation." But the fact in all known cases is to the contrary. The people's sufferings were deepened after the change-over.

This accounts for the common phenomenon in Communist China that before a place is "liberated" the people of the place clamour for Communist occupation, but after the people have had it for several months they change their mind about the Communists.

The lack of real freedom and democracy is a matter of general comment. It is the concensus of opinion among neutral Chinese quarters that democracy under the Communists exists only in name, but not in substance. This causes disillusionment among politically-minded Chinese intellectuals, who had formerly given their sympathy to the Communists in the belief that Communists would at least be more democratic than the Kuomintang.

#### DOGMATIC BELIEF

Stubborn insistence by Communists that their system is the only really democratic one, in spite of facts, serves only to embitter popular feeling against them.

Communist belief in their ideological infallibility and perfection also is a matter of critical comment.

This belief underlies their intolerance of outside criticism and opposition. Their reasoning is that since they are infallible and perfect, there can be nothing wrong with them and any criticism against them is due to malice or cynicism. This presumably is the kind of logic which impelled the Communist representative of the Nanking Water Supply Bureau to tell the workers that anyone who opposed his opinion or orders was reactionary.

This dogmatic belief, running counter to the traditional Chinese concept of modesty, has served in some cases to make enemies out of friends.

According to educational quarters, some students in Shanghai and Nanking became disillusioned with the Communists because of this. The students, the quarters said, maintained originally that the Communists were much better than the Kuomintang and therefore supported them. But the students, with their youthful objectiveness, also saw some weaknesses in the Communist system, and when the Communists insisted they were all good it evoked very unfavourable reactions.

#### POLITICAL BIAS

Other causes for popular complaint are: 1. The Communists unconditional alignment with Soviet Russia in ideology and foreign policy to the point of slavishness; 2. Communist anti-American propaganda, which is resented by many western-minded Chinese; 3. The Communist requirement that everyone learn and accept Marxism, Leninism and Mao Tse-tung's theories as the one and only political belief and philosophy of life.

The political bias of the ordinary Communist worker also is another cause of disappointment among the people. That bias makes them appear unreasonable in terms of traditional Chinese moral concepts in the handling of many public problems.

For instance, the Communists prior to discharging a number of employees in the Shanghai Municipal Government in the recent austerity drive, subjected these workers to a two-month period of political indoctrination. At the conclusion of the period, the employees were asked to sign a paper saying they had voluntarily resigned and had been paid off. This appeared unreasonable to the employees. Their complaint was: why should you put us through a strenuous indoctrination course when you have already decided to terminate our service, and why should we be put on record as having resigned.

DISCONTENT SAID SEEN AMONG RED CHINA WORKERS AND FARMERS

Hongkong, Jan. 10. Of special political significance in Communist China is the disillusionment and discontent among the working and farming classes.

According to Communist ideology, workers and farmers are now the "chu jen ong" (Masters or owners) of new China. The Communist Party is a party of workers and farmers. It was for the purpose of liberating them from capitalistic exploitation and bourgeoisie political oppression that the party was formed.

On the basis of this, workers and farmers should be the first and warmest among Communist supporters. However, the situation in China today is much the reverse. Workers and farmers are the loudest and most active in their complaints against the Communists.

ANTI-RED VERSES

Most of the anti-Communist verses, such as "Chiang Kai-shek is bad; but we eat rice; Mao Tze-tung is good, but we eat millet" and "we have turned over our body (emancipation from political oppression and exploitation) but it's turning over from the bed down to the ground," were coined by workers.

Discontent among the workers is easily understandable. After the Communists took over, they were required to work longer hours, averaging 10 hours a day and in addition they had to put in about four hours a week for political indoctrination courses.

Moverover, they were sometimes required to "voluntarily" reduce their wages. They were not allowed to strike or voice their grievances in any other ways if the grievances do not conform to Communist political ideology.

SACRED RIGHT

The right to strike, which workers in western countries regard as their sacred right, was the subject of a heated debate in the recent PPCC (People's Political Consultation Conference) meetings in Peking. Some delegates demanded that the right should be written into the Common Administrative Programme, because since private capitalism is permitted during the "New Democracy" period there would be exploitation and the workers should be given the right to strike. But it was contrary to Communist ideology and the demand was squashed.

The ideological Communist explanation to the workers is: you are the "masters" of New China and the "owners" of the factory. If you strike, you are striking against yourself. Since the factory is yours, you should work harder for the factory and make no fuss about getting higher wages, because its all your money.

UNDERGROUND AGENTS

This explanation, however, does not appear to hold much water with the workers. Clashes between workers and Communist Army guards and of workers deliberately damaging machinery have been reported. Anti-Communists posters and poems chalked on walls are common in the workshops. In some factories workers even helped Kuomintang underground agents in sabotage, such as the case of the destruction of several powerful generators in the Shihchingshan power station outside Peking.

Last spring when the workers in the state-owned China Textiles, Incorporated factory in Tientsin were agitating for higher pay they were suppressed promptly by a stern reprimand from the Communist representative was reported to have harangued the workers thus; the factory belongs to the government, the government is a peoples government. You are the people, therefore the factory belongs to you. If you take more money from the factory, you are taking more money from yourselves. Who were the ringleaders? They had misled you. Drive them out.

WORKING CONDITIONS

Working conditions in private-owned factories generally are

much better. Communist attempts to extend their control over private-owned factories are frequently actively resisted by the workers. According to the New China Agency, the Communist representative in a factory in Peking was driven out by the workers. The Agency used this incident as a warning to the other Communist factory representatives to be more tactful in dealing with the workers.

In Nanking the Communists organized a foreigners' house servants labour union to help the servants get higher wages and severance pay from their foreign employers. Union officials paid frequent visits to the houseboys, asking them whether they are given the same food as their masters, whether their masters shared their coffee with them and whether they were well-treated in any way.

#### SEVERANCE PAY

On one occasion, a foreigner was leaving China. A Union official visited his servants telling them what to ask for severance pay. The servants told him to quit, saying, "You don't have to come in. We will handle our own affairs. You won't be here long. The Americans and British will come back one day and we will still work for them."

Labour disputes are one of the thorniest problems facing the Communists. When it is a dispute between foreigners and Chinese workers, the solution is simple - just side with the workers. When the dispute is between state-owned factory and workers, it is between privately-owned Chinese factories and workers, the problem is more complicated. The worker's demands usually are in a stagnant state. If the Communists favour the workers in accordance with their ideology, the factories would be forced to liquidate, which the Communists do not like to see. If they help the management, they would offend the workers, which they also do not like to do. It is a case of being caught between two fires.

#### EXTREME CAUTION

The Communist high command's directive to their kanpus regarding the handling of such cases is, according to the New China Agency act with extreme caution and tact, maintaining strict neutrality, but do the utmost in cutting down the demands of the workers and inducing management to pay as far as possible. This directive is based on their official economic policy of "benefits to both labour and management."

In actual practice, Communist representatives side more with management than with labour, which is another cause of disillusionment among the labouring class. For instance, when the Communists entered Wushih last April, the workers in the large Sungsung cotton mills raised several demands which were immediately accepted by the management.

The factory was threatened with bankruptcy. Jao Shu-shih, chief political commissar of the Third Field Army, who was at that time in Tanyang, was informed of the case. He rushed down by special train and called the workers to a meeting. He sternly told them to drop the demands though they had been accepted by the management.

In some cases Communist representatives side with labour. This is especially true in regard to factories which the Communists consider non-essential.

#### COMMIT SUICIDE

The owner of a dyeing factory in Shanghai was forced to commit suicide because he was unable to meet the increased wages approved by the Communist labour board. The owner had a partner. When the partner heard that his colleague had committed suicide he also took lysol, but was later revived in a hospital. When the workers heard of the incidents, they voluntarily waived their demands.

In some cases the Communists just leave labour and management to wrangle among themselves, refusing all appeals for mediation.

One Communist official said he was once called in to mediate a handkerchief factory. The factory had already suspended operation due to the economic depression which followed Communist occupation of Shanghai. The workers demanded ten silver dollars each as living expenses during the suspension period. The owner refused to pay silver dollars, but was willing to give each worker the equivalent in handkerchiefs. The workers refused to accept handkerchiefs because they said they would not be able to sell them and if they did sell them it would be only at a reduced price.

The Communist said he heard arguments from both sides and found both sides were reasonable. Finally he told them to settle the dispute themselves.

#### CHINESE FARMERS STILL CARRYING HEAVIEST BURDEN

The change-over from Nationalism to Communism has done nothing to relieve the burden of the Chinese farmers, who are still carrying the heaviest load of any class in China.

They are bearing the brunt of financing the war of "liberation," the vast Communist army of four to five million men, the Government and also industrial revival.

Soviet machinery now being supplied to Manchuria is bartered for food requisitioned from the Manchurian farmers.

According to the chairman of the Manchurian people's Government, Kao Kang, over 4,000,000 tons of food were "contributed" to the Government by the farmers during the last three years. One-third of this was used to buy industrial equipment.

According to the Communist Finance Minister, Po I-po, the farmers will be required to continue to bear the major share of financing the Government. He said in his budget speech on December 2 that "public food" - food requisitioned from the peasants - would be the largest item on the revenue side, occupying 41.4 per cent of the total budgetary income.

The Communists, who had been attacking the Kuomintang's food requisition policy, are imposing far heavier food levies on the farmers. The levies are made in the name of requisitions, contributions and supply assessments.

The levies are imposed on big and small landowners and tenant farmers as well. In the case of tenants, they pay 70 per cent of the levies. Many farmers in the Nanking-Shanghai area offered to give their land to the Communists in lieu of levies and taxes, but the offer in all cases was rejected.

#### PEASANT UPRISINGS

Some farmer are compelled to sell their furniture and other kinds of movable property to meet the levies.

In some areas the Communists allowed months of grace to defaulting farmers until the next harvest for paying up the requisitions. In some places, some farmers were able to obtain remissions by pleading poverty.

But elsewhere the Communist kanpus (rank and file) were more severe, especially in villages around Hangchow where some farmers were reported to have been made to stand in the hot sun the whole day long in punishment for their inability to pay the levies.

In addition to the levies and taxes, the rural people are subjected to radical Communist rule by the "old line" unscrupulous Communist kanpus. This has resulted in widespread discontent in the rural districts and in many peasant uprisings.

In some areas farmers driven to desperation killed Communist levy collectors. In other areas farmers left their farms and fled to the cities. A small minority in North Kiangsu refused to cultivate their lands. Others in Shantung cultivated their lands but deliberately refrained from fertilising them. In some districts in the Nanking-Shanghai area farmers protested by refusing accept the Communist currency.



In the Kaochiao district South East of Shanghai, farmers declined to respond to the Communist call for repairing dykes against tidal waves.

#### REGIMENTATION

Another cause of rural dissatisfaction is the Communist regimentation policy, which in many of its aspects is contrary to traditional Chinese concepts of life, such as the policy of forming village women into societies and the frequent meetings which the farmers are obliged to attend.

Due to the Communist news blockade, very little independent information has leaked out regarding conditions in the rural districts in the so-called "old liberated areas," that is, areas ruled by Communists since the Sino-Japanese war. Communist propaganda claims that the standard of living in these areas has been raised and the farmers are a happy lot.

The only independent information this correspondent has collected regarding these areas was that given him by friends.

One friend visited many villages in the "old liberated areas" about 40 miles South of Tientsin. He said he found conditions in all the villages he had visited the same. There were no houses with tiled roofs. All houses had straw roofs and were in a dilapidated state with holes in the walls. They looked as if no one had lived in them for years.

He asked one farmer why. The farmer told him, "We cannot have tiled roofs and we deliberately left our houses unrepaired, because if we have tiled roofs and repair our houses and make them look good, we will be in danger of being dubbed rich or wasting money and labour on good living and neglecting our production."

#### SERIOUS PROBLEM

It was an age-old custom in these villages to have a travelling opera give performances several times a year in celebration of the harvest and other festivals. My friend found there were no more opera performances. A farmer told him, "When a travelling troupe performs here, no one goes to the show, because if we go to the show we will be in danger of being dubbed a pleasure-lover and a neglecter of production."

One day he saw a man carrying water from a well a mile away from his home. The man made so many water-carrying trips that he became curious. He reasoned that the man could not have needed so much for his household use. Questioned, the man replied, "Our village kanpu ordered me to plant cotton this season instead of wheat. There is no rain. The kanpu told me to carry water from the well to water my cotton field. He said that they do the same thing in Sullen (Soviet Russia). Probably, they do the same thing there, but may be they do it with machine power, not human power."

The widespread disillusionment and discontent has been openly admitted by Communist officials to be a serious problem. They charged that it is instigated by Kuomintang underground agents. It is conceded that the charge contained some truth, but neutral observers maintain that Communist policies are largely responsible.

Rural discontent has helped in the operation of anti-Communist forces, such as the Ninth Route Army and other so-called "anti-Communist national salvation columns." Some of these forces were formed spontaneously by the discontented farmers, some independently formed by Kuomintang stragglers and some were left behind by the Kuomintang Army command.

Many Communist-held cities in outlying districts are blockaded by resistance forces. In Tunghiu district rural hostility was so tense that the Communist hsien magistrate dared not leave the city without a heavy guard, according to travellers from there.

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CHINESE RED CURRENCY APPEARS GOING SAME WAY AS N'LIST MONEY

Hongkong, Jan. 12 - The Chinese Communists' People's Currency or Jen Min Pia, which Communist propaganda claims said "would definitely not depreciate," appears to be going the same way as the same way as the Nationalists' Gold Yuan.

The Communist claim stood its ground remarkably well during the first few months following the Liberation of Nanking and Shanghai when there was a relatively surprising economic stability. Credit was given by observers to effective Communist economic control, but these observers maintained at the same time that the relative stability was also a sign of business depression obtaining after Communist occupation of the Nanking-Shanghai area.

As the Communists expanded their territorial control resulting in a partial recovery of business, the stability broke down and inflationary conditions appeared similar to those which existed under the Nationalists. The first serious violent fluctuation of prices started after the Communist capture of Canton and is still continuing.

PRICES SOAR

Prices are now jumping once, sometimes twice, a day, sometimes once in every three days and sometimes once a week. It is estimated that prices have soared by between 40-80 times since the Communists took over Nanking and Shanghai. People are beginning to carry their money in a bag to pay for dinner. Unofficial interest rates in Shanghai are now fluctuating between 150% and 320% per month. Public utility rates are readjusted frequently.

During the first four months after the liberation of Nanking and Shanghai, the largest denomination notes in circulation were JMP\$200. In August notes of JMP\$500 and JMP\$1,00 were introduced. Soon notes of JMP\$500 and JMP\$1,000 will also be put into circulation, according to an informed source. The Central Mint in Shanghai is now working 24 hours a day and its production is said to be four times the production under the Kuomintang in terms of the number of notes. The total note issue is, however, kept secret.

BLACK MARKET

Black marketeering in foreign currencies and gold and speculation in commodities have reappeared but in a smaller scale than during the Kuomintang days.

But at times it is so rift that official foreign exchange rates have become unrealistic. The blackmarket rate for American dollar is sometimes about 30 to 50 per cent higher than the official rate.

Price fluctuations are causing grave concern to the Communist government. Chief anti-inflationary measures which they had enforced since they came into Shanghai and Nanking are cutting down government expenditures to the barest minimum, making public services self-supporting and imposing high taxes and levies on business, industrial and agricultural production.

Neutral observers maintain that the current economic instability is in no way a reflection on the efficiency of the Communist government, which is generally considered to be of a much higher standard than that of the Nationalists. The Communist government has achieved considerable success in its anti-inflationary measures. It is especially successful in its anti-extravagance drive. Making it less necessary for the government to resort to the printing press than was necessary during the Nationalist days.

BETTER SHOWING

It has made a much better showing than its predecessor in controlling private hoarding, speculation and other types of illegal trading. But, in the opinion of competent economic observers, the problem is more one of a gradual process of economic recovery than one of control.

Officially, the Communists have conceded that inflation would continue for the next few years. No. 2 Communist Liu Shao-chi

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said in a recent speech that 1950 would be the hardest year economically for the new government. Finance Minister Ho I-po in his budget speech on December 2 revealed that 61.6 per cent of the budgetary deficit, which is 18.7 per cent of the total budget would be met by the printing press.

The Communists committed a serious political blunder in claiming that their People's Currency, unlike the Kuomintang's Gold Yuan which they dubbed a "public swindle," is inflation-proof. Communist propaganda energetically pressed its claim during the few months of economic stability, reminding the people frequently through their newspapers something like "I told you so. The People's Currency will definitely not depreciate."

#### VIOLENT INFLATION

Then last October inflation of a violent nature set in. The Communists were put on the spot. Their propaganda with their usual "Ah Q" (of a character of self-deceit immortalized by famous Chinese novelist Lu Hsun in his novel "The Biography of Ah Q" spirit tried to defend its former claim by explaining that the upward fluctuation of prices nowadays was unlike that prevalent under the Kuomintang, which was a "sign of economic collapse," is an "inevitable by-product of victory." It would help in bringing about economic prosperity, in increasing production and the interflow of goods between urban and rural areas. This is the theme of Premier Chou En-lai's speech and of an official report on economic conditions made in Peking last November.

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DEMOCRATIC PARTIES HAVE LITTLE VOICE IN CHINA RED REGIME

HONGKONG, Jan. 14 - When Mao Tze-tung moved his headquarters last spring from a village outside Shihchiachuang to Peking, one of the first things he did was to summon the many called "democratic personages" and leaders of democratic parties to a meeting.

He asked them whether they were joining in the Communist government as hosts or guests. He explained that if as hosts, they would have to accept the leadership of the Communist party. If as guests they would be accorded an honoured reception. One thing which Mao did not say but which all those present understood was that if as guests they would not be given any share in the political power.

The democratic personages, according to a Communist source, replied that they were joining in as hosts.

This settled the relation between the Communist party and its political supporters. From that day onwards, the democratic parties virtually lost their own individual political identity.

3 PEOPLES PRINCIPLES

The Democratic League abandoned its platform for parliamentary democracy. The "democratic" factions of the Kuomintang accepted the Communist form of government though it runs counter in many fundamental aspects to Sun Yat-sen's Three Peoples Principles. Li Chi-sen and other anti-Chiang Kai-shek Kuomintang leaders are still talking of implementing Sun Yat-sen's principles in China, but in all parts of the country the first Communist directive to schools is to scrap his teachings from the curriculum.

Once this correspondent interviewed a democratic party. Asked whether he honestly thought the Communist government is democratic and that there is real freedom of the press, his reply was, "Please don't ask me any embarrassing questions." He requested this correspondent not to publish anything he said in the interview, but said he would be willing to say something for publication if written questions were submitted.

"But," he hastily added, "Please don't include any embarrassing questions."

POLITICAL ISSUES

The democratic parties and personages are consulted in all political issues and their opinions are sometimes accepted. But informed sources said that in all basic matters the Communist point of view prevails.

This accounts for the fact that though the democratic parties and personages were known to have held divergent views on many political matters, the common administrative programme and form of government approved by the recent People's Political Consultation Conference in Peking were virtually exactly as the Communists had previously said they would be.

The "democratic personages" are now grouped into a large galaxy of about 50 political factions and parties. According to a leader of the Kuomintang Revolutionary Committee, the Communists had expressed the "hope" that they integrate themselves into only two major parties around the Kuomintang Revolutionary Committee and the Democratic League. The Kuomintang factions had already carried out the Communist "hope."

ELECTION CAMPAIGNS

This correspondent asked a democratic party leader who had just returned to Nanking from the PPCC meetings in Peking whether the democratic parties would in future be permitted to conduct political campaigns in elections and to canvass new members on their own political platforms.

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He replied that on the basis of Communist ideology this would not be possible, Communist ideology, he said, is that now that the "people" have come into power there is no longer any necessity for parties or political campaigning.

The "democratic personages" in Peking are treated like "royal" guests. They live in the best hotels and houses and are given the best food. But according to travellers from Peking they have virtually lost their freedom. They cannot say or do as they wish, but only as the Communists have directed. In theory they are partners or cooperators in the new regime, but in actual practice their role is more political subordinates.

#### HEAVILY GUARDED

They are not even free to see anyone they like. They are heavily guarded. Friends or relatives visiting them are "cross-examined" by the Communist gate office in a way as to discourage further visits. When they receive visitors in their hotel rooms, the hotel boys come in with tea or cigarettes every minute to check on what they are talking about.

Once a man arrived at Peking from Hongkong. He is a close associate of a top leader of a democratic party. He approached the Communist gate office at the Peking hotel for permission to see the leader.

The gate office asked him all kinds of personal questions and told him to come the next day. When he called at the office the next day, he was told that the leader was busy and would not have time to see him. He called at the office again two days later, but was told that the leader was out. But at that moment the leader's wife coincidentally appeared at the door of the hotel. She saw the man and immediately waved him in.

The wife led him into their room and the leader was there. The man asked the leader to help him find a job. The leader said he could not help in getting a job, but he could give him a recommendation to join a Communist "university" for indoctrination, after which he would be given work by the Communists.

#### NEW CONDITIONS

The man asked the leader about conditions in new China. The leader's wife broke in, "conditions? We are waiting for a new emperor." Then pointing to her husband, she added, "You fellows are now running wild." The leader put his fingers to his lips, "Please, be cautious in what you say."

The "democratic personages" are apparently dissatisfied with their position. As one of them admitted, the cause of democracy for which they had been fighting is now lost, but there is the consolation of a little authority in the government instituted by the Communists and the hope of the Communists changing, in the course of time, to be more democratic.

This personage maintained that democratic personages can more effectively persuade the Communists to the cause of democracy by participating in the Communist government than by remaining outside in opposition.

#### EXTREME TOLERANCE

However, this is not the way the Communists view things. The Communists are adopting an attitude of extreme tolerance towards the democratic personages. They are taking in anyone regardless of his past record or political beliefs as long as he publicly avows wholehearted support for them.

Communist calculations apparently are that it is better to take them in than to leave them outside, because when left outside they may become enemies. Besides, their collaboration is needed to make up for the shortage of administrative personnel and the lack of administrative experience of the Communist party.

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This policy of taking in "democratic personages" is distasteful to the rank and file of the Communist party. Lower-ranking Communist kanpus have openly protested against it. In one meeting in Peking Mao Tze-tung singled out the protest for a special reprimand.

#### LACK OF UNDERSTANDING

He told the meeting that kanpus who complained that "to be an old revolutionary is not as good as to be a new revolutionary and to be a new revolutionary is not as good as to be a non-revolutionary" displayed a lack of understanding of the party's policy. He said that at present a united front with other parties is of the utmost importance in the reconstruction of the country.

The rank and file of the Communist party view the "democratic personages" with contempt and term them "opportunists." A woman in Nanking who was invited to join the Democratic League was advised by her Communist friends not to accept, because once she joined the League she would be looked upon as an "opportunist" and it would be hard for her to continue in public life.

One Communist member in Shanghai gave the following instances showing why the "democratic personages" are not well-liked by his comrades.

1. Shih Liang, a leader of the Democratic League, took over a factory in Tientsin from a friend who had left for Hongkong. The factory included "bureaucratic capital" and should, according to Communist law, be confiscated. But Shih Liang proclaimed it the property of the Democratic League and the Communist city government was unable to touch the factory.

#### CHINESE NOVELIST

2. The Communist Sanlien Book Publishing House in Mukden was printing the complete works of the famous Chinese novelist Lu Hsun. Lu Hsun's wife, Hsu Kwang-ping, who is a "democratic personage," asked the Sanlien for royalty amounting to 170 bars of gold. The Sanlien asked the Communist high command in Peking for a decision. The high command approved the royalty. The Sanlien then offered to pay the approved royalty in Manchurian currency. But she refused and asked for gold bars. The Sanlien again asked the high command for a decision. The high command approved payment in gold bars. She finally settled for only 80 bars.

3. The refusal of the "democratic personages" to cooperate in the recent austerity drive. They are given more automobiles than top Communist leaders. They live in the best hotels and are given the best food. When the Communists once gave them third-grade food in line with the austerity drive, they protested by not eating. The next day the Communists were compelled to switch back to "chiao chao" (first grade food) for them.

#### MANCHURIAN CHINESE DISLIKE RUSSIANS; INFLUENCE MOUNTING

HONGKONG, Jan. 15 - The Soviet Russians appear to be not well-liked by the Chinese people in Manchuria, which according to all reliable reports is being used as an experimental ground for Soviet Communism in China.

Chinese travellers from Manchuria said the people there nicknamed the Russians "big nose," as they had nicknamed the Japanese "small nose."

They said a Communist cartoonist once drew many caricatures of a foreigner captioned "American Big Nose Imperialist." In one of the captions, he forgot to insert the word "American." The Russians took offence at that and the cartoonist is now in a training camp for reindoctrination.

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The Russian language has now been made compulsory in all schools in the country. One Communist-sponsored Chinese educational mission to Manchuria visited a primary school one day and asked the pupils whether they felt any differently towards studying Russian than they had about Japanese during the old "Manchukuo" days. The pupils pulled a long face, but declined to answer.

Dislike of the Russians is reported to have crept into the rank and file of the Communist Party itself. According to the Communist propagandist, Liu Tzu-ming, the anti-Soviet writings of Hsiao Chun, another Communist journalist, had "some influence" on the younger members of the Party in Manchuria.

#### ARTICLES REPRINTED

Liu made this admission in a series of seven articles reprinted in the Nanking New China Daily attacking Hsiao Chun for the charge against Soviet Russia as being imperialistic towards China.

The controversy within the Communist Party was generally taken as confirmation of private information filtering into China Proper of the unpopularity of Soviet influence in China's rich Northeast.

The exact extent of Soviet domination in Manchuria is hard to assess, but it must be very great, according to a popular belief among informed circles, because of the Soviet control of the vital Changchun Railway and the terminal ports of Dairen and Port Arthur.

Manchuria is now designated a special area. This correspondent has seen a Communist map in which Manchuria was coloured differently from the rest of China. Chinese may travel to any parts of China with relative freedom, but travel to Manchuria is strictly controlled. A special permit has to be obtained from the local authorities with the approval of the Manchurian Communists. Recently, the Communists in Shanghai suspended the issuance of permits to visit Manchuria, giving the cold weather there as the season.

#### SUPER-SPECIAL ZONES

Dairen and Port Arthur, which are virtually completely under Soviet domination, have been made super-special zones. Travel restrictions to the two ports are even stricter than those applying to other parts of Manchuria. The Changchun Railway, which terminates at Port Arthur, does not maintain a direct service to the two ports. The train runs only as far as Wuliho, is about 50 miles northwest of Dairen.

The passengers have to alight from the train, walk a short distance, show their permits to the Chinese Communist and Soviet guards and then board another train for Dairen.

Manchuria is now being ruled on the lines of Soviet Communism. All private property in the rural areas has been expropriated. Private property is still permitted in the urban districts, but it is now being gradually squeezed out by large state monopolies and crippling taxes and levies. No private banks exist there now. According to the pro-Communist Hsin Min Pao in Shanghai, the ratio between state and private-owned industries in Manchuria now is 48:52. The production ratio this year in terms of kaoliang is 10,240,000 tons for the state-owned and 1,000,000 tons for private-owned industries.

The Communists with Soviet technical assistance have mapped out a three-year plan, which will be started in 1950 for the restoration of Manchurian industrial and agricultural production to the 1944 level. Li Fu-chun vice-chairman of the Manchurian People's government, said in a report on Dec. 2 in Peking that 35 per cent of the industries have been reopened thus far, but admitted actual production, especially of food, is "very low."

COMMUNICATIONS RESTORED

Li said that communications have been completely restored and land reforms carried out throughout the country, but said the burden of farmers is still high, because of their being made to bear the brunt of financing the war of "liberation." According to Chinese travellers, the farmers like their fellow-beings in China Proper are subjected to heavy levies and taxes on their land production. They said that this has reduced the farmers to a new low in poverty and that a man possessing one ounce of gold is considered a rich man.

The Communist New China Agency reported on Dec. 5 that commodity prices in Manchuria have risen only 80 per cent during the whole of 1949. If this is true, it would seem that Communist rule has at least brought about economic stability in the Northeast. The Communists in Manchuria are short of technical and skilled workers for their programme of industrial rehabilitation. Recently, several missions came to Nanking and Shanghai to recruit Chinese technicians, but less than 200 trained engineers and workers responded to the call, though there are thousands of these people now jobless in the two cities.

The main cause of this poor response is considered to be a general fear that once a man goes up to Manchuria he would lose his individual freedom. In one recruiting meeting in Shanghai, the unemployed skilled workers who attended the meeting asked that they be permitted to send an investigation mission to Manchuria first before they would make a decision about going to work there.

Civil liberty in the western sense has practically disappeared. The population has been regimented to work and produce for the state. Travellers said that the streets in most Manchurian towns are deserted except on weekends, the people being made to work all day long in factories. Vice-chairman Li said the living conditions of the workers are improving, but admitted their salaries are still lower than the level in China Proper.

TRAVEL RESTRICTIONS

The favourite Communist weapon of travel restrictions has also been clamped on the people in Manchuria. A police permit has to be obtained even for short-distance travels from the village to another.

Anyone having an overnight guest at his home has to report to the Police. Even persons entering hospital for medical treatment have to do the same. In the Great Wall Pass of Shanhaikwan, the Communists at one time even laid down regulations governing what time the people should go to bed and what time they should get up.

INFLATION TO BE CHINESE REDS' BIGGEST PROBLEMDURING NEXT FEW YEARS

HONGKONG, Jan. 13 - Inflation will be the biggest single economic problem facing the Chinese Communists for the next few years, in the opinion of informed observers. Some of the others are:

1. Food shortage. The Central Communist government revealed in an official announcement December 19 that about 17,000,000 acres of cultivated land in China were damaged by floods, pests, storms and droughts in 1949 and food production was reduced by about 7,300,000 tons.

The flight of many farmers to the cities to avoid war ravages and heavy Communist levies and taxes have left wide expanse of fields uncultivated, especially in north Kiangsu and southern



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Shantung. The "protest" action of farmers in Shantung in not fertilizing their lands has also contributed to the lowering of agricultural output.

#### POPPY GROWING

The high price of opium has induced many farmers, especially in northern Anhwei, to turn their ricefields into poppy fields. It may be hard to believe, but several travellers from north of the Yangtze River told this correspondent that the Communists are tacitly permitting poppy planting. This correspondent has also obtained conclusive proof that the Communist Trade Bureau is dealing in opium.

Last August, travellers from Fowyang in northern Anhwei, where poppy is widely planted, said that opium was being sold at one-seventh the price prevailing in Nanking and other major cities. These travellers said the Communist Trade Bureau was one of the biggest buyers of opium in Fowyang. The bureau shipped the opium to Nanking and made a huge profit.

#### FOUND GUILTY

Last summer one Communist tax bureau collector in Liuho was found guilty of corruption in connection with the sale of official opium. The collector came to Nanking with a consignment of opium and sold it at the blackmarket instead of the official price. He pocketed the balance and bought himself a new khaki suit. When he returned to Liuho his new suit aroused the suspicion of his fellow-kanpus and was compelled to confess the corruption in a mutual-criticism meeting.

Nanking businessman, who made regular opium buying trips in north of the Yangtze river, told this correspondent that he was caught by the Communists several times.

But each time he was only asked to pay the taxes on the opium and then released. The Communists, however, told him he must send his opium to Nationalist areas and sell there.

#### REALISTIC ATTITUDE

The Communist tacit concession to the opium trade is considered a realistic attitude. The Communists are as anxious to eliminate opium-smoking as the Nationalists. But their political stand is that opium-smoking cannot be eliminated by shooting people, but by a gradual process of education and persuasion. Under this policy, it would mean that opium-smoking would have to be permitted for sometime and the Communist calculation apparently is that since it is permitted why not reap some income for the national treasury by taxing and dealing in opium.

2. Unemployment and displaced persons. No official estimate has yet been made of the number of persons involved, but unemployment as a result of the change of government and the subsequent business depression and displacement of families appear very widespread even to the most casual observer.

#### UNEMPLOYMENT PROBLEM

The Communists have for the purpose of easing the unemployment problem abandoned the initial policy of discharging old Nationalist-trained civil servants en masse and are now taking back discharged functionaries into the payroll with, however, five men being given the salary of three men.

3. The general problem of reviving industries and agriculture. The Communists have achieved considerable success in some fields of production despite their meagre resources. In Manchuria, great strides are reported to have been made in industrial rehabilitation. In China Proper, however, only an estimated 20 to 40 per cent of the factories have been reopened.

The Nationalist port blockade is having a crippling effect on the programme for economic revival. In Shanghai, [REDACTED]

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source said most factories are now down almost to their last bale of cotton as a result of the blockade.

#### AGRICULTURAL REVIVAL

Industrial and agricultural revival is listed by the Communists as next in importance to the military campaign for "liberating" the whole country. Unless living conditions of the general public are improved, discontent cannot be curbed and Communist rule consolidated.

It is generally agreed that the Communists have the first essential for a speedy building of war-wrecked China, namely efficient, honest and energetic government, which had shown its worth in the restoration of communications.

Efficiency, honesty and energy in administration are, however, only a few of the essentials. There are others such as capital and popular cooperation. In these, present indications show the Communists to be lacking.

#### ONE-SIDE POLICY

Because of the Communist "lean to one side" foreign policy, it is apparent that China will have to pull herself up by her own bootstraps. Soviet Russia, with whom she is aligned, is generally presumed to be not in a position to grant her much help. The first deal she made with Soviet Russia was a barter trade agreement. The United States and other western democracies, who are in a position to help, are not inclined to do so because of the hostile Communist attitude.

Pulling herself up by her own bootstraps would be a most difficult task, because it is the accepted view among observers that China, devastated by war and natural calamities almost continuously for the last four decades, is too weak economically to do so.

#### LOSING INTEREST

Because of the Communist policy of eventually expropriating private property, the small Chinese money class generally have lost interest in long-term investment. The majority of them are sitting tight on their money, neglecting even repairs and improvements to their factories as pointed out by New China agency recently.

The Communists are doing their utmost to drive these national industrialists out of their inertia. Though representing a class contrary to their ideology, the Communists are admitting them into favour during the New Democracy period. One of the four small stars on the new national flag represents the national bourgeoisie class.

The Communists also made a political mistake in their radical practice of "struggling" the rich in the rural areas. "Struggling" means dispossessing rich landlords of their money, land and other property and dividing these assets among the poor in the neighbourhood. This was done on a large scale in the old liberated areas and dissipated what would have been an important capital potential for reconstruction.

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### RUSSIAN DOMINATION OF MANCHURIA INCREASING

#### UNPOPULARITY OF USSR

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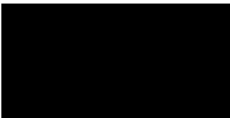
#### \*\$\$\$\* TAM KAM PUI \*\$\$\$\*

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#### LOW PRODUCTION

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 what time the people should go to bed and what time they should  
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 conversing in twos or threes are questioned.

Travellers sail because of the necessity of getting photo-  
 graphers for the many police permits, photographic shops in  
 Mukden are doing a roaring business.

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