China's Economic Problems

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By the close of 1949, the People's Liberation Army of China, led by the Communist Party, completed the defeat of the Kuomintang troops. Though the struggle still continues for the liberation of China's island territories and Tibet, the Chinese people have already won the opportunity—the first after 30 years of almost uninterrupted warfare—to tackle the job of peaceful construction. Economic rehabilitation and reconstruction is today the principal and deciding factor in consolidating their momentous victory.

The tasks confronting the Chinese people in tins respect are truly enormous. Both in scope and complexity they are not inferior to the task just accomplished—the military defeat of the Chiang Kai-shek reactionary regime. Mao Tse-tung, Chairman of the Central Committee of the Chinese Communist Party, wrote in his article, *The Dictatorship of People's Democracy*:

> "...We are faced with the serious task of economic construction... The imperialists think that we are incapable of handling the economic task confronting us. They are watching and waiting for us to fail. We have difficulties to overcome, and have to master something new to us... The job must be tackled and we shall ultimately master it in several months, in one to two years, or three to five years."

To judge the immensity of the economic tasks that the Chinese people will have to accomplish in the coming period and the difficulties they will have to overcome, one must recall what China was like before liberation. One must remember how vast is her territory and how large her population, and take account of the level of development of her productive forces, her economic structure, the aftermath of imperialist rule and the devastation wrought by long years of war. All these factors must be taken into account if we are to gain a realistic and concrete understanding of the tremendous import of the Chinese people's victory, a victory that delivered China from the yoke of the feudals and the imperialists who had doomed her to backwardness and hampered her development.

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China has a population of 475,000,000—the largest in the world—-and is second only to the USSR in size (approximately 10,000,000 square kilometres). China is 6,000,000 square kilometres larger and has almost 200,000,000 more inhabitants than the whole of capitalist Europe.

It is only to be expected that diverse natural and social conditions should prevail in so vast a country. Inner China or China proper, situated in the east, with, her fertile lowlands and the valleys of the great Hwang Ho and Yangtze rivers, make up the bulk of the country, accounting for some 40 per cent of its territory and 90 per cent of the population. China's geographical contrasts are plainly visible in such areas as Tibet, with its desert wastes and plateaus, the highest in the world, situated 4,000 metres above sea level; Inner Mongolia with its huge expanses of semi-desert steppe; and Manchuria, the northernmost part of the country, with its large tracts of forest land, mountain peaks in the outlying districts and fertile valleys in the central areas.

China's vast territory contains all the requisites for building a developed economy with high-productive agriculture and powerful industries. The fertile plains and valleys of Eastern China, where winter is unknown and the climate is moist, enable the farmer to

raise two or three rich crops a year, and in the south, even four crops. Here not only wheat, rice and fruit, but many valuable technical crops can be grown. The highlands and semi-desert areas with their Alpine pastures afford unlimited opportunities for cattle-raising. China possesses enormous deposits of every known mineral—coal, iron, oil, polymetallic ores and rare metals. Even a very superficial survey shows China to possess coal deposits totalling some 250,000 million tons.

This country of vast natural wealth is populated by a vigorous and industrious people whose civilisation is the oldest existing. The Chinese are the principal national group and make up nearly 90 per cent of the population. They are skilled farmers and handicraftsmen, the builders of what in its day was a highly perfected system of irrigation. A high level of culture—a written language, literature and art—for thousands of years ensured China a leading place among the nations of Eastern Asia.

Less favourable natural surroundings and specific historical and social conditions have retarded the development of culture and handicrafts among the other peoples of China, the Mongols, Tibetans, Dungans and; Uighurs. But they, too, are skilled cattle-breeders and farmers.

Economic and social conditions differ sharply as between the principal areas. Manchuria and the maritime provinces in the north and east of China proper have a more developed industry, modern communications and a considerable proletariat concentrated in the industrial centres. The inner and southern provinces of China proper, on the other hand, have only the rudiments of industry. They are backward agricultural regions with a semi-natural economy, areas in which the landlords ruled supreme for ages and exploited the peasants with the aid of semi-feudal, and often enough feudal, laws and customs. Modern industry appeared here only during the war with Japan, and only in several of the larger cities (Chungking, Chengtu, Kunming) and has little contact with the economic life of adjacent regions. Here the urban handicrafts, and peasant home industries which frequently have not yet been separated from agriculture, provide the bulk of consumer goods.

Chinghai, Sikang and Tibet in the west are the least developed economically, with a practically natural nomad economy prevailing. Not only feudal relations, but the survivals of clan relations still exist here. All power, political and economic, was until, recently concentrated in the hands of secular potentates or theocrats.. For example, Tibet is to this day governed by a theocratic hierarchy headed by the “Living Buddha”, the Dalai Lama.

Despite her enormous natural resources and exceptionally favourable natural conditions, China is by and large still at a very low level in the development of her productive forces.

This backwardness is due to the conditions which prevailed in China for several centuries: the long period of feudal-landlord rule and in modern times oppression by foreign imperialists. The colonial expansion of the European powers and the United States which began in the 19th century, brought China under the heel of the imperialists and foreign capital and perpetuated semi-feudal .relationships.

As foreign capital penetrated into the country and China became dependent on 'the

world market, trade developed and the elements of capitalism arose. But this did not make China a capitalist country. The aim of the foreign powers was the colonial exploitation of China and her conversion into their agrarian appendage. And so through wars and unequal treaties they imposed on China a typical semi-colonial regime. The system they established allowed the free entry of foreign goods and enabled foreign interests to gain control of China's industry, transport, finances and foreign trade, while preventing the Chinese people from developing their own national economy.

In 1937, at the outbreak of the war with Japan, foreign interests controlled 74 per cent of' all capital investments in the country.

Characterising the imperialist oppression prevailing there, Comrade Stalin pointed out in 1927 that

> "the power of imperialism in China consists... in the fact that it possesses the factories, mills, mines, railways, shipping. Banks, commercial enterprises, which such the lifeblood from the millions of workers and peasants of China."

The most onerous consequences of imperialist oppression for China's economy were:

LOW INDUSTRIAL DEVELOPMENT: By dooming China to the role of their agrarian appendage the imperialists retarded her industrial development. Prior to the war with Japan, industry accounted for only 10.7 per cent of the national income, while the share of agriculture was 65 per cent and according to other estimates even 77 per cent.

LOW PROPORTION OF MACHINE INDUSTRY: The share of machine industry, which in China dates back nearly 100 years, was extremely low; it accounted for only 10 per cent of the aggregate industrial output. Even the most highly developed industry, cotton weaving, accounted (together with imports from abroad) for only 25 per cent of the country's requirements of cotton fabrics. The remaining 75 per cent were manufactured by small handicraft and peasant domestic industry which met the bulk of the popular demand for other goods as well.

ABSENCE OF PRODUCTION OF MEANS OF PRODUCTION AND PREDOMINANCE OF LIGHT INDUSTRIES: Imperialist rule led to China being practically deprived of heavy industry, the industry that manufactures means of production and is the foundation of any country's economic independence. The chief industries were food processing which produced 49 per the total industrial output before the war, and the textile industry which accounted for 29 per cent. There were only 279 establishments before the war engaged in the production of means of production. Their aggregate capital was 33,000,000 Chinese dollars, or less than one per cent of the total capital investments in industry.

TECHNICAL BACKWARDNESS OF CHINESE INDUSTRY: The technical equipment of China's industry was primitive in the extreme. In the Shanghai district, the most highly developed industrial centre in the country, the average amount of mechanical power per factory was only 100 H.P. or less than 0.5 H.P. per worker. Even the better equipped foreign-owned plants averaged between 1,500 and 2,000 H.P. per plant, or less than 1 H.P. per worker.

LOW CONCENTRATION OF CAPITAL AND PRODUCTION: Concentration of capital and production was relatively high in foreign-owned establishments, which in

some cases had a basic capital of several million dollars and employed several thousand workers. But native industry v/as confined chiefly to small establishments. The 1933-34 census revealed that the total capital of 1,000 Shanghai factories was $156,000,000 and the number of workers employed about 200,000. This is an average of $156,000 and 200 workers per plant. But the overwhelming majority of factories had capitals ranging from $10,000 to $50,000 and employed only a score or so of workers. For the whole of China (without. Manchuria) the level of concentration was even lower, the average being less than 100 workers per factory and only six workers per factory if the smaller establishments are included.

UNEVEN DISTRIBUTION OF PRODUCTIVE FORCES: Industry, commerce, banking and transport were developed only in a few provinces around the larger cities—Shanghai, Tsingtao, Tientsin, Canton and Hankow—that served as the centres of foreign capital. Six provinces;—Liaoning, Hopeh, Shantung, Kiangsu. Hupeh and Kwangtung—the combined territory of which is 10 per cent and the population 36.3 per cent of the total, accounted for 93 per cent of the cotton-spinning and 93 per cent of the silk-manufacturing industries, 86 per cent of the dairy industry, 88 electric power capacity, 55 per cent of the mines, 53 per cent of the total railway mileage, 84 percent pf the country's trade, and 93 per cent of its foreign trade. Before the war the inner provinces of China had only 279 modern manufacturing plants,

The coastal cities, situated far from the sources of raw materials and markets, depended upon foreign imports for their industrial raw material and food. Shanghai, Tientsin, and Tsingtao all imported large quantities of cotton, tobacco, fuel, metal, wheat and rice though China herself produced all these items. At the same time important sources of raw materials in the central areas remained practically untapped and no market could be found for the agricultural produce of these provinces.

CHINA'S DEPENDENCE UPON FOREIGN COUNTRIES: China's industry was completely dependent on the imperialist powers in respect of equipment and technical personnel. The foreign monopolies not only dictated their own conditions to China, but simply refused to supply the required equipment and the technical personnel, with the deliberate object of preventing the rise of a national industry.

This is by no means a complete statement of the results of foreign capitalist domination. But it shows that imperialist oppression was the principal cause of China's industrial backwardness. It shows just what sort of legacy has fallen to the new democratic China.

No less damaging were the consequences of imperialist oppression in agriculture, the main branch of the country's economy.

China is mainly a peasant country. And despite the fact that foreign capital destroyed the semi-natural self-sufficient character of the country's agriculture and turned the peasant into a producer for the market, China continued to feel the yoke of the feudal landlords, merchants and usurers as its agents in the exploitation of the peasantry. Thus, the formal feudal methods of exploiting the peasantry through tenancy bondage were not only retained but intensified, the landlords endeavouring to extract not only what they

required for themselves buy for the market as well.

The intensification of landlord exploitation and the conversion of the products of peasant farming into market commodities greatly accelerated the process of impoverishment and differentiation in the countryside. Numerous peasant families lost their land which became the property of the landlord, merchant, usurer or government official. At the same time there appeared a small stratum of rich peasants, kulaks. The peasant could not escape impoverishment by migrating to the towns for industrial development too was being hampered and obstructed by foreign capital. Deprived of their land, most of the peasants were obliged to remain in the village swelling the already considerable surplus agrarian population.

At the outbreak of the war with Japan, of the 54,581,000 peasant households in the 20 Chinese provinces (exclusive of Manchuria and Jehol), 33 per cent had no land at all, 26 per cent possessed less than 0.7 of a hectare, 18 per cent had no more than 1.3 hectares, 9 per cent no more than 2 hectares, and only 14 per cent had over 2 hectares of land. This latter group included the landlords who accounted for 4 per cent of all farms and owned 50 per cent of all the land, and the kulaks who accounted for 6 per cent of all farms and owned 13 per cent of the land.

The landless and land-poor peasants were entirely at the mercy of the landlords. This was the reason for the further spread of pre-capitalist forms of peasant exploitation through tenancy bondage. Before the war with Japan no less than 59 per cent of all peasant households had to rent their land from landlords and kulaks; in some provinces the percentage was even higher. The landlord extracted rent in various pre-capitalist forms—the corvee, rent in kind, and money rent—and thus appropriated the lion's share of everything the peasant produced. Rent in kind predominated, the peasant paying not less than 50 per cent and not infrequently as much as 70 per cent of his crop in rent. Where the landlord supplied implements to the tenant farmer the latter was also obliged to pay "labourer's rent", so that he paid as much as 90 per cent of his crop in rent. The corvee was still more enthralling for the peasant became no more than a serf.

Before the war the average annual rent thus paid equalled from 12 to 15 per cent of the price of the land; sometimes as much as 20 per cent. In other words the landlord got back the full price of his land every five years.

This system of tenant bondage was supplemented by other methods of exploiting the peasant: by a host of levies in kind (deliveries of fuel, water, and animals to the landlord, or work on his farm), usury, which brought the landlord as much as 300 to 400 per cent interest per annum, grain profiteering, and so on.

Comrade Stalin repeatedly pointed out that the semi-feudal exploitation of the peasants and survivals of feudalism were the basic forms of oppression in China. In May 1927, J. V. Stalin said:

> "If in a number of provinces 70 per cent of peasant incomes belongs to the landlords and gentry, if the landlords, both armed and unarmed, are not only the economic, but the administrative and judicial authorities, if to this day the medieval practice of buying and selling women and children continues in several provinces—then it must be admitted that feudal survivals are the principal form of oppression in

the Chinese provinces."

The exploitation of the peasants was, under the prevailing colonial oppression, not only the most profitable but practically the only sphere where, commercial capital was "employed". Instead of developing industry and trade it turned its attention to the land, so that the capital was not only immobilised but became fictitious capital. This was an additional factor hampering the development of China's productive forces.

This peculiar combination of commercial capital and landlord rule in the Chinese village was noted by Comrade Stalin, who pointed out in a talk with students of the Sun Yat-sen University on May 13, 1927, that

> "...the commercial capital typical of the period of primitive accumulation is peculiarly combined in the Chinese village with the domination of the feudal lord, with the domination of the landlord, borrowing from the latter the medieval methods of exploiting and oppressing the peasants."

The exploitation of the peasants was intensified by the enormous taxes and diverse levies extracted by the Kuomintang government machine. Imperialist oppression and the survivals of feudalism were responsible for the degradation of agriculture. This, in its turn was aggravated by the destruction of the irrigation system due to the fact that the militarists, and later the Kuomintang officials, embezzled the funds collected from the population for the restoration and maintenance of irrigation installations. To all this should be added the consequences of the world agrarian crisis which spelled disaster for a number of traditional branches of Chinese agriculture, notably tea growing and sericulture. Last, but not least, 30 years of warfare constantly undermined and ruined the nation's productive forces.

The most salient manifestations of agricultural decline are the terrible calamities which year after year have afflicted the rural communities of China—floods and drought, with the resultant crop failures and wholesale famine. Available figures show that in the 25 years between 1904 and 1929, there were no less than 16 crop failures, that is, two crop failures in every three years, with losses averaging 50 per cent of the harvest. Famines, which in the last 30 years were a very frequent occurrence, took a toll of many millions. Here are figures showing the number of famine-stricken in the prewar years: in 1927—9,000,000; in 1928—37,000,000; and in 1929—54,000,000. The numbers were still greater in the subsequent years when China was drawn into the orbit of the world crisis of 1929-33.

These average figures vary considerably in the different parts of the country. The largest proportion of landlords and kulaks was to be found in southern and central China and in Szechwan where intensive agriculture (three to four harvests a year) enabled the landlords to exploit the peasants to a much greater degree than in the north.

The figures cited above indicate that though relatively the proportion of semi-feudal and other exploiting classes and strata in China was not great, their absolute, number, taking into account the vast population of the country, was very considerable and in the countryside alone totalled as many as 40,000,000.

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China's economic development in the last century led to the appearance of new classes—the proletariat and the bourgeoisie—alongside the hitherto existing peasant and landlord classes. The growth of. the cities was attended by the appearance of an urban petty bourgeoisie and petty-bourgeois intelligentsia. Of all these classes and strata it was the industrial proletariat which, after the turn of the century and especially after the first world war resolutely advanced to the forefront in the public life of the country. Concentrated in the large, foreign-owned industrial plants in a few industrial centres and subjected to brutal colonial exploitation, the Chinese proletariat learned from its very first attempts to gain better conditions that it must engage in political struggle against imperialist oppression. The Great October Socialist Revolution played an enormous part iii the awakening of the Chinese proletariat. It indicated to the Chinese workers the path to national liberation, and armed them with the invincible weapon of Marxism-Leninism. The Chinese proletariat formed big class trade unions which developed a strike struggle against the foreign employers. In 1921, progressive workers and intellectuals founded the Communist Party of China which became the leader of the people's fight for national liberation.

There are no accurate data as to the numerical strength of the Chinese proletariat. At the outbreak of the Second World War the number of industrial workers was roughly estimated at from three to four million. But the role of the working class in China's economic and political life was determined not by its numerical strength but by its organisation, cohesion and activity; by its understanding of its class and national interests and also by the leading and organising part it played in relation to other classes and sections of the working people, the vast majority of the population.

There are large numbers of small producers in China engaged in peasant or urban handicrafts. Many of them are in one degree or another dependent on commercial capital and are gradually becoming home-employed wage labourers. According to a very rough estimate they number some 12,000,000. In addition, there is a large army of coolies, labourers engaged principally in transport (porters, boatmen, rickshaws, etc.). Their number is estimated at 30,000,000.

The industrial workers, handicraftsmen and coolies together account for over half of the urban population which is estimated at 95,000,000. The rest is made up of the bourgeoisie, the military and civil bureaucracy, the petty-bourgeois intelligentsia, landlords residing in towns, clerks and tradesmen, domestic servants and declassed elements.

The Chinese bourgeoisie is not uniform in composition. It comprises the merchant and usurer bourgeoisie who are closely associated with the landlords, the big compradore bourgeoisie connected with foreign capital, and the commercial and industrial bourgeoisie which is mainly a middle and petty bourgeoisie associated with national industry and trade. The development of the commercial and industrial bourgeoisie, sometimes described as the national bourgeoisie, can "at a certain stage and for a certain period" take a limited part in the national liberation movement, endeavouring to utilise it in its own interests.

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Comrade Stalin has brilliantly disclosed the two fundamental peculiarities of China's economic position which hindered her political and economic development and condemned her working people to poverty and destruction, namely, imperialist oppression and the survivals of feudalism, and the connection that exists between them.

On this basis J. V. Stalin established that the struggle of China's popular masses is directed against the feudals and thus assumes the character of agrarian revolution, the core and the content of the bourgeois-democratic revolution. At the same time the struggle is directed against the imperialists and its character thus becomes anti-imperialist, aimed at achieving national liberation.

In his works dealing with China, J. V. Stalin was the first to disclose and show the driving forces of the Chinese revolution, the main classes in the country, their alignment and the place they would occupy in the developing revolution. Comrade Stalin emphasised that the Chinese proletariat could and must play the leading part in the revolution by heading the revolutionary movement of the peasantry. He also pointed to the possibility of the national bourgeoisie taking a limited part in the revolution. In the conditions of the general crisis of capitalism, with the Soviet Union, the land of victorious Socialism, existing alongside of China and aiding it, the Chinese bourgeois-democratic revolution being carried out by the masses under the leadership of the working class and the Communist Party, is an inseparable and extremely important part of the international struggle of the proletariat and all working people for liberation from imperialist oppression and exploitation.

Characterising the revolutionary power that would be established as a result of the victory of the bourgeois-democratic revolution, Comrade Stalin wrote in 1926:

> "I think that the future revolutionary power in China will on the whole be similar in character to the power we spoke of in 1905, i.e., something in the nature of a democratic dictatorship of the proletariat and peasantry, with the difference, however, that it will be directed predominantly against the imperialists.
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> "It will be a power marking a transition to China's non-capitalist, or, more exactly, Socialist, development."

Comrade Stalin's teachings regarding the Chinese revolution have been fully confirmed in the 25 years of the national liberation struggle of the Chinese people. China's heroic Communist Party was steeled in the fire of this struggle. The workers and peasants, led by the Communist Party, repelled all the attacks of the joint forces of domestic reaction and imperialism and preserved the base of the national liberation movement in China.

The Japanese aggression of 1931-36 resulted in the broad masses rallying still closer to the Communist Party. It was the Communist Party which directed the popular resistance movement and founded the united national anti-Japanese front that enabled China to hold out in the war against Japanese imperialism in 1937-1945.

After the conclusion of the war with Japan the Communist Party, championing the interests of the working masses and upholding China's independence and sovereignty,

resolutely opposed every attempt of feudal reaction to re-establish its domination and turn China into a colony of American imperialism. Constructively applying the principles of Marxist-Leninist theory to Chinese conditions and undeviatingly following Comrade Stalin's teachings on the Chinese revolution, the Communist Party of China, headed by its leader Mao Tse-tung, worked out a militant revolutionary programme. This programme not only rallied all the working people of China to the Communist Party banner, but made it possible to utilise all the reserves capable of participating in the struggle, including the middle and petty bourgeoisie, in the fight against the combined forces of feudal reaction and imperialism.

The fact that the broad masses of the Chinese people were united around the Communist Party enabled Chinese democracy not only to repel all the onslaughts of the reactionary forces, but to build up a powerful People's Liberation Army in the course of the civil war, crush the power of the feudal cliques once and for all and oust them from the country. This paves the way for the complete abolition of feudal and imperialist oppression, for the rapid development of China's productive forces and for the creation of the conditions for future transition to Socialism. The accomplishment of these tasks falls to the Chinese People's Republic which was founded as a result of the victory of the Chinese people.

II

During World War II imperialist and feudal-landlord oppression was intensified in China; and coupled with the devastation wrought by the war, this brought her economy to utter decline and drastically worsened the conditions of her working people.

Agriculture, the mainstay of the country's economy, suffered terrible ravages during the. war. In the occupied territories the Japanese destroyed not only all peasant food stocks but also cattle, farming implements and homes. In the areas controlled by the Kuomintang the robbery and plunder of the peasantry went hand in hand with the seizure of peasant allotments by the landlords and kulaks who in some parts of the Western provinces contrived to lay their hands on as much as 90 per cent of all the arable. The irrigation system fell into a state of complete dilapidation. The destruction of the productive forces in agriculture resulted in a big contraction of crop areas, a drop in harvest yields and chronic famine in many parts of the country. In Honan province alone, 10,000,000 out of a total population of 30,000,000 were famine-stricken in 1943-44; from 2,000,000, to 3,000,000 died of starvation, and an equal number were compelled to migrate to other provinces.

The agricultural crisis in Kuomintang-controlled territory grew even more acute with the termination of the war. The peasants were not in a position to repair the damage caused by the war. The countryside was being ruined by landlord exploitation and by the exorbitant taxes, levies and endless requisitions imposed by the Kuomintang authorities. In addition to the food tax and compulsory deliveries to the army, the Chiang Kai-shek clique in 1947 and 1948, requisitioned huge quantities of cereals from the peasants without payment of any kind. Compulsory service in the Kuomintang army deprived the countryside of 7,000,000 able-bodied men, most of them from poor peasant families.

The process of robbing the peasants of their land, concentrating it in the hands of the landlord and kulaks, became still more marked. By October 1947, the landlords and kulaks who account for only 10 per cent of all farms, controlled from 70 to 80 per cent of all the land. Crop areas and harvest yields continued to decline. In 1947, China's total food crop was no more than 60 per cent of prewar. Herds and flocks too were shrinking, the decrease in some categories of animals being as much as 30-50 per cent. Droughts, floods and other calamities, the outcome of the general decay of agriculture and the destruction, of the irrigation system, recurred annually and affected an ever larger number of provinces. In 1946, no less than 6,000,000 mu* of peasant, allotments suffered from floods. In the following year,* there were big floods in Shantung, Szechwan, Kwangsi. and Kwangtung provinces, and in 1948, in Hunan, Fukien and Kwangtung. Over 30,000,000 people were afflicted by famine in 1946, and the number continued to grow in subsequent years. Famine took a greater toll of lives than all the battles of the war. In 1946-47, 17,500,000 peasants died of starvation only in the three provinces of Kwangsi, Kwangtung and Hunan.

But the Chinese peasant was no longer a submissive victim of the feudal landlord. Millions of peasants inspired by the heroic struggle of the People's Liberation Army took up arms to overthrow the corrupt Kuomintang regime. In 1946 revolts took place in 12 provinces and involved 400,000 peasants, in 1947 they spread to 17 provinces and involved 1,000,000 peasant fighters and the movement continued to mount throughout 1943. Dozens of liberated areas came into being in the heart of the Kuomintang-controlled territory; some of them, as for example on the island of Hainan and in Kwangtung, covered several thousand square kilometres. These liberated areas were administered by popular government and had their own people's armies. The peasant revolts led by the Communists undermined the Kuomintang rear and contributed to the victories of the People's Liberation Army on the civil-war battle fronts.

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Industry, transport, finance and commerce were likewise in a state of profound crisis and dislocation. The war years were marked by the centralisation of industry and capital and their concentration in the hands of the Japanese and Kuomintang monopolies. This ruined the middle and small manufacturers, handicraftsmen and merchants, and was attended by the deterioration of living standards for all categories of urban working people—workers, clerks and professionals. Following the conclusion of the war these processes were intensified by the rapacity of American monopoly expansion.

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Of the more important industrial centres developed in Manchuria during the war, mention should be made of Mukden (1,890,000 inhabitants as compared with 421,000 in 1931), with its big metal-working, engineering and munitions plants; Dalny (population 873,000), with a ship-building and chemical industry; Antung (population 330,000), with sawmills and food and light industry factories, and a number of centres in the Mukden

* Mu—1/16 of a hectare, or roughly 1/8 of an acre.

industrial area. This latter category includes Fushun (population 320,000)—a coal, shale and aluminium town—and Anshan and Penhsihu (population 280,000 and 140,000 respectively), both of which are important centres of the iron and steel and metal-working industries.

The organisation of such industrial establishments as the Anshan iron and steel combine (40,000 workers), the Penhsihu iron and steel mills (20,000 workers), the Fushun mines (91,000 workers), and many more, is an indication of the high degree of industrial concentration in Manchuria during the war. This concentration, however, did not mean a high technical level. Most of the arduous and labour-consuming processes, even in the biggest plants, were performed, not by machinery but by the sheer physical effort tens of thousands of brutally exploited workers. This partly explains the large number of workers in some of the establishments.

In North China, too, industrial production increased considerably in the large centres (Tientsin, Tsingtao, Taiyuan) and some big new establishments were opened, among them the Shihchingshan iron and steel mills near Peking, the Tatung coal-mines (14,000 workers) and the iron ore mines at Lungyang (7,000 workers).

But while heavy industry developed at a rapid pace to suit war requirements, the 'food and light industries of Manchuria and North China, and all the industries of Central and South China were deliberately destroyed by the Japanese. For example, the Japanese intentionally wrecked by air bombing a substantial part—as much as 50 per cent—of the industrial capacity in Shanghai. The rest they seized, but most of it was never restarted and in 1944 and 1945 a large part of the equipment was dismantled and removed to Japan. Only factories working on Japanese war orders continued to operate. In 1941 the same fate befell the foreign and Chinese industrial establishments located in the international settlements and the French concession in Shanghai, on the territory of foreign concessions in Tientsin and other towns, and also in Hong Kong.

Thus, the development of heavy industry in Manchuria and North China was accompanied by widespread demolition and destruction of industrial capacity in every branch of Chinese industry which was not directly connected with the war needs of Japanese imperialism.

Transport, communications, banking and in part commerce in the Japanese-occupied territory were monopolised by Japanese concerns and geared to war purposes.

KUOMINTANG-CONTROLLED TERRITORY. In the early years of the war attempts were undertaken to develop industry in the unoccupied Western provinces of China, using the establishments evacuated from the East as a basis and employing imported equipment. Efforts were also made to extend rail and road facilities. The Chinese workers laboured devotedly to accomplish this, and some results were achieved. Mention can be made of the industrial centres established in Szechwan and Yunnan and the highways linking besieged China with the Soviet Union (via Sinkiang) and Burma, which were built under the most adverse conditions. But the criminal Chiang Kai-shek clique, with its policy of surrender to Japan, concentrated not on fighting the Japanese aggressor but on consolidating the monopoly position of the “four families”, protecting the interests of the feudal landlords and combating the democratic forces of China.

The entire economy of Kuomintang China including the war industries set up in the Western areas was under the undivided control of the four plutocrat dynasties headed by Chiang Kai-shek. Using industry, commerce, finance and the banks to exploit the people, these plutocrats during the war gathered vast amounts of capital into their hands. With the aid of such agencies as the Armament Administration and the National Resources Commission which in 1944 controlled 105 large industrial plants employing 182,000 workers, the "four-families" held 70 per cent of all the industrial capital in Kuomintang China.

The concentration of capital and industry in the hands of this parasitic clique was attended by still greater exploitation of the industrial workers and rural and urban working population generally and the ruination of the small and middle bourgeoisie. Kuomintang misrule plunged China into a severe economic crisis. Sky-rocketing inflation, utter dislocation of trade and transport and curtailed industrial production, which by 1944 had fallen off in basic items by one-half and even two-thirds as compared with 1942—such was the economic plight of Kuomintang China towards the close of World War II.

After the war the re-establishment of the Kuomintang reactionaries' rule over the greater part of Chinese territory served to accelerate the process of concentrating capital and industry in the hands of the "four families". The Kuomintang National Resources Commission, for example, took control of 70 of the country's largest industrial plants, including hydropower facilities, the iron and steel works of Anshan, Penhsihu, Shihchingshan and Tayeh and the coal mines of Fushun, Tatung and Tsingsing. The monopoly China Textile Industries concern, set up for the express purpose of exploiting the profitable textile industry, took over 60 of the largest mills in the country.

In 1947, according to greatly understated figures, the "four families" held some 65 per cent of all electricity production, 36 per cent of all coal mining, 35 per cent of all tin mining, 39 per cent of all spinning and 57 per cent of all weaving in the textile industry. Sea and river transport was managed by the government-owned China Steamship Navigation Company. Finance was completely dominated by four banks which controlled 4,734 banks throughout the country, the national budget and the entire currency system. China's foreign trade was subjected to stringent regulation and control by the Chiang Kai-shek clique through the Central Trust Company and a few private concerns belonging to the "four families" and closely connected with American capital.

The net result was that the "four families" monopoly group and the Kuomintang top leadership associated with it pillaged vast riches estimated by some observers at approximately 20,000 million U.S. dollars. The concentration of all China's large-scale industry and several other key branches of the economy in the hands of this tight plutocratic group rendered extremely acute the antagonism between the ruling feudal clique and the people.

The power of this plutocratic clique was based on support from the American imperialists bent on converting China into their colony and war base in Asia.

In the course of World War II and in the three tears following it American reaction spent over 6,000 million U.S. dollars on aid to the moribund Chiang Kai-shek regime.

This total includes: wartime loans of 620,000,000 dollars and lend-lease to the amount of 782,000,000 dollars, postwar lend-lease amounting to 778,000,000 dollars, UNRRWA deliveries amounting to 466,000,000 dollars, grants of so-called surplus war equipment worth 2,400 million dollars; allocations under the China "aid" programme totalling 481,000,000 dollars, credits from the U.S. Export-Import Bank to the amount of 33,000,000 dollars, and various lesser handouts, as well as the cost of maintaining in China American troops, military missions and secret service agencies. The amount spent for this purpose has not been announced but it is known that the maintenance of American troops in China in 1947 alone cost 110,000,000 dollars.

These colossal expenditures went far beyond mere support of the Kuomintang regime.-The idea was to establish complete and undivided U.S. imperialist control over China and seize all economic key positions in that country.

Taking advantage of the fact that the anti-popular Kuomintang regime was dependent on U.S. support American imperialism imposed on China a series of shackling treaties and agreements. The Friendship, Commerce and Navigation Treaty concluded in Nanking on November 4, 1946, gave the American monopolies absolutely unlimited opportunities for expansion. They received exclusive rights to establish all manner of business concerns, complete freedom of action in trade and industry, freedom of prospecting for natural resources, the right not only to establish and operate industrial plants throughout China but to acquire land, erect buildings and exploit the country's natural wealth. Foreign imperialists enjoyed extensive privileges in China before the war too. But never had any imperialist power enjoyed such sweeping rights as those granted to the U.S. imperialists by Chiang Kai-shek.

The Commerce Treaty was not the only document legalising the domination of American imperialism in China. It was supplemented by many other fettering agreements—that of September 1946, which allowed American shipping the free use of Chinese ports, the Air Transport Agreement (December 1946), the Economic "Aid" Agreement (October 1947 and July 1948), the agreements on the U.S, "Educational Foundation" in China (November 1947), on rural "reconstruction' (August. 1948), etc.

All these agreements gave the American authorities the direct right to interfere in the administration of China. American advisers were installed in key positions in the Kuomintang State machine. Thus, the Ministry of Finance was controlled by Young, and the Ministry of Justice by Pound. Certain supervisory posts in the economic field previously occupied by Britishers—those of inspector-general of maritime customs, of the members of the Currency Stabilisation Fund, etc.—passed over to Americans.

For all practical purposes the entire economic administration of China was centred in the hands of American Ambassador Stuart and his numerous economic attaches.

Working in contact with the plutocratic clique (the "four families"), the American monopolies obtained much fuller control of China's foreign trade, currency and credit system, transport and many branches of industry than any imperialist power had exercised prior to the war.

One example is furnished by the fact that in 1948 America's share in China's foreign trade (exclusive of trade via Hong Kong) was 48 per cent in imports and 20 per cent in

exports, while Britain's share (also exclusive of Hong Kong) was no more than eight per cent in imports and only four per cent in exports. In 1947 American shipping carried 27 per cent of China's seaborne trade, while the British share had dropped to 24 per cent from the prewar 35.

China's foreign airways and some of the inland routes as well, were monopolised by American companies. In the money and credit market British banks were superseded by such American monopoly concerns as the National City Bank of New York and the Chase National Bank. Chinese capital, belonging chiefly to the "four families" and totalling over 2,000 million dollars, was concentrated in American banks which were thus able to dictate the exchange rate of the Chinese dollar.

American penetration was less marked in industry and particularly in manufacturing. U.S. concerns seized control of the exploration and development of mineral deposits and of the construction and operation of power and transport facilities. The Universal Oil Products Company worked the West China oil fields; another American firm secured prospecting and mining rights in regard to the tin, tungsten and. antimony of South China. The Westinghouse Electric Company had a concession on the construction of power plants and the Morrison-Knudson Company on technical supervision and the supply of equipment for rehabilitating railways, ports, river transport, and Yangtze navigation.

American firms drew up the plans for a chain of hydropower plants on the Yangtze. The Rockefeller group took over control of the Shanghai Power Plant, the largest in China proper. General Chennault, chief of the Flying Tiger air force notorious for its smuggling and profiteering operations, acquired in conjunction with Madame Chiang Kai-shek monopoly rights in air transport. This list could be continued but even the facts cited are sufficient to explain the fury of Wall Street and its hatred for the Chinese people now that all this plundered wealth is slipping from the hands of the American magnates. Especially great was the American monopolies' haul of booty in Taiwan (Formosa), where they seized control of the aluminium industry, oil refining, the sugar industry, transport, seaports, etc.

Not content with establishing their control over large factories and entire industries American concerns bought up from the Kuomintang at a low price whole provinces and territories with all their assets. One example is the agreement concluded by the Pirnie, Lee company with the provincial governments, of Kwangtung and Kwangsi for the exploitation of natural resources. Another is the agreement between a syndicate formed by a number of American monopolies under the name of the South-China Development Corporation and Sung Tse-wen who in 1947 was appointed governor of Kwangtung. Sung was given a seat on the directing body of the syndicate.

Representatives of the "four families" and of the top Kuomintang officialdom had a hand in all these American monopoly undertakings in China. It is not only a case of a political merger of the Kuomintang leadership with American imperialism but of the economic fusion of Chinese monopolies with American concerns.

U.S. monopolies crowded out British capital which prior to World War II predominated in China's foreign trade, transport, mining and partly in manufacturing too.

The City magnates tried in vain to retain their positions in China and, for one thing, to conclude a trade agreement patterned on the Sino-American Treaty. Things reached a stage when British firms had to smuggle their goods into South China via Hong Kong.

British capital managed to retain a number of mining, manufacturing and transport establishments; these include the Kailan mines, the Shanghai docks, the Shanghai tramway system and several others returned to the British after Japan's surrender. But it no longer played the same important part in Chinese economic life as it had done before the war.

American postwar investments in China were largely in the form of government deliveries to the Kuomintang—if these can be classed as investments. This form of business relations suited the American capitalists, for they were able to sell their goods at high prices and without any risk, since all operations were financed by the Washington administration at the expense of the American taxpayer.

These "investments", as everyone knows, went mainly to line the bottomless pockets of the Kuomintang ringleaders. But part of them—in the form of arms, ammunition, military equipment, vehicles, seaport and airfield installations, etc.—were captured by the victorious People's Liberation Army.

As for so-called private American capital, it was directed largely to foreign trade, transport, banking, or, in other words, to fields from which it could readily be withdrawn. Monopoly rights to explore and exploit mineral deposits and to operate certain industrial plants did not yet imply the investment of capital. The American monopolies were waiting for a more favourable political situation before making investments and creating material values: they were waiting for the suppression of the people's liberation movement. And in anticipation of that much longed-for day, they took advantage of the Kuomintang's difficulties to exchange military "aid" for ever more far-reaching monopoly rights.

The economic domination of the American monopolies in Kuomintang China was thus thoroughly rapacious. Having complete control of distribution (trade, transport, credit), these monopolies proceeded, by resorting to dumping, not only to pump out China's foreign exchange but to destroy her national industries and trade.

Together with the Chinese reactionaries at the head of whom stood the plutocratic "four families", the American imperialists were chiefly responsible for the economic ruin and dislocation into which the country had been plunged.

The immense scale of American dumping, the financial speculations of the "four families", continued degradation of agriculture, a dislocated transport system, and lastly, the incredible inflation which served to rob the working people, finance the civil war and amass still greater riches in the hands of the monopolies, all combined completely to disorganise China's economic life. The industry, transport, banking and trade that still remained in the hands of middle and small capitalists were utterly ruined by American competition, profiteering and inflation. In the one year 1947, 500 business firms in Nanking ceased operations. In Tientsin, the same year, 70 per cent of all industrial establishments closed down and the remainder were producing at only 10 per cent of the prewar level. In Tsingtao, 50 per cent of all industrial plants went out of business and in

Canton 30 per cent; in Shanghai, only 582 industrial establishments out of the prewar 5,418 were operating in 1947, and by 1949 a large part of these 582 had also ceased production.

The industries built up in the Western provinces during the war were also in difficult straits. Most of the factories were forced to curtail output.

Official Kuomintang statistics show that in 1947, compared with 1936, the output of major items was: coal—16,700,000 tons as against 41,000,000, iron ore— 20,000 tons as against 3,300,000 pig iron—40,000 tons as against 1,400,000, and so on.

One of the results of this almost complete paralysis in industry was an enormous growth of unemployment and dire need alike among workers and among clerks, students and handicraftsmen. Strikes, "rice riots" of the hungry and protest demonstrations as part of the people's struggle against exploitation and the Kuomintang regime, never ceased despite the brutal police terror and wholesale executions. Discontent was widespread involving not only the working population but the middle and petty bourgeoisie whose political parties—the Democratic League, the Kuomintang Revolutionary Committee and others—openly came out against the dictatorship of the Chiang Kai-shek clique and American imperialism and joined the popular democratic front led by the Communist Party of China.

Economic developments in China during and after World War II led to the following important changes in the alignment of class forces:

1. The Chinese industrial proletariat registered a substantial growth in numbers and unity (facilitated by industrial concentration). The number of industrial workers in Manchuria and North China increased greatly. A considerable proletarian core appeared in the Western provinces (Szechwan, Yunnan), numbering between 150,000 and 200,000.

2. Differentiation among the peasantry became still more pronounced and the labouring peasants intensified their struggle against landlord oppression.

3. Under the impact of the semi-feudal oppression of the "four families" and the colonial oppression of American imperialism, the national bourgeoisie and the petty-bourgeois intelligentsia again joined actively in the national liberation struggle against foreign imperialism and the feudal oligarchy.

These changes in the alignment of class forces provided the conditions for transforming the united national anti-Japanese front into a popular democratic front led by the working class and the Communist Party.

As China's territory was liberated from reactionary rule, the Chinese democracy and its leading force, the Communist Party, were confronted with extremely responsible political and economic tasks. These were: the rehabilitation of the economy which the predatory rule of the Chiang Kai-shek clique and the U.S. imperialists had reduced to utter decay; and the complete abolition of feudal landlord oppression and colonial imperialist oppression. The accomplishment of these tasks required, and still requires, the mobilisation of all the progressive, democratic forces of China, united in a popular democratic front under the leadership of the working class and its Communist Party.

III

The economic situation was altogether different (during and after the Second World War) in the liberated areas which came into being in the course of the people's war against the Japanese invasion. By 1945 these areas comprised a territory of 887,000 sq. km. with a population of 95,000,000. Under Communist leadership and in keeping with the united front programme the democratic authorities in the liberated areas carried out a number of democratic political and economic reforms which made it possible to overcome economic backwardness and build-up a stable economy despite the Kuomintang blockade and the war against the Japanese. Even in those early days the liberated areas were in a position to meet the essential demands of the population and army out of their own resources and accumulate some reserves as well. The living standards of the working population here were considerably higher than in Kuomintang China.

With the liberation of Manchuria, North China and part of Central China, the liberated territory increased to 2,376,000 sq. km. (in January 1946), with a population of 148,000,000 and came to include a number of large towns and industrial centres. The scope of economic development was considerably extended. The People's Liberation Army now had an industrial war base, and this was one of the major factors in its complete victory over the forces of Kuomintang reaction.

The political and economic .situation in the country afforded the conditions for uniting the whole of the Chinese people in the struggle to throw off feudal and imperialist oppression and reconstruct the national economy along new, democratic linos, In 1946-48, the Communist Party advanced a programme of economic reform and proceeded to implement it in the "old liberated areas" in North Manchuria and some parts of North China, that is, in places where democratic rule had already been securely consolidated. The same programme was applied subsequently in all newly-liberated areas. The following are its major provisions:

a) *DEMOCRATIC AGRARIAN REFORM*. As early as 1946, the Communist Party led the peasant movement for restricting the power of the landlords by what was known as "adjustment" and by confiscating part of their land and transferring it to the exploited farm labourers and peasant poor. Though this movement did not completely eradicate landlord oppression and exploitation, about 60,000,000 peasants in 1946-47 received land that had formerly belonged to the landlords.

The All-China Agrarian Conference convened in September 1947 on the initiative of the Communist Party resolved to carry out agrarian reform and adopted a "Basic Programme on Chinese Agrarian Law". It provided for the complete abolition of the land ownership rights of all landlords and for the confiscation of land and means of production belonging to landlords and kulaks and their transfer to landless and land-poor peasants as private property.

This was the first nationwide legislative act of the popular authorities and it was hailed with enthusiasm not only by the population of the liberated areas but by the peasantry throughout China. The mass of the peasantry were drawn into the struggle for the land and an added stimulus was given to the people's movement for liberation.

The agrarian reform was carried out first of all in the old liberated areas. By the spring

of 1943 the landless and land-poor peasants of Manchuria had received 50,000,000 mu (over 3,000,000 hectares) of land and also a large number of cattle and large quantities of implements and seed. All in all, over 100.000,000 peasants received land in the old liberated areas. In 1949, the land reform was completed in the areas of South Manchuria and North China that had been liberated in the latter part of 1948 and the early part of 1949. By 1950, the reform had been carried out in full throughout Manchuria and four provinces of North China, with an aggregate crop area of over 100,000,000 acres; 150,000,000 peasants had received land.

The agrarian reform brought with it a very marked improvement in peasant living standards. It also created the conditions necessary for the gradual introduction in the Chinese countryside of collective forms of labour in the shape of mutual aid work teams and producers' cooperatives, for establishing large State-owned mechanised farms, for employing modern farming machinery and undertaking irrigation construction on a large scale. A real prospect was thus afforded of effectively combating natural calamities like droughts and floods and the resultant crop failures and famines, and of enhancing the productivity of peasant labour and securing the progress of agriculture.

b) *CONFISCATION OF BUREAUCRATIC CAPITAL*, that is, of the industrial plants, firms and capital belonging to the plutocratic clique of the "four families" and to the Kuomintang top leadership associated with them. All the economic positions which formed the foundation of Chiang Kai-shek rule were taken over by the democratic State and furnished the basis for the large-scale State-owned economic sector.

In 1947-49, as new areas were liberated, the popular authorities confiscated and converted into State property all the economic undertakings, large industrial plants, railways, motor transport, shipping, ports, communications and banks that had been appropriated by the Kuomintang plutocrats. These industries, and notably the large-scale industry of Manchuria and North China with its substantial proletarian core, constituted a powerful material and political base for the system of People's Democracy and for the reforms it put into effect.

Preparations for the confiscation of large-scale property and industries were made in China's industrial areas even before the People's Liberation Army had freed them, when they were still in the Kuomintang rear. The Communist Party set up underground detachments of armed workers to guard the factories and mills and prevent dismantling, removal or destruction of machinery by the retreating Kuomintang forces. Tens of thousands of workers protected the factories, not infrequently fighting pitched battles with the Kuomintang secret police and military. It was thanks to the devotion and heroism of the workers that the People's Republic was able to take over intact hundreds of factories and valuable property in South Manchuria and in North and Central China. In Shanghai, for example, the workers prevented the demolition of the Tsiangnan shipyards, the largest in China, of a large agricultural machinery plant and several other factories and also of the vessels serving the port. In many cities the workers took a direct part in the fighting, rendering very substantial assistance to the People's Liberation Army. Shanghai tram workers, for instance, surrounded and disarmed a Kuomintang army unit that had taken up a position in the tramway depot,

Following the liberation of large industrial and administrative centres, the popular authorities at once proceeded to take over, reorganise and put into operation the economic and industrial establishments which had belonged to the plutocratic clique and its political instrument, the Kuomintang Government. This work was supervised by the Military-Administrative Committees set up by the People's Liberation Army to serve as provisional authorities in the liberated areas.

The Committees coped successfully with their tasks; for they enjoyed the assistance of the workers and other democratic elements. In Shanghai, where the transfer of Kuomintang industrial and other establishments entailed a great deal of work, the Military-Administrative- Committee, headed by General Chen Yi, Commander of the Third Field Army, set up a number of departments to supervise the taking over of administrative institutions, banks, communication facilities, transport, industry and cultural institutions. Over 1,000 workers and many local progressive democratic personalities were enlisted for this work. An important part was played by the officials trained in the process of the democratic reconstruction and rehabilitation of the economy in Manchuria and North China. They directed all the work involved in putting into operation the industrial establishments and economic institutions taken over from the Kuomintang.

c) *SHIFTING THE CENTRE OF ACTIVITIES FROM THE VILLAGES TO THE CITIES AND CHARTING THE COMMUNIST POLICY IN THE URBAN AREAS*.

Large areas with important industrial centres were liberated from reactionary rule in 1947 and 1948, and this confronted the Communist Party and the popular authorities with a number of difficult problems. It was necessary to ensure the proper direction of the entire complex economic organism. This required that the Communist Party thoroughly reorganise its activities, which up to that time had been concentrated mainly in the countryside.

The Party had now to turn its attention first and foremost to organising industry, transport and so on. The second plenary session of the Party's Central Committee which met at Shihkiatchuan in March 1948, passed a decision on shifting the centre of Party activities to the cities, called upon Party members to master the art of economic management and formulated the basic principles of the Party's policy in the urban areas.

China's present economic policy is based on the rehabilitation and development of industrial production with the aim of industrialising the country and securing its economic independence. With this in view the Communist Party has formulated the following tasks:

a) Every opportunity for industrial development must be utilised. In particular, parallel with provision of the requisites for the rapid and priority rehabilitation and development of State-owned industries, cooperative and private industries must also be developed with the aid and under the control of the democratic State.

b) The conditions of the urban working population must be improved.

c) Broad development of goods exchange between town and country must be ensured by providing the peasants with the manufactures and farm machinery they need, and receiving from them raw materials for industry and food for the urban population.

In line with these, tasks, Mao Tse-tung, Chairman of the Communist Party of China, has formulated the basic principles of economic development in the liberated areas, as

"increasing output and building up a flourishing economy, with due regard for both public and personal interest for the interests of both labour and capital."

* * *

The economic measures introduced by the Communist Party were one of the chief factors contributing to victory in the civil war, and they ensured substantial progress in the rehabilitation and reconstruction of China's economy, ruined by the Japanese and the Kuomintang.

Highly indicative in this respect are the economic achievements scored in Manchuria, which. consist notably in the following:

The establishment of an economic machinery and the organisation of economic administration;

The growth of political understanding among the workers and peasants and their active participation in economic development;

Rehabilitation and development of the principal branches of Manchuria's economy—agriculture, industry and transport.

The liberation of Manchuria put in the hands of the popular authorities large cities, powerful industries, a developed railway system and other branches of economy—in part destroyed or damaged. Guided by the Communist Party these authorities proceeded first of all to build up the necessary machinery for administrating and rehabilitating this ramified economic structure. Executive personnel had to be found and trained and errors rectified in the process of the work itself. The chief source of economic administrative personnel was the working class of Manchuria which, for the first time in China's history, produced tens of thousands of able executives. With their aid work was started on organising the administration of industry and transport.

A highly important contributing factor was the experience accumulated in the administration of the Chinese Changchun Railway, jointly owned and operated by China and the Soviet Union. With the assistance of Soviet experts, Chinese administrative personnel acquired here the rudiments of economic management which they afterwards applied in Chinese establishments.

Soviet experience was also drawn upon in organising the administration of industry. All the publicly-owned industry in Manchuria, which consisted of factories and plants confiscated from the Japanese, was divided into State and locally-controlled industries. The State industries, which included munitions and other war plants and the larger civilian factories were managed by the Military-Administrative Committee of the Northeastern liberated area, which set up special departments of War Production, of Military Supply and of Industry. Coming under their supervision were such enterprises as the iron and steel combines at Anshan and Penhsihu, nine large coal fields (Fushun, Fusing, Hekang and others), and large machine-building, metal-working, chemical and other plants employing a total of several hundred thousand workers.

The remaining publicly-owned establishments were placed under the supervision of

the local authorities (provincial and municipal), who set up special industrial sections working under the guidance of the local industry division of the Department of Industry. According to incomplete data, there are 1,755 such establishments in 40 industries and employing 42,440 workers. An idea of how considerable is the volume of production of the locally-controlled industries is furnished by the following data on Liaotung Province. Here locally-controlled establishments include over 40 mills in nine branches of the manufacturing industry, seven in the ceramic industry and more than 10 establishments in the mining industry, spread over seven districts. Between them they employ 14,000 workers and their mechanical capacity totals over 16,000 H.P.

Parallel with State and Locally-controlled industries there is also private industry in Manchuria, consisting mainly of small semi-handicraft establishments, and a cooperative industry is gradually growing up. But it is the State and locally-controlled industries that dominate.

Direction of the other branches of Manchuria's economy was put in the hands of the Agricultural, Railway, Communications and other departments of the Administrative Committee. The Committee on Financial and Economic Affairs under the Administrative Committee organised and coordinated all economic activity.

The organisation of an economic administrative machinery was completed by 1947, and in October of that year the Northeastern Administrative Committee adopted the first economic plan for 1948 known as the "basic plan of economic construction in the Northeastern liberated area." It provided for a substantial increase in agricultural output as the result of the agrarian reform, the development of peasant cooperatives and mutual aid work groups, the enlistment of the urban population to help out in farm work and the establishment of a network of State farms. Under this plan 4,500 million Chinese dollars were allocated for agricultural development. The plan also envisaged the rehabilitation and development of transport and the key industries—munitions, general military supplies, textile, coal, iron and steel and power. Allocations for industrial rehabilitation and development amounted to 3,500 million Chinese dollars, 2,500 million going to State and locally-controlled industries and 1,000 million to private industry.

Industrial planning has now become an integral part of the operation of most of the State and locally-controlled plants. It is an important factor not only in rehabilitation but also in the reconstruction of industry along new, democratic lines. The enthusiasm of the workers and their devoted labour effort have enabled many factories systematically to exceed their output schedules.

In the war for national liberation the working class came to be the leading force of the Chinese people. The workers' position in industry has altered radically too. This is particularly manifest in the publicly-owned industries where the workers feel that they are now the masters. The attitude of the forward-looking worker to his factory and his own labour in it has undergone fundamental change.

This new attitude to labour stands out very saliently in Manchuria where publicly-owned industries predominate. For nearly 15 years Manchuria was a Japanese colony where Chinese workers were subjected to particularly brutal exploitation. The technical and: administrative personnel of Manchurian industry consisted almost exclusively of

Japanese. Following the liberation, responsibility for the rehabilitation and development of the larger plants which had belonged to the Japanese monopolies and which now became the property of the people and the industrial base of their Liberation Army, devolved on the Chinese workers. And, led by the Communist Party, the workers acquitted themselves with credit of their new tasks. Thousands of them were promoted to the posts of foremen, shop superintendents and plant managers. Many thousands more shared in the activities of the workers' administrative committees set up in the factories. In the Manchurian coal industry alone, 3,134 miners were promoted to positions of trust.

Drawing on the experience of the Soviet Union and applying it to Chinese conditions, the workers of Manchuria elaborated a form of participation in industrial rehabilitation and development that gives expression to the new relationships in production, based on the conscious discipline of the worker and his totally new attitude to his job. That form is the mass movement for distinguished service to the people and for record performance in production.

The widespread development of labour emulation has enabled the workers of Manchuria to surpass their 1949 production programme and rehabilitate such major industries as coal mining, iron and steel, machine-building and power generation. Seven industrial plants have been awarded banners of honour and prizes for outstanding accomplishment in 1949.

The extensive work performed by the Communist Party in the countryside has wrought big changes in the mentality of the peasant too. Various forms of collective labour and producers' cooperatives are springing up in the rural areas. In 1948, according to Chinese press reports, 60 per cent of all peasant farmsteads in Manchuria were taking part in diverse forms of mutual labour effort, and the percentage has increased since then. Year after year, Manchuria has been overfulfilling State grain delivery plans and achieving ahead of time the targets set by the popular authorities for sowing, weeding and harvesting. All this is proof of the growing public spirit of the peasant.

The active participation of the workers and peasants, under the leadership of the Communist Party, in the struggle to restore and develop industry and agriculture has made for substantial progress in every field of economic endeavour in Manchuria, Now that they have received land, large numbers of livestock and large quantities of farming implements and seed, the peasants have greatly extended crop areas and increased harvest yields. This has made it possible to keep the army and the towns adequately supplied with food though consumption by the peasants themselves has registered a sharp increase, Manchuria's cereal harvest increased from 6,000,000 tons in 1947 to 14,000,000 in 1940 and a harvest of no less than 18,000,000 tons is anticipated in 1950.

The restoration of Manchuria's entire railway network was completed in 1949. The rapid rate of rehabilitation and development in the war and war-supply industries may be judged from the fact that these industries were able to meet the requirements of the People's Liberation Army for arms, ammunition and other items. Notable rehabilitation successes have also been achieved in other important industries such as coal mining, timber, power generation, gold mining, etc. Coal output in Manchuria increased from 3-4 million tons in 1947, to 10-11 million in 1949. The rehabilitation of the iron .and steel

combines at Anshan and Penhsihu, the largest in China, is making good headway.

The rapid rate of rehabilitation, the fulfilment of production programmes and the fact that the output quotas introduced by the Japanese are being surpassed, are all very indicative. In the Penhsihu mines labour productivity is 32 per cent higher than it was under the Japanese. Manchuria's railwaymen have in 11 months increased freight carriage by 70 per cent.

Chairman Kao Kang of the People's Government of the Northeast Provinces, in his report on the 1950 economic plan, cited some figures on economic recovery in Manchuria. The 1949 output plan for all plants under the Department of Industry was exceeded by 4.2 per cent. The number of people employed in State and cooperative industries swelled by 240,000. Wages rose by an average of 27 per cent and allocations for social insurance went up considerably. The people's purchasing power shows a definite increase.

In 1950, the gross output of State and cooperative industry is to be 93 per cent and agricultural output 37 per cent, above 1949. The share of industry in the economy of this part of China will by the close of 1950 amount to 43 per cent as against 35 per cent in 1949.

Manchuria's success in economic recovery, the reconstruction of industry, improved organisation of labour and higher productivity in most State enterprises are all eloquent proof that, led by their Communist Party, the Chinese people are capable of restoring, developing and reorganising their country's economy on a new, democratic basis, despite all the schemes and prophecies of the imperialists.

Economic rehabilitation in Manchuria has progressed and new economic relationships and progressive forms of labour have spread there at a comparatively rapid rate because the level of industrial development is higher than in other parts of the country. It should, also be borne in mind that Manchuria was liberated three or four years before the rest of China. These factors explain why it has become the principal political and economic base for the development of People's Democracy in the new China and the source of its trained personnel.

In assessing Manchuria's achievements in the economic field, the following factors must be taken into account.

Firstly, the process of economic rehabilitation in Manchuria is by no means complete. This is to be explained above all by the enormous destruction caused by the war. A large number of industrial plants were destroyed by the Japanese, the Kuomintang and the U.S. air force. At the close of World War II, when there was no longer any military justification for such destruction, U.S. aircraft bombed the Anshan iron and steel combine, the largest in China and a number of big plants in the Mukden industrial area. The Japanese, and subsequently the retreating Kuomintang armies, put out of commission over 60 per cent of all coal-mining capacity.

Secondly, Manchuria's economy, though advanced for China, is actually backward. Small-scale farming prevails; in industry a very large proportion of all work is still performed by hand with the result that in both agriculture and industry labour productivity remains at a very low level.

Lastly, great as are its achievements in developing progressive forms of economy, Manchuria is not the whole of China. It accounts for only 11 per cent of the country's territory and only six per cent of its population.

As distinct from Manchuria, where the process of economic rehabilitation and reconstruction has been going on now for some four years, in the greater part of China it began only in 1949 and in South and West China, later still at the beginning of 1950.

But in spite of this, in the recently-liberated areas too a certain amount of progress in rehabilitating industry and transport has been attained.

As a rule the first to resume production are the factories that have been taken over by the State. This is so because of the activity and enthusiasm of the workers. In Tientsin the first to resume operation were six State-owned textile mills (230,000 spindles); and in April 1949, these mills were already working a full week, not three days a week as was the case under Kuomintang rule.

No time was lost in restarting the iron and steel works at Shihchingshan (near Peking) and Taiyuan. Output in these plants in 1949 was respectively 73 per cent and 20 to 40 per cent higher than in the Kuomintang days.

Quite a number of State-owned enterprises in North China achieved a higher output level in 1949 than under Kuomintang rule and substantially exceeded their production programmes. At the Tientsin iron and steel mills the workers trebled steel output and surpassed their 1949 programme by 25 per cent.

State-owned industry was quickly restarted in Shanghai where the workers had prevented the destruction or evacuation of industrial plant, fuel and raw materials. Production in nine textile mills was resumed immediately after the liberation of the city; 60 per cent of their productive capacity was again in operation by May 28 1949. In Canton a large proportion of all industries taken over by the State already resumed output in January of this year and they are now producing more and better goods than under the Kuomintang regime.

Production is also being resumed gradually in private industrial establishments, most of which were obliged to close down under the Kuomintang as a result of American competition and oppression by the "four families".

Last December 5,000 private industrial establishments were restarted in Peking; this is 75 per cent more than the number operating under the Kuomintang regime.

In Shanghai only 25 per cent of the industrial firms were operating in June 1949; but by August the percentage had risen to 60 and by November, in a number of industries, all establishments were working. Private industries in Hankow, Canton, Chungking and Kunming, which had come to an almost complete standstill in the last years of Kuomintang rule, are also gradually reopening.

Many difficulties have to be overcome in rebuilding factories, a process which in many provinces is only just beginning and even in resuming production in plants that have retained all or part of their equipment. One of the problems is organising the supply of fuel, raw materials and food to the large maritime centres, which because of China's semi-colonial position were formerly dependent on imports from abroad. Shanghai, for instance, with a population of 6,000,000 and large industries had to rely on foreign

imports for much of the fuel required by its power plants, factories, mills and shipping and for much of its cotton, rice and wheat, though all these items were available in China. When liberated Shanghai was blockaded by the Kuomintang from the sea, its supplies had to be brought from distant parts of the country, over railways that were not prepared to handle such large quantities of goods and were badly damaged to boot.
The position was similar, though less acute, in the other large cities of China—and hot only in the ports such as Tientsin, Tsingtao and Canton, but in great inland towns like Peking and Hankow.

Under these conditions restoration of railway transport became the cardinal task of the popular authorities while the liberation war was still in progress. This was essential also to ensure the movements of the advancing People's Liberation Army and its regular supply. The enthusiasm of the workers and soldiers and the assistance of the peasant population made it possible within a brief period to restore and put into operation a railway network that had been badly mauled in the war with the Japanese and the Kuomintang reactionaries. While hostilities were still in progress traffic was resumed on all the major lines—Tientsin-Pukow, Peking-Hankow and Canton-Hankow. By October 10, 1949, trains were running on 18,400 kilometres of line or over 68 per cent of China's total railway mileage. By 1950, traffic had been restored on 21,000 kilometres of railway line or 78 per cent of the total. The resumption of railway traffic makes it possible to supply Peking, Tientsin, Nanking, Hankow and Shanghai with fuel, raw materials and food and will greatly accelerate industrial rehabilitation.

The successful rehabilitation of China's economy is an expression of the tremendous creative energy and the advantages of People's Democracy. But the Chinese people are only just beginning to solve the economic rehabilitation problems that confront them. Many industrial establishments destroyed by the Japanese, by by American bombings or by the retreating Kuomintang troops have not yet been rebuilt. Much time and effort will still be required to nurse back to life China's industry and transport, particularly her river and sea transport, which plays such an important part in her life. Mao Tse-tung told the Central People's Government Council on December 2, 1949 that from three to five years will be required to rebuild China's ravaged economy.

Besides the task of rehabilitating industry, the Chinese people face the task of abolishing feudal relations in the countryside and remaking China's backward agrarian economy. The Communist Party's economic programme calls for increasing the proportion of industry in the national economy from 10 per cent to 30-40 per cent and estimates that this will require at least 10 to 15 years.

These are the tasks on which the creative energies of the Chinese People's Republic are now focussed.

IV

The prime factor making for the decisive and swift victory of the Chinese people over the Kuomintang tools of American imperialism was the increased strength of the international camp of democracy and Socialism, headed by the Soviet Union. Similarly, the consolidation of this great victory has as its basis, in the final account, the fact that the

material and moral strength of the democratic, anti-imperialist camp has grown immensely in recent years. This was emphasised by the Commander-in-Chief of the People's Liberation Army, Chu Teh, when he addressed the inaugural meeting of the Chinese Soviet Friendship Association last year. Chu Teh said:

> "The Chinese Revolution could not have attained so swift and imposing a victory—and could not have consolidated the victory, even if it had been won—without the Soviet Union, without the victory of the antifascist forces, led by the Soviet Union, in the Second World War, and without the unparalleled growth, in these last four years, of the international democratic camp of peace, at the head of which stands the Soviet Union."

The rapid rate of China's liberation, which was completed in 1949, was a direct result of the fact that the vast majority of the Chinese people united around the Communist Party and its programme of abolishing feudal and imperialist oppression. This unity found expression in the formation of the People's Democratic Front led by the Communist Party and embracing all democratic parties and groups, public organisations, the People's Liberation Army, the national minorities, Chinese residing abroad and all other patriotic and democratic elements. Representatives of all these parties, organisations and groups took part in the preparations for the People's Political Consultative Conference which met at the close of September 1949. The conference set up the directing body of the united front—the People's Political Consultative Council—on which all democratic parties and groups are represented and adopted the united front programme, known as the Common Programme. The conference proclaimed the establishment of the Chinese People's Republic, enacted the Republic's basic laws and formed the Central People's Government, under Mao Tse-tung, Chairman of the Central Committee of the Communist Party. The united front programme furnished the basis for the activities of the new government.

The Communist Party, the vanguard of the Chinese working class, is the organiser and leader of the united front. And the directing and leading force of the people's liberation movement in China is the working class, which acts in alliance with the peasantry. At the present stage that movement is spearheaded against feudal and imperialist oppression and against the domination of the plutocratic clique closely associated with the feudal system and foreign imperialism. These facts determine the present policy of the Central People's Government.

When in 1926-27, Comrade Stalin spoke of the bourgeois-democratic character of the Chinese revolution, he proceeded from the concrete situation in China and the task with which that situation confronted the people's national liberation movement, namely, the abolition of feudal and imperialist oppression. As a result of the political and economic changes that have taken place in China in recent years, there arose the further task of abolishing the power of big bureaucratic capital, headed by the "four families" monopoly group. Democratic reforms of outstanding importance are being carried out in China. The power of big bureaucratic capital has been abolished and the conditions have been afforded for progressive economic development. The small and even middle national bourgeoisie, whose interests suffered under imperialist oppression and the feudal

stranglehold, have joined the People's Democratic Front and are represented in the government institutions it has founded. This bourgeoisie can still play a certain positive role in the economic development of People's Democratic China, in overcoming economic backwardness and diffusion and building up a national industry.

Mao Tse-tung stressed precisely this role of the national bourgeoisie in his article *The Dictatorship of People's Democracy:*

> "The national bourgeoisie is very important at the present stage. Imperialism still exists alongside us, and it is a very cruel enemy. China will require a long time to achieve genuine economic independence.... To cope with the pressure of the imperialists and advance its backward economy even a single step, China must make use of all urban and rural capitalist enterprises that are useful to its national economy and do not impair the living standards of the people; it must join forces with the national bourgeoisie in the common struggle. Our present policy is one of restricting capitalism, not of destroying it."

This restriction of capitalism consists in eliminating big bureaucratic capital and the plutocratic upper crust, and also in limiting the capitalist exploitation of the workingman and instituting State control and regulation of the development of private capitalist enterprise. While taking part in China's economic development the capitalists will no longer direct that development.

> "The national bourgeoisie," Mao Tse-tung writes, "cannot be the leader of the revolution and neither may it occupy a leading place in the State."

The leading and directing force in the new China is the working class, acting in close alliance with the peasantry, The form of State power in China is the dictatorship of People's Democracy, which represents the power of the People's Democratic United Front of the working class, peasantry, petty bourgeoisie, national bourgeoisie and other patriotic and democratic elements. It is State power based on an alliance of the workers and peasants and directed by the working class.

In the People's Republics of Central and Eastern Europe, which in the past were countries of more or less developed capitalism and which have now embarked on the building of Socialism, People's Democracy is developing in struggle against the capitalist elements and performing the functions of the proletarian dictatorship, as one of the forms of that dictatorship. In China, in view of the specific historically-evolved conditions in that country and the resultant relationship and alignment of class forces, People's Democracy, at its present stage of development, directs its struggle first and foremost against the feudal elements, the imperialist oppressors and the big bureaucratic capital associated with them. In other words, it is completing the tasks of the bourgeois-democratic revolution. The fact that the proletariat, headed by the Communist Party, exercises leadership, makes People's Democracy in China a form of State power that marks a transition to "China's non-capitalist, or, more exactly, Socialist development," as Comrade Stalin foresaw as early as 1926. The political and economic requisites for this transition are now being created.

The political requisites are: power in the hands of the people, the proletariat playing the leading role and acting in close alliance with the basic mass of the population—the

labouring peasantry, and leadership exercised by the Communist Party and recognised by the entire people.

The economic requisites consist in the direction of the principal branches of the economy, and in particular of heavy industry, by the democratic State. The democratic State controls all basic branches of the economy—heavy industry, transport, banking, foreign trade. This enables the People's Government to guide economic development in the interests of the people—a fact that has found expression both in the united front programme and in the economic measures of the Central People's Government.

The united front programme aims at abolishing feudal and imperialist oppression and the power of big bureaucratic capital. The principal economic objective of the Chinese People's Republic is all-round advancement of the national economy, development of the nation's productive forces, and industrialisation of the country. The programme envisages annulment of all the privileges hitherto enjoyed by imperialist States; confiscation of bureaucratic capital and its conversion into the property of the people's State; transformation of feudal and semi-feudal landownership into peasant ownership; protection of public State and cooperative property, and "protection of the economic interests and private property of workers and peasants, the small bourgeoisie and the national bourgeoisie."

Land reform is viewed in the programme as the principal condition for the development of productive forces and for industrialisation. The programme guarantees the right of the peasants to own land and provides for a succession of measures that should enlist the peasantry for carrying out agrarian reform where it has not yet been introduced.

Much attention is devoted to developing the Socialised sectors of the economy. The programme defines the economic structure of the new China as consisting of five sectors: State economy, cooperative economy, individual peasant and handicraft economy, private capitalist economy, and State capitalism. The largest sectors at present, in the number of persons working in them and in volume of output, are individual peasant and handicraft economy and private capitalism. Moreover, landlordism still exists in a considerable part of the country, and foreign capital in the maritime towns. Though they have forfeited their political positions, both still retain their economic positions in part and the struggle against them is not yet completed.

State economy already holds a position in the basic branches which makes it the leading sector. It is, as the programme indicates, the "principal material base of the People's Republic" and the "leading force in the entire Socialised economy."

The programme describes State economy as Socialist in character and provides for its priority development. At the same time, the State encourages the development of cooperative undertakings, and also of all private businesses whose activities "promote the welfare of the State and the people." The programme also provides for encouraging, "as far as necessary and possible", the development of the State capitalist sector, which is a form of cooperation between private capital and the State industries, with joint exploitation of industrial establishments, the leasing of State-owned establishments to private capitalists, etc.

But while it permits the existence and even development of the private capitalist sector, the programme restricts the exploitation of workers employed in that sector. The workers are guaranteed collective bargaining, their working day is limited to 8-10 hours, a minimum wage is stipulated, and provision is made for instituting a system of labour protection and gradually introducing social insurance.

With a view to providing optimum conditions for rapid economic recovery and industrial progress the programme maps out a number of far-reaching measures in all fields of economic endeavour and outlines an over-all plan of rehabilitation and development in the basic State and private industries.

In agriculture, the programme envisages: rehabilitation and development of agricultural production on the basis of the agrarian reform; State encouragement for various forms of peasant mutual aid work groups and producers' cooperatives; restoration of the irrigation system; development of animal husbandry; improvement of agricultural implements; use of better-grade seed, and so on. In-the industrial sphere, it envisages planned priority rehabilitation and development of heavy industry, and also the restoration and extension of the textile and other light industries.

Measures are also outlined for encouraging Socialised economy in other branches as well.

All in all, the united front economic programme, while allowing the continued existence of the conditions for the limited development of private capitalist enterprise, sets out to achieve the maximum and priority development of Socialised economy.

This programme is already being implemented. The Chinese People's Republic, Mao Tse-tung pointed out in the TASS interview published on January 2 of this year, is going over to peacetime economic development.

By the close of 1949, the agrarian reform had been completed throughout Manchuria and the "old" liberated areas of North China. The thing now is to put it into effect in the rest of the country where some 200 million peasants are still under the yoke of the big landlords. Undermining the power of the landlords and kulaks who still cruelly exploit the peasantry in these areas, will require a great deal of preliminary work in the way of organising the peasants and developing their political understanding. In view of this the popular authorities have decided that the implementation of agrarian reforms in the recently liberated areas shall be gradual.

At present, the reform is being carried out in Honan province, and following this year's autumn harvesting, it will be introduced in 11 provinces of East, Central, South and Northwest China.* In the autumn of 1951 it will be extended to seven provinces of Southwest and Northwest China,† and this will mean the liquidation of feudal landownership throughout the country. In order to ease the position of the peasants pending agrarian reform, rents and- interest on loans have been reduced in all areas immediately after their liberation. An integral part of the preparations for agrarian reform

* Kiangsu, Chekiang, Anhwei, Fukien, Kiangsi, Hupeh, Hunan, Kwangtung, Kansu, Ningsia and Chinghai.

† Kwangai, Yunnan, Kweichow, Szechwan, Sikang, Sulyuan and, possibly, Sinkiang.

is the organisation of peasant unions and committees.

Side by side with agrarian reform and the taking over of former Kuomintang industrial concerns, which has been completed in the main, the popular authorities are setting up administrative bodies to direct the nation's economic life. A State Administration Council had been established by the beginning of last November and its various committees and also the ministries, began to function. This complex central government machinery could be set up in so short a space of time because an administrative apparatus already existed in Manchuria and North China—the machinery of the Northeast and North China People's Governments, which provided a core for the Central Government Administration.

Economic administration in the Central People's Government is concentrated in 14 ministries: Labour, Water Conservancy, Forestry, Agriculture, Communications, Post and Telegraph, Railways, Trade, Finance, Heavy Industry, Fuel Industry, Textile Industry, Food Industry and Light Industry. The Ministry of Finance supervises the People's Bank and the Ministry of Trade the Maritime Customs Administration. The activities of all these ministries are coordinated by the Committee of Finance and Economics.

The formation of central economic bodies made it possible to start making arrangements in November 1949, for economic administration and planning on a nationwide scale. National conferences were convened to discuss the situation in the various branches of the economy; they were attended by representatives of the ministries, the local authorities, State-owned enterprises, research institutions and private business interests and by experts in the respective fields. These conferences worked out the chief rehabilitation objectives each industry and concrete economic plans for 1950. This inaugurated the process of knitting China's scattered economy into an integral whole.

Between November 1949 and February 1950, national conferences were held in Peking covering coal production, taxation, agriculture, food supply, iron and steel, the chemical industry, railways, shipping and road transport, and telegraph communications.

In order to bring the administrative and economic authorities in closer touch with local needs, administrative and economic bodies covering several provinces are being set up in addition to the central bodies. Their jurisdiction follows the existing economic divisions of the country: Northeast (Manchuria, with the centre at Mukden), East China (Shanghai), Northwest China (Sian), Central and South China (Hankow), and Southwest China (Chungking). In addition to centralised economic planning, these areas draw up their own economic projects and plans.

A complex task is normalising the currency system and finance generally. The Kuomintang reduced China's finances to utter chaos. In the present period of transition from war to peace the Republic still has to maintain a large army. The inflated administrative apparatus left by the Kuomintang regime has not yet been pruned down to normal dimensions. As a result of all this, administrative and military expenditure makes up approximately 60 per cent of the national budget. To ease this financial strain, the Central People's Government has drawn up and is putting into effect a plan under which troops will be used in production, with the idea that the army should supply part of its own needs. This January the government launched a People's Victory Loan to cover the

budget deficit. This loan, the denominations of which were calculated on a commodity basis, was substantially oversubscribed in a short space of time.

In this way the young Chinese People's Republic is healing its war wounds and tackling the job of economic reconstruction. Immensely valuable is the support it is getting from the Soviet Union, which found expression in the Soviet-Chinese Treaty of Friendship, Alliance and Mutual Assistance concluded on February 14, 1950, in the Agreements on the Chinese Changchun Railway, Dalny and Port Arthur and on the long-term 300,000,000 dollar credit to China signed at the same time and in the agreements concluded in Moscow on March 27 for the formation of joint Soviet-Chinese oil, non-ferrous metals and civil aviation companies. The treaty and agreements will play an important part in the rehabilitation and development of China's economy and particularly of her industry and transport.

In their work to accomplish the big and difficult tasks of economic rehabilitation and reconstruction, as in their struggle to realise their political aspirations, the great Chinese people are not alone. They can and will rely more and more on the steadily growing might of the entire democratic, anti-imperialist camp, headed by the Soviet Union. And, conversely, this camp has been immensely strengthened by the victory of the national liberation movement in China. Relying on the support of the Soviet Union and of the entire democratic, anti-imperialist camp, the Chinese people are fulfilling and will successfully fulfil their great historic task. How much this means for the whole of mankind, for the triumph of peace in the world is obvious.