

Report No. 7  
CHINA OFFICE



China Office  
15 July 1946

TO: Col. F. W. Harris, Acting Director  
Office of Far Eastern Affairs

FROM: J. Franklin Ray, Jr., Acting Director  
China Office

SUBJECT: Monthly Report No. 7 (June, 1946)

Reorganization: Attached as Enclosure 1 is a table of Organization Class I Employees China Headquarters Office.

Yellow River Project: In spite of many difficulties, excellent progress has been made on the closure of the break in the Yellow River Dike and the repair and strengthening of the dikes along the old water course. The pile driving operations were completed on the afternoon of 21 June. The dumping of stones to protect the piles is under way using hand propelled push cars on narrow gauge light rail. It is planned to use both railway cars and dump trucks on the trestle when the rock dumping operations are in full swing.

The work of repairing the dikes along the old water course is well under way. This work was first started in the Communist areas around 10 June. After about a week's operations most of the laborers remained at home to harvest their wheat crop. By the end of the month, however, 150,000 laborers were at work on the dikes in Eastern Shantung and 230,000 in Western Shantung. Very little work has been done on a small area held by the National Government in Eastern Shantung. However, it is expected that the work on this section will be completed before the gap is closed.

The laborers on the lower dikes were to be paid with UNRRA flour. Due to difficulties of transportation, however, no flour was delivered until the last week of the month. The Communists complained at the non-delivery of this flour as they were fulfilling their part of the contract by providing the labor. This condition is being remedied very rapidly by the shipment of flour to Lang-feng, the nearest railway point to the Communist area, and the transportation by truck from there to Tsaochow where CNRRA has set up a sub-regional office for servicing Western Shantung. A three billion dollar budget has been set up by CNRRA for relief in the river region and is to be administered by a three man committee (one CNRRA, one UNRRA, and one Communist representative).

The first stage of the dike repair program has been completed. The second stage includes the raising of the main dikes one foot or more and the revetment work to protect danger points.

A letter has been sent by General Chou En-lai to Mr. Hsueh Pi-ti stating it had been found that Communists had participated in the sabotage of equipment at the rock quarries. He apologized for the action of these men and stated that it had been done entirely without authority from Communist officials. He promised that



the 15 men, who had been kidnapped, would be released and that the offenders would be punished. On 19 June the kidnapped men had not been released. A conference was held with the American representative on the local Cease Fire Team, who stated that if the men were not released within two days the team would visit the town where they were held and demand their release. This action was taken. The 15 men were released and are now back on their old jobs in the quarries. Since the sabotage was undoubtedly committed by a band operating without authority it is believed no particular significance should be placed on this incident and that it should be considered closed.

During the month the Communist authorities continued to object to the building of the rock-fill dam at the closure until after the lower dikes had been fully repaired and strengthened. Mr. Todd and other engineers have maintained that the work must proceed simultaneously, otherwise the gap will not be closed before high water. By the end of the month the work had progressed to the point where high Communist authorities agreed to allow a start to be made on the dam, but stipulated that it should not be completed until the lower dikes were declared safe. According to present arrangements part of the water will be allowed to run through the rock-fill dam. It is estimated that about one-third will follow the present course of the river and two-thirds will follow the old course. Such an arrangement should prevent floods both in the present flooded areas and along the old river bed.

During the month 11 trains were despatched. They carried 400.378 tons of equipment and supplies (cumulative 5849.378) 7069.504 tons of food (flour - cumulative 29,289.45) and 2018.201 tons of miscellaneous supplies (cumulative 4150.65).

CWT: As stated in the May Report, transfer of CWT's maritime and shore operation personnel from UNRRA payroll to Chinese payroll at the earliest possible moment was to be accomplished. The policies laid down in Commander Jackson's memorandum of 18 May, and its supplement by Harris of 21 May have been accepted in principle by Drs. Soong and Tsiang. Implementation of these principles is underway.

A draft Bare Boat Charter, being prepared by Legal Counsel, will incorporate the latest policies of UNRRA. This will be submitted to CNRRA early in July in order that vessels transferred to CNRRA will be properly accounted for. CNRRA is to assume responsibility for damage and third party liability in case of accidents.

Washington Cable No. 2454 provides for retention of title by UNRRA until the end of the program to watercraft costing \$50,000 or more, when title may be relinquished to recipient government providing the craft have been used in accordance with Council policies and it is determined that a need exists for their continued use by the country. This condition is being incorporated in a supplemental agreement with the Executive Yuan.



Communist Situation: Shipment of supplies into Communist areas has been a major problem this month. Representation has been made to highest Nationalist and Communist authorities protesting interference with shipment and distribution of supplies. The principal spots involved are Yangchow in Kiangsu, Tsingtao and Tientsin.

A blockade imposed on 24 May on supplies at Yangchow was rescinded on 27 June at which time a pass was issued for the passage of three hundred tons of flour and six tons of medical supplies. In a cable to General Pai Chung Hsi, Minister of National Defense, Nanking from China Office Headquarters, relative to the lifting of this blockade, Mr. Ray said in part: "This interference with the distribution by CNRRA of supplies given China by UNRRA constitutes a flagrant violation of China's obligation under international agreements, including the Basic Agreement entered into by UNRRA and the Government of the Republic of China. This agreement was approved by both the Executive and Legislative Yuans and constitutes a solemn commitment by the Government of the Republic of China. Furthermore the Yuan in the latter part of May issued instructions that supplies donated to CNRRA by UNRRA should have free passage to all needy areas in China. On June 8, Generalissimo Chiang Chung Cheng affirmed his policy for such free and nondiscriminatory distribution. If such interference is not immediately remedied the obligations of UNRRA to the various nations contributing funds and supplies to China will require it to carry this protest to the highest international quarters." This followed previous strong representations to the Nationalist Government Branch at Cease Fire Headquarters, to the President of the Executive Yuan, and to General Marshall.

Despite the critical situation at Tsingtao, a convoy carrying medicine and food into the area and coal out, made a successful trip from Tsingtao to Weihsien. At present the situation at Tsingtao appears to be under control.

Sales Policy: The continuing delay on the part of the Chinese Government in financing the distribution of supplies brought into China by UNRRA, and the continuing dependence on proceeds of sales to meet administrative and operating costs has been attacked on high levels in Nanchang but still no funds are on hand.

UNRRA policy has been clarified on the following points:

1. Authority to CNRRA-UNRRA regional offices to dispose of essential but not basic foodstuffs according to priority table was approved. Distribution procedures including the sale of stocks surplus to those distributable by free issue within a reasonable length of time were approved.
2. Sales of industrial equipment which are surplus to programmed needs in liberated areas were approved.
3. Clarification was reached on the misunderstanding regarding the sales policy followed in the sale of Quonset huts. Sales which are in accordance with provisions of Council Resolution No. 7 were approved. Sales to Chinese Government Agencies not falling within the terms of such resolutions were disapproved. CNRRA was so informed.



CHT: Because of continuing rumors, charges and counter-charges made against CHT in respect to its management and operations, a full-scale investigation has been ordered and is under way.

Fisheries Program: Since the reconstruction of the China fisheries offers opportunity for the immediate supply of food, a plan of operation has been submitted to CNRRA for approval. The essential points covered include:

1. Establishment of a CNRRA subsidiary organization provided with an adequate budget and vested with executive and administrative power to develop the plan in accordance with clearly stated policy. The substantial budget required to operate the program should not be a burden on the national treasury because revenue from the fishing operation should cover most of the outlay.
2. Acquisition of a base from which to operate to insure that land and buildings are definitely secured for fisheries operations. This space is necessary for accommodation and messing facilities for 200 to 300 fishermen arriving as expert crews of overseas fishing vessels; housing of fisheries supplies; berthing facilities for fishing vessels procured in the U.S. and Australia, and operation of a fisheries school for training of men. It may become necessary to establish other bases when operations are substantially underway.
3. Establishment of firm personnel requirements of both CNRRA & UNRRA program personnel.

Guarding of Incoming Shipments: Because of mounting pilferage, steps have been taken to prevent theft from incoming shipments. Since UNRRA is a major importer a request for adequate protection was made to the Chinese Maritime Customs. During the month a circular of instructions was issued by the river police and distributed to shipping companies outlining procedure to be taken for protection of incoming cargo.



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SECTION 1: Relation with CMRRA and other Units of the Chinese Government

During the month continued representations have been made to highest quarters relative to distribution of supplies to Communist areas, discussed elsewhere in this report.



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SECTION 2: Relations with other Agencies

Nothing to report.



SECTION 3: Public Information

During the month of June nineteen new releases were prepared by the Office of Public Information. Ten special photo-feature stories were distributed to Washington, London and Sydney.

Grant McLean, Canadian Film Board Director-Cameraman, continued shooting on the Yellow River Project documentary; 10,000 feet of film have been shipped to Ottawa. Mr. James Burke, Saturday Evening Post, and Mr. Arch Steele, N. Y. Herald-Tribune, through arrangements by this office, visited the Yellow River Project. Because of uncertain political factors that may effect the closure of the break, this office has not prepared any official publicity on the project.

Two members of the Division went to Hunan to report on the CNRRA-UNRRA program in the famine area. Previous coverage of the area had emphasized its extent and seriousness. This trip was to show the accomplishments of UNRRA and CNRRA since food shipments started flowing into the area.



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SECTION 1: Supply and Distribution

EXAMPLE OF SUPPLIES - 1. SHANGHAI

During the month of June, 32 ships completed discharge, in Shanghai of 62,740 long tons. Twenty three ships, totalling 65,988 long tons are being discharged and 56 ships with a total tonnage of 190,334 long tons are enroute. Enclosure 2 is a breakdown showing the total tonnage arrived in Shanghai from June 1st to 30th, 1946.

During this time there were from fifteen to twenty-five ships awaiting entrance to the harbor at Woosung Anchorage. The sum of \$200,000 U.S. is the amount expended by ships, actually in Shanghai, being forced to wait for a berth. The wharf companies have been less inclined to accept ships with UNRRA cargo because of difficulty in getting their bills paid, and because of the inability of UNRRA to move from the wharves a great deal of landed cargo.

Conditions are likely to become more complicated due to two changes. On the first of July the Navy Port Director turned back to the Customs the actual operation of the Whangpoo River which includes berthing the ships at buoys and providing certain protective measures to relieve the mounting pilferage. Furthermore we have been advised by USA that approximately 115 ships which have been operating in the Pacific will be turned back to private operators. This will obviously increase competition for the relatively few available berths.

2. OTHER PORTS

To date the following ships have arrived and discharged tonnage as follows: Hongkong, 30 ships, 93,230 long tons (one ship with an estimated tonnage of 8,134 long tons is discharging and 12 ships with an estimated tonnage of 52,546 long tons are enroute); Amoy, one ship, 16 long tons; Chingwangtao, 3 ships, 10,350 long tons; Tsingtao, 6 ships, 30,407 long tons. One ship is enroute to Taku Bar and Hulatao with a tonnage of 8,192 long tons.

Food: A total of 52,907 tons of foodstuffs was received in June. Of this amount Shanghai received 44,765 tons and Kowloon 8141 tons. The breakdown by commodities is given in Enclosure 3.

The cumulative total of food received to the end of June was 429,751 tons, of which 364,780 tons came to Shanghai and 64,971 tons went direct to other ports. This data is given by products in Enclosure 4.

Medical Supplies: From June 1st through June 30th, 507.7 long tons of medical supplies arrived in Shanghai aboard 8 vessels and 1 RAF plane. Total tonnage received to date totals 8271.7 long tons.



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#### SURPLUS PROPERTY PROCUREMENT

A number of purchase orders were held up to take advantage of what was expected to be a decision by OFLC to give UNRRA better price break. As a result of negotiations we now pay only 70 ¢ on the dollar, a saving of 30 ¢ on every dollar we spend, whereas we had been paying 100 cents on a dollar. Both prices are based on a depreciated cost depending on conditions of the property.

More recently procurement operations here have been temporarily reduced to a minimum in keeping with Washington instructions (cable No. 2519) to cease surplus procurement for Archab (except tractors), the necessity of clarifying the status of Requisition UA - 1145, and the desirability of clarifying the procurement situation at Manus and Samar before committing additional funds here with the risk of duplicating procurement. Mr. George St. Louis is now in Manila for the purpose of clarifying the Manus and Samar situation.

The cumulative totals through June 20 are:

<u>Code No.</u>	<u>Commodity Division</u>	<u>Cumulative Totals</u>
1.	Industrial Rehabilitation	\$1,858,367.17
2.	Agricultural Rehabilitation	60,793.62
3.	Clothing, Footwear, Textiles	—
4.	Medical	560,621.36
5.	Food	39,911.01
6.	Identical	—
7.	Administrative	29,906.29
8.	Displaced Persons	138,909.00
		<u>\$2,688,508.45</u>

#### REQUIREMENTS AND ALLOCATIONS

General: The Requirements and Allocations Division during the month has been occupied mainly with work on the adjusted Twelve Months Program Budget. After Washington Cable No. 2500 was received suggesting certain cutbacks and revisions Division personnel worked with CNRRA and the joint commodity committees in finalizing the revisions. The agreed firm program was then drafted and cabled to Washington in Shanghai Cable No. 2509.

Records Section: The personnel and equipment requirements for the newly formed Records Section have been nearly filled.

Allocation records are in process of being brought up to date, compiled and reviewed.

Distribution records are being taken over, integrated and kept up to date by the Records Section, and it is anticipated that a coordinated system of keeping commodity records and gathering information will be set up on parallel lines by both CNRRA and UNRRA assuring a steady flow and exchange of accurate information at all times.



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Clothing and Textiles: At the moment all invoicing of cotton received during the latter part of June has had to be stopped pending receipt of the Department of Agriculture Premium and Discount Market Quotations. The sale of the cotton when it arrives is also being delayed due to lack of information on quality and price.

The first delivery, which occurred during the early part of June, totalled 241,000 yards. The second delivery of cloth manufactured from CNRRA-UNRRA cotton was ready by the end of June, actual physical delivery of which will be made in July. The second delivery will be from 3 - 400,000 yards. The shortage of dyestuffs in China is causing some delay in finishing the cloth.

Wool: One hundred tons of raw wool received during June were allocated to mills in Tientsin which are producing civilian fabrics. Cable from Washington during the last week of June states that another 1,627 tons of raw wool are afloat or will be lifted during June. Every attempt is being made to dispose of this wool immediately. Sale is handicapped because of proper lack of quality and price information from Washington. Through the efforts of CNRRA Sales, Bureau of Finance, cooperation has been secured from the Shanghai Wool Manufacturers' Association in dividing the wool shipments among the various manufacturers.



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DISTRIBUTION

OUTPORT SHIPMENTS FROM SHANGHAI: For period May 25 through June 21, 1946 are as follows:

	<u>By Ship</u>	<u>By Rail</u>	<u>By Road</u>	<u>By Air</u>	<u>Total - Long Tons</u>
	31147	17689	151	1	48988
<u>By Regions (Long Tons)</u>					
1 <u>NORTH-EAST</u>					
Hulutao		476			
2 <u>HOPEI-JEHOL</u>					
Tangku		4776			
Tientsin		3684			
		8460			
4 <u>SHANTUNG-TSINGTAO</u>					
Tsingtao		1857			
5 <u>HONAN</u>					
Kaifeng		5040			
Chengchow		988			
		6028			
7 <u>KIANGSU-NANKING</u>					
Nanking		5072			
Chinkiang		2250			
Wusih		161			
Soochow		85			
Tiensungkong		150			
Tsungming		22			
Feng Hsien		50			
Nan Wei		200			
Chen-iu		168			
Tai Chong		100			
		8458			
8 <u>ANHWEI</u>					
Wuhu		33			
Pengpu		2042			
		2075			
9 <u>KIANGSI</u>					
Kiukiang					1732
10 <u>HUNAN</u>					
Changsha					757
Yoyang					2124
					2881
11 <u>HUPEH</u>					
Hankow					10719
13 <u>KWANGTUNG</u>					
Canton					191
Changchow					4
Kowloon					4412
					4607
14 <u>CHEKIANG-FUKIEN</u>					
Hangchow					1150
Amoy					1
Foochow					7
Kaishing					300
Ya Shih					200
					1678
15 <u>FORMOSA</u>					
Keelung					17
TOTAL:					48988



Foodstuffs and Vehicles - to Famine Area Regions\* are as follows:

Hunan

	<u>June 15/21</u>	<u>June 8/14</u>	<u>June 1/7</u>	<u>May 25/31</u>	<u>Total</u>
<u>Changsha</u>	<u>LT</u>	<u>LT</u>	<u>LT</u>	<u>LT</u>	<u>LT</u>
Flour	597.32				597.32
Foodstuffs	152.84				152.84
Mot. Vehicles					
Total	<u>750.16</u>				<u>750.16</u>

Yo Yang\*\* (for  
a/c of Hankow  
Supply Office)

Flour			535.71		535.71
Rice			959.25		959.25
Foodstuffs			569.53		569.53
Total			<u>2064.49</u>		<u>2064.49</u>
Regional Total	<u>750.16</u>	<u>None</u>	<u>2064.49</u>		<u>2814.65</u>

Hupei

<u>Hankow</u>					
Flour	0.33	434.00	217.13	3426.41	4077.87
Wheat				1682.78	1682.78
Rice	1393.43			1202.36	2595.79
Foodstuffs	65.52	447.51	58.03	1327.02	1898.08
Mot. Vehicles	5.24				
Total	<u>1464.52</u>	<u>881.51</u>	<u>275.16</u>	<u>8035.76</u>	<u>10656.95</u>

Nanking (for a/c of  
Hankow Supply Office)

Flour	856.73	178.26	1206.26	1350.37	3591.62
Regional Total	<u>2321.25</u>	<u>1059.77</u>	<u>1481.42</u>	<u>9386.13</u>	<u>14248.57</u>

\* The outport shipment figures are prepared from the CNRRA weekly reports of outport shipments from Shanghai. These show the port destination and consignee of a shipment but do not indicate the final amount to be received by a given regional office when transshipment takes place outside Shanghai. Some supplies for Honan and Hunan are consigned to the Hankow Supply Office. Consequently the Hupei total shown here is higher, the Honan and Hunan totals lower than final distribution figures from the regions will show.

\*\* Although the consignee is the Hankow Supply Office, this shipment is shown under Hunan since Yo Yang is a port in Hunan beyond Hankow on the way to Changsha, Hunan.

Shipments from Kwangtung for the first three weeks of June are: to Kwangsi 2,362 tons, to Honan 650 tons.



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Of the total outport shipments for the month of June, 93% were main commodities such as food, clothing and motor vehicles.

Medical Supplies: Shipments to all regions totalled 830.24 tons. In addition to the above tonnage of strictly Medical Supplies there was also shipped to Nanking one 500 bed prefabricated hospital, having a gross weight of 600 long tons.

Supplies packed and awaiting shipment as of June 30th totalled 1332.5 long tons.

Total shipments to the regions to date - 1917.24 long tons, exclusive of the prefabricated bed hospital.

17 vessels are expected in daily carrying Medical Supplies with a known tonnage of 604.5. Of these 7 are now overdue.

The outturn of Medical Supplies is still considered to be far from satisfactory due primarily to lack of adequate warehousing space in which to conduct operations and insufficient technical personnel in medical warehouse.

#### EMERGENCY FOOD RELIEF CONVOY

In an effort to increase shipment of food to Changsha, LST 991, loaded with 7 vehicles, lumber for road repair, and food left Shanghai on June 13 arriving at Kiukiang on June 18. From here the convoy is to continue by road, making such repairs as are necessary enroute. Workers will be hired locally and paid with food.

Difficulties are being encountered from Nanchang to Changsha and it is anticipated that it will take approximately three weeks to repair the road via Wan Tsai - which is about half the way to Changsha. Additional bridge and road repair supplies are being shipped within a few days in accordance with radio-grammed request.

The NHA has informed members of this convoy that bridge crews will be recruited for the bridges between Nanchang and Changsha needing repair. They lack transportation facilities between base of operation and bridge sites, so this the convoy will supply, together with what available lumber there is.

#### INVENTORY OF SUPPLIES IN SHANGHAI

All storage points in the city environs were requested to submit a bi-monthly inventory of cargo in all wharves and godowns. Although these lists provided much more information than we have heretofore been able to assemble, they are still sadly lacking in details of the cargo (they gave only such information as the various wharf companies and godown keepers are concerned with, i.e., ship's name, arrival date, marks, and number of packages).



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Three teams, led by the Distribution Division, and consisting of technical experts from the various divisions interested were formed to visit the wharves and godowns and make a detailed list of the contents of the various packages, condition of the heavy equipment, etc. Several meetings were held during the month at which were present representatives from CEW, Agricultural Rehabilitation, Industrial Rehabilitation, NHA, CNRRA and UNRRA, to work out procedure for taking this inventory and for moving the heavy equipment to CEW at China University.

It was decided to concentrate on the three commercial wharves on the Pootung side of the river (i.e. Holt's, Jardine Pootung Wharf and Dollar Wharf) so that these three could resume their ordinary business and, what is more important, save storage charges for CNRRA.

On Wednesday, 26th June, a start was made at Holt's Wharf by one team. All heavy equipment in the open air to be moved to CEW was marked in yellow paint with those letters. It has been arranged that a self-propelled barge will call alongside and pick this up and take it to the seaplane slipway at Lungwha Airdrome when convenient. CEW was asked to assemble a second crane of 10-ton lifting capacity to assist the existing crane in delivery of some weights of 13 tons and over onto the barge.

Two 50-ton cargo lighters arrived alongside Holt's Wharf on the 27th inst., and were loaded with quonset huts for discharge at Markham Road Railway Yard enroute to CEW at China University.

The immediate aim is to move 600 tons of cargo per day. This figure should be realized during the first week of July. On June 30th, 150 tons were loaded. On July 1st, 200 tons were being loaded.

A portable air compressor was uncrated at Holt's Wharf, put in working condition, and is now engaged in pumping deflated tires on the heavy equipment to enable this to roll immediately it is landed on the Shanghai side of the river.



## SECTION 5: Industrial Rehabilitation

### RAILWAYS

Locomotives: The Australian Locomotive Mission returned to Australia early in the month with the specifications for the 50 locomotives which are under procurement in Australia.

Confirmation has been received from Washington as to the type (MacArthur 2-8-2) which was decided on.

Railway Cars: Of the 3,465 railway cars received from Iran 1,256 were delivered to Kowloon and about 700 have been assembled. 1,508 were delivered to Shanghai and about 300 have been assembled. 701 were delivered to Tsingtao.

Rails and Accessories: At the end of June 135,510 ties have been delivered to Kowloon for the Canton-Kowloon Railway and the Canton-Hankow Railway. 56,891 ties have been delivered to Shanghai. 42,579 rails have been delivered to Kowloon, 49,127 to Shanghai and 1,168 to Tsingtao. 354 kegs and 2 boxes of railway spikes have been delivered to Shanghai.

### WATERWAYS

Chang Pai Pang Wharf: A proposal for dredging the area in front of this wharf to allow for use in unloading ships was approved, and equipment was assigned for this work, which has been held up due to the unavailability of a dragline operator.

Markham Road Lighterage Pier: A plan for the construction of this pier was approved and materials have been allocated.

The Shanghai-Nanking Railway has let a contract for this work, which is expected to begin within two or three days. It is estimated that it will take one month to complete its construction.

Hankow Pier: The final completion of this pier has been held up awaiting receipt of some material.

Chang War Pang Wharf: Prosecution of the work for rehabilitation of this wharf is held up due to a lack of the necessary timbers required.

Waterworks: The only waterworks equipment received has been some black iron pipe at Shanghai and a considerable quantity of pig lead at Hongkong, and a crank shaft at Shanghai for repair of an air-compressor of the City Waterworks in Tientsin.

We have been notified that the expected delivery date of a considerable portion of the waterworks equipment under procurement will be from four to six months.

Coalmining: A report on the status of coalmining rehabilitation and allocations of equipment for eight mines was sent to the Industrial Rehabilitation Division in Washington.



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The equipment and materials which were allocated to these mines consisted of surplus available in Shanghai, surplus advised as under procurement in the South Pacific, and materials advised as under procurement in the U.S.A.

Of the materials advised as under procurement in the U.S.A. about 28% has been allocated.

We have been handicapped in considering the use of such materials when trying to fit them into the needs of specific mines. In many cases we would have to make very broad assumptions, due to lack of detailed information on specific-ations.

Telecommunications: The proposed rehabilitation plan submitted by the Ministry of Communications has been analysed by this office in order to facilitate our review and concurrence in the allocation of telecommunication materials when we have the information that such materials are being procured.

A priority list of telecommunications equipment was obtained from the Ministry of Communications and forwarded to Washington in compliance with a cabled request, and it is expected that future procurement will be against this priority list.

Machine Repair Shops: Plans from the National Highway Administration, C.H.T., and Ministry of Communications for the allocation of automotive repair shops are being combined for consideration of an overall plan for the maximum utilization of these shops.

About 764 tons of machine tools and equipment have been allocated and distributed. This tonnage consists mostly of small tools which have been allocated to C.H.T., C.E.W. and C.W.T. for use in their current operations.

Surprop, Manila, has notified us of its purchase of the Manicani Machine Repair Base near Samar.

Power Plants: Two 500-Kw steam generating sets arrived in Kowloon. One 150-Kw Diesel generating set was sold to the Ta-Ming Textile Mill, Changchow, Kiangsu.

Transportation: The Distribution Road net requirements to move supplies from base ports to thirteen of the regional offices, and from these points to secondary distribution points in each region, were worked out during the month. About 14,000 miles of highways will be required to handle this work.

Regions I to IV inclusive account for 28% of this mileage. Since road repairs in this area are not contemplated at present, about 9,900 miles of highways will have to be maintained in a passable condition in the remaining area (ten provinces). Fifteen mechanized road construction teams of 400 men each will be assigned to this work. Additional information on this problem will be available during July.



# SECTION 6: Agricultural Rehabilitation Division

General: Satisfactory progress is being made in practically all phases of the Agricultural Rehabilitation Program. Among the outstanding events of the month are the campaign for rice borer control in Kiangsu Province, the excellent progress made on the relief tractor plowing project in the flooded areas of Honan, the driving of the last pile in the closure of the break in the Yellow River and the progress made on dike repair in the Communist areas along the old course of the river, the completion of the first tractor maintenance course at St. John's University, the visit of Lt. J. F. O'Hara and his recommendations for the fisheries program and the arrival of engineers and the assembly of equipment and supplies for the Agricultural Industry Service.

The visit of C. H. Willson, Associate Director of the Agricultural Rehabilitation Division of the Washington Office, has been very helpful to agricultural rehabilitation workers both in the headquarters office and in the field. During the month Mr. Willson and Mr. Green have inspected agricultural rehabilitation work in Chekiang, Kiangsu and Honan Provinces. There is an urgent need for an assistant chief of the Agricultural Rehabilitation Division so that one person in an administrative position in the Division can spend considerable time in the field. Unless field contacts are maintained in this way the China Office can not give adequate service to the regions.

North Grand Canal Project: The movement of flour for the payment of workers on this project which is entirely within Communist territory was halted by order of the commanding officers of the Nationalist Army stationed at the border of this area. By the end of this month this ban was lifted but the requirements for clearing the blockade were so stringent that the work will be severely hampered. At present the Nationalist Branch of Executive Headquarters requested submission of a list of all the supplies in each shipment before they will be allowed to enter the Communist area.

A. H. Bishop, Agricultural Engineer, assigned to this project has spent considerable time in the headquarters office completing arrangements for an organization to handle the distribution of flour and the direction of engineering activities. Arrangements are also being made to ship flour to a Communist port and thus avoid the difficulties encountered in getting past the Nationalist blockade.

Chien Tang Dyke Project: The work of repairing the sea wall in preparation for the Hangchow Bore in September is progressing fairly satisfactorily. Difficulty has been encountered in employing operators for heavy equipment, therefore the work is continuing as before with coolie labor. Shipments of heavy equipment have been held up until local authorities can provide operators.



#### FARM MACHINERY

Approximately 6,000 mow of land has now been plowed and disked in preparation for seeding in the relief plowing project in the flooded areas in Honan province. Owing to the reclamation nature of this work it has been necessary to disk the land four to six times to break up the sod and kill the weeds. The land is being cleared ahead of the tractor by over a thousand laborers paid with UNRRA flour. As quickly as the land is prepared, the returning farmers plant it with seed supplied by CNRRA.

Approval has been obtained from MOAF-CNRRA for the allocation of 55 grain drills and 23 Clark Airborne tractors to send to Honan province. After discussion with the CNRRA Honan Regional Director, it has been decided that work relief teams will be sent into areas adjacent to those now being prepared to clear and make ready the land for these additional tractors.

The first course in tractor maintenance has been completed at St. John's University in Shanghai. The second course was started on 25 June.

A meeting of the National Agricultural Machinery Subcommittee was held on 21 June to discuss the employment of the students of the first course in farm tractor repair and maintenance training. With the exception of three students, arrangements have been made for employment of all in the Government or in CNRRA for use on the Farm Tractor Program. It was recommended at the meeting that the site for future tractor repair and maintenance training of personnel be placed near the center of those areas where a considerable number of tractors are in operation.

#### LIVESTOCK

Three hundred of the 792 mules that were unloaded at Chinwangtao the middle of May have been shipped to Taiyuan and a trial sale has been scheduled to test the attitude of the farmers and prices being asked. CNRRA's newly established feeder stations are being utilized in transporting mules.

On June 11th, a cable suggesting a new plan of dairy cattle procurement was sent to Headquarters at Washington. The suggested procedure was that 5000 Holstein and Ayreshire dairy stock be procured and shipped from America during summer and fall months of this year and upon debarkation in China the ships be rerouted to New Zealand (and Australia if present Australian Government "freeze" is lifted) for spring shipment of 5000 head from there. Such a plan would enable UNRRA to procure and deliver to China, dairy stock whose embarkation point climate would at time of arrival be practically the same as in China and by reason of customary breeding dates at shipping points would insure not having cows too heavy with calf.

William Granger is in Indo-China investigating water buffalo procurement possibilities there. CNRRA's original request stipulated that half of all water buffalo imported be breeding stock. Major Granger's reports show that only castrated males can be obtained and MOAF and CNRRA officials have assured this office that a revised firm request will be delivered shortly. The new request will be for 3000



head of castrated males (original request was for 5000 head) delivery to be after December 1, 1946 in single shiploads, and debarkation point to be Kowloon for distribution to Kwangtung, Kwangsi, Hunan and Kiangsi provinces. Procurement authority from Washington for Major Granger is urgently needed.

#### FISHERIES

Lieut. J. F. O'Hara's report on the fisheries program has been submitted to Mr. Ray. Lieut. O'Hara drew attention to lack of information regarding equipment procured and being shipped, the importance of repairing and rebuilding the junk fleet, the urgent need for adequate shore facilities for the trawling fleet, and the recruitment of eight to ten more fisheries officers to assist in the program.

A suitable base from which the Fisheries Bureau may operate was located by the CNRRA Agricultural Rehabilitation Commission at Tinghai Island on the Whangpoo River. Adequate godown space, dormitory and messing facilities for fishing crews, berthing facilities for the trawler fleet and classroom space for instruction of fishermen, are all available. Negotiations are still proceeding for having the base definitely allocated for fisheries operation.

A CNRRA subsidiary organization provided with an adequate budget and vested with executive and administrative power to develop the fisheries plan, is required to be established.

Additional requirements of personnel to operate the fisheries program have been set out as follows: CNRRA personnel; one business specialist to head up the CNRRA program, assisted by 200-300 expert fishermen instructors. UNRRA personnel; one chief fisheries officer and six regional fisheries officers. Program Personnel; one food technologist, one boat building specialist, one marine engineer, one port captain, and one net loft man.

#### SMALL AGRICULTURAL INDUSTRIES

During the past month six engineers have reported from the U.S. for the Agricultural Industries Services Program.

To date the efforts of the entire staff have been concentrated on the procurement of the tools, supplies and materials necessary to the Agricultural Industries Services Program to be undertaken at Shaoyang and Kukong. These supplies are being obtained from Army and Navy surplus.

One LSM has been obtained, which can go as far as Changsha even at low water. It is planned to ship the remainder by LST to Hankow for transshipment by smaller craft to Changsha.



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#### LIVESTOCK DISEASE CONTROL

During this month the shipment of veterinary supplies, which came in through Calcutta and Kunming last fall, reached Shanghai. Sixty seven boxes are now in the warehouse of the Ministry of Agriculture and an inventory has been made of the contents. Twenty nine boxes of the original shipment were lost either in Kunming or before reaching that city.

The work on lyophilized chick-embryo rinderpest vaccine is progressing but is hampered by lack of housing and isolation quarters for test animals. To date the results of the potency tests on the imported (American) vaccine are too uncertain to warrant a definite statement as to the value of the product.

Lack of tuberculin and brucella antigen has made it impossible to make the desired progress in tuberculosis and brucellosis control. Dr. Cecil Elder has started to instruct members of the Staff of the National Research Bureau of Animal Industry (Shanghai Laboratory) in the manufacture of antigen and methods of brucellosis control in general. The success of this work will depend on the antigenic qualities of the available brucella cultures and on the acquisition of certain essential equipment.

Although the director of the National Research has been offered assistance from this office to start manufacturing hog cholera serum, he seems unwilling to do so until he can have the service of an "experienced biological manufacturing specialist" in order that he may "learn to produce it economically."

#### PLANT DISEASE AND INSECT CONTROL

Dusting rice seedbeds with DDT for control of the rice stem borer has just been completed in Wusih, Kiangsu province. This is the first time in the history of China that DDT has been used on an agricultural crop.

A 3% DDT dust prepared by the National Insecticide Experimental Plant by mixing technical DDT with China clay was used. The material was applied with small 1-quart hand dusters supplied by UNRRA. One hundred students (divided into ten groups, with a leader for each group), recruited from the Wusih Provincial Agricultural College, applied the dust to the rice seedbeds on June 11, 12, and 15. This was the ideal time for applications as the rice-borer moths were on the wing and ovipositing, and it was only a few days before transplanting. In all, enough seedbeds were treated to plant more than 30,000 mow.

The farmers in the region of Wusih have co-operative rice seedbeds, i.e., each seedbed supplies 10 to 20 farmers with transplants for his rice farm. This made it very convenient for dusting purposes.



Toward the end of the project, the farmers started lifting the seedlings for transplanting. With this, method of application was changed from dusting the seedbed to dusting the bunches of seedlings just before they were set.

A trip in Honan Province has revealed that locusts will not be a serious menace to the crops of that region this year. Consequently, a large part of the supplies for fighting locusts can now be diverted from Honan to other regions.

#### SEEDS

The third shipment of vegetable seeds of 1428 drums arrived the first of the month, bringing total shipments to 5669 drums. Because of the crowded conditions in the harbor it was the end of the month before they were unloaded. Manchuria has been allocated 150 drums.

The Hofei Christian Hospital has received 12 tons of vegetable seeds from friends in Yakima Valley, Washington. Since they have no way of taking care of the distribution of these seeds they have offered them to UNRRA. CNRRA has indicated their willingness to pay the storage and transfer charges and handle them on the same bases as the other seeds.

#### FERTILIZERS

The first shipment of fertilizers (3000 tons of ammonium sulfate) arrived during the month. This has all been shipped to Formosa. Reports indicate that 14 ships are being loaded or are enroute with cargoes of fertilizers.

#### FIELD WORK

During the past month B. L. Hummel, extension advisor, has held official conferences in five provinces. The purpose and the pattern of the conferences is the same in each case; the situation varies most decidedly in the different provinces.

The four main objectives are as follows:

1. To bring the agricultural leaders of UNRRA and CNRRA into a close working relationship with the permanent public and private agricultural leaders of the province and get the provincial agencies used to the utmost in making the agricultural rehabilitation program more effective.
2. To make the greatest educational use possible of UNRRA materials and services.
3. To strengthen provincial agricultural agencies by joining actively in the emergency programs.
4. To avoid a break and assure the continuation of the best things in the present agricultural program when UNRRA leaves China.



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In order to accomplish these ends an official conference is held in each province to which all UNRRA, CNRRA and provincial agricultural leaders are invited. The objectives listed above are outlined, illustrations are given showing how all agencies can cooperate on various phases of the present program, and a permanent committee of those present is proposed. The suggestions have been accepted, the committee formed, and its first meeting held in each province.

A fairly complete survey of agricultural conditions in communist-controlled north Kiangsu during May and early June has been made.

Practically all the land, except a flooded area around the Hung-she and Pai-ma lakes, is under cultivation, indicating that there are no insuperable agricultural problems in that section of the province. A good wheat and barley harvest was expected.

The main fears in this area are drought, flood and locusts. Last year they had all three which caused the worst famine for 20 years. In spite of this, few people actually died of starvation.

The danger of flood has always been present in north Kiangsu, but since the war, owing to the diversion of the Yellow River and the poor state of repair of the dikes and drainage canals, this danger has been increased many times. Large scale repair work is being carried out at the present time.

A firm request, asking for pumping equipment to drain the flooded land, has been made by the CNRRA-UNRRA regional offices, and steps are being taken to have allocations and shipments made from available supplies.



SECTION 7: Welfare

Organization: Mr. E. K. Balls, who had been Acting Chief Welfare Officer, was transferred to the Nanking Liaison Office to act as liaison for UNRRA with the Bureau of Relief. Miss Marjorie Drury, who had been assisting Mr. Joe Hoffer as liaison with the Bureau of Relief has been transferred to the China Headquarters Office. Mr. K. M. Lu has been appointed Director of the Bureau of Relief at Nanking. Assistance has been given in the reorganization of this Bureau with emphasis being placed on the transfer of the Bureau to Shanghai as the geographical distance between the two offices makes it extremely difficult to maintain close cooperation and get prompt handling of day to day problems. The question of whether CNRRA is to have a national welfare program or 15 regional programs is also under consideration. Mr. Lu is prepared to press for a centrally directed national program for better utilization of program personnel.

Physical Rehabilitation: In the meeting of representatives of National Health Association, Social Welfare Department of MSA, personnel was assigned to the Ministry of Social Affairs, and Mr. S. M. Sung was appointed by the Ministry to spend full time in developing the project. The firm request for equipment for the project has been forwarded to Washington. A firm request for program personnel will be made upon receipt of formal approval from the MSA on the financing of this project (CN\$500,000,000), through the present budget period (December 31). Informal approval has been received.

Student Relief: The Vice-Minister of Education is seeking the assistance of CNRRA in the form of food, medicine and possible hostels for students and teachers who fled to the interior and now wish to return. Although two meetings of CNRRA, UNRRA, International Student Relief Committee representatives and various departments of the Ministry have been held, a firm request for such assistance from the Ministry of Education is awaited. However, various provinces within the regions had been giving assistance to the students attending the schools.

Use of Cotton Cloth: The first quota cloth manufactured from the imported UNRRA cotton has been allocated and shipped to the Nanking, Changsha and Mukden Offices. This cotton is designated specifically for work relief.



SECTION 8: Displaced PersonsEXTERNALLY DISPLACED PERSONS

A statistical Report on Externally Displaced Persons, as requested by Field Administrative Order No. 88, is attached as Enclosure 5

European Displaced Persons in Shanghai:

1. Care. Mr. Thomas P. Cope became Director in June replacing the Acting Director, Miss Mary Palevsky, who has returned to her CNRRA assignment. Welfare, medical, finance and administrative divisions of the Shanghai Regional Office continue to provide services to the Project, which has now acquired a second new staff member to concentrate on screening the eligibility of all Europeans receiving relief.

Supplies: Flour loaned by CNRRA is furnished to the Joint Distribution Committee at the rate of 9,000 bags per month. Blankets (16,000) have been secured; a considerable quantity of medical supplies have been borrowed from CNRRA stocks; other major food items are on hand and arriving in sufficient quantities to ensure adequate distribution. The receipt of 2,500 canvas cots is anticipated shortly; mattresses, however, remain a rarity item.

Housing: The JDC's four Quonset Hut Hospital and its Old People's Home are now operating and have substantially relieved the extreme overcrowding in living quarters. The JDC has also secured two more houses to which some of the camp population can move.

Sliding Scale: The "sliding relief scale", based upon the recipients income, is being put into effect, with the result that the screening of all recipients becomes of paramount importance. Washington's request for detailed accounting of costs of goods distributed cannot be completed until the final sorting out of European relief recipients (non-Jewish), as between displaced persons and non-displaced persons, is accurate and complete. Rations are now being distributed for some 13,750 persons, including about 1,500 European non-displaced persons in CNRRA's care whose rations (not charged to the European DP Project) are, for convenience's sake, stored in the European DP Project godowns.

2. European Displaced Persons in Other Regions. A shipment of three month's food supply to Tsingtao and Tientsin for distribution to European Displaced Persons, which was held up temporarily owing to the "freeze" order forbidding shipment of relief goods to Communist-controlled areas, has now been received and goods are



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being distributed. A further small shipment has been made to Wuhu, Anhwei, where two needy European displaced persons have been located.

3. Austrian Citizenship. Several additional applications for reinstatement of Austrian citizenship have been sent to the European Regional Office for transmittal to Vienna; to date 3,196 have been forwarded since March. To date none of these applications has received Austrian approval.

4. Repatriation. Applications have been made for USSR transit visas for a group of Czechs desiring to return home; applications for similar visas have been entered for six Poles now furnished with passports by the new Polish diplomatic representative in China.

225 Italians were repatriated in June.

5. Resettlement. Only 37 persons departed China during June. These included 6 Poles, 14 Germans, 13 Austrians and 4 stateless persons. Their destinations were: Australia 31, Philippines 3; Belgium 2; U.S.A. 1.

6. Deportation of "Obnoxious" Germans. The U.S. Army-operated "S.S. Marine Robin" is departing for Bremerhaven with a large group of German "repatriates" who are being deported at the request of the American authorities as undesirable and "obnoxious". An unfortunate impression has been given in refugee circles by the fact that "obnoxious" Germans are being "repatriated" ahead of the bona fide refugees. The Chinese Ministry concerned has offered shipping space free of charge on the "S.S. Marine Robin" to persons voluntarily requesting repatriation. Although UNRRA has indicated that it is not connected with this action, it has been learned that a number of bona fide DP's have accepted the offer and will travel to Bremerhaven with the "obnoxious" Germans.

#### Koreans and Japanese

UNRRA has forwarded to us a letter received from the Chief Liaison Officer, USAMGIK (U.S. Army Military Government in Korea) stating that "Korean repatriation from China is now completed". This does not include some 600 Korean families who have lived in Shanghai for 20 or 30 years.

Information on Japanese repatriation will be included in the regional report to be submitted later.



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## SECTION 9: Health

### GENERAL

In order to survey and report on conditions from a medical standpoint, Dr. Leland, Assistant Chief Medical Officer, accompanied the Mission to Korea, which left early in June.

Dr. Sutter and Miss MacBride returned from the field trip to Honan including Hantan (Headquarters of the 4th Border Liberated Area) and Chinkiang. Emphasis was placed on training in this area due to lack of medical supplies and equipment.

### SANITARY ENGINEERING

Supplies have been identified, allocated and given shipping tickets by UNRRA, but actual movement is slow.

On the recommendation of Major Aldridge, Chief of Sanitation Section, Washington, work has been started on a project for processing human excreta by various methods, to block the transmission of disease. This is to be a supplement to the Agricultural Industry Service Program starting in Hunan. UNRRA personnel together with NIH have been working on various aspects of the project and proposals and sketches have been prepared with technical details and estimates for construction and operation of a complete installation, using composting, digestion and aeration process. To further the project a study has been made of night soil collection in Shanghai and disposal at Woosung.

For the protection of UNRRA personnel, supplies have been requested, advice given, inspections made of billets for screening and residual spraying, of hotel water supplies, cafes, toilet rooms, and swimming pool.

### NURSING

The first part of the month was spent in the field investigating the development of nursing programs at Kaifeng, Chinkiang and Hankow.

During the month certain program personnel were assigned as instructors in schools of nursing at Kalgan, Chungking, Canton, Nanking and Lanchow, on the basis of requests from the NIH.

Part of the order for nursing text books has arrived and they are being distributed to Regional Offices. For use in training programs the following educational data has been sent out; refresher courses in Hospital Procedures and in Communicable Diseases; Nurses Aides Courses (approved by NIH), and Method of Teaching Nursing Skills. Circulation to regional offices also included a draft on the responsibilities of the Regional Nurse Consultants and an appeal from the Nurses Association of China for assistance in the membership



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campaign and the stimulation of interest of the professional association.

A supply unit for educational equipment for schools of nursing was developed in a working committee of nursing leaders in Nanking.

Twenty fellowships for hospital and public health nurses under 36 years of age who will return to China to work in a teaching program for at least one year have been allocated in the UNRRA Nurse Teacher Training Program. Selection of the trainees will begin in July.

#### NUTRITION

The two survey teams working in Honan and North Kiangsu were recalled at General Rook's request in order to join the third team in Hunan for a survey of the most critical famine area. Two physicians, three nutritionists, a welfare worker and an agricultural expert made up each team. At present work is being done on the analysis of the results from Honan and North Kiangsu.

Two nutritionists are now in regions (Kwangtung and Kiangsu) and others are being trained in Nanking and Shanghai for regional assignments.

#### EPIDEMIOLOGY

At the request of Dr. Chang Wei, Chief of the Shanghai Health Commission, Captain Robert Burden has been assigned to work with him on the anti-cholera campaign in Shanghai. Advice has been given regarding all sanitation measures, well disinfection, division of free water, refuse and garbage disposal, fly control, etc.

Further to assist the campaign Dr. Singer has been working with the National Institute of Biologicals and Pharmaceuticals on the standardizing of vaccines and production of biologicals.



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SECTION 10: Bureau of Administration

PERSONNEL DIVISION

During the month of June a complete reorganization of the China Headquarters Office was undertaken. It is hoped that by the end of July the reassignment of surplus personnel to CNRRA as Program Personnel, to the regions, or to existing vacancies within the China Office will be accomplished. Personnel whose services can no longer be utilized will be returned to their home station.

The Program Personnel Office of CNRRA was supplied with sufficient staff to enable them to perform their functions.

There have been several changes in the staff of the Personnel Division. Mrs. Elwin was transferred to CWT at their request to strengthen the Personnel Office in that organization, and Miss Jane Woolfitt has taken over the functions of the placement section. Miss Beatrice Carl will replace Miss Martha Townsend who is on leave of absence from the Civil Service Commission and will return to the States shortly.

A more complete picture of the end result of the reorganization will be available by 1 August.

Program Personnel: In a meeting with representatives of CNRRA Program Personnel Office, the policy and procedural problems involved in the assignment, transfer, placement and orientation of program personnel were clarified. Agreement was reached on the following points:

1. Increased staff for the CNRRA Program Personnel Division is to be provided by UNRRA;
2. The reorganization within UNRRA is not to be used as an excuse for "dumping" less qualified staff members on CNRRA;
3. Individual scouting for program personnel positions by surplus China Office staff members is to be discouraged, staff available for transfer are to be channeled through the Program Personnel unit of UNRRA. No block transfers are to be made without conformity to the procedure of the CNRRA Program Personnel Division. (This agreement particularly emphasized in reference to regional UNRRA personnel with respect to whom no hasty action is contemplated);
4. UNRRA reclassification and promotion policies are to be applied uniformly to Program Personnel as well as to direct China Office personnel;
5. Current freeze on reclassifications and promotions is to be lifted when the proposed statement on procedure and policy is circulated;



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6. Program Personnel at all locations in China are to be supplied with copies of all UNRRA China Office Administrative Orders for their information and guidance. A list of these "locations" is to be supplied to UNRRA by the CNRRA Program Personnel Office;

7. Policy regarding the eligibility of local recruits for Class I status is to be clarified as soon as possible;

8. All personnel actions, including matters of discipline or temporary reassignment, are to be cleared through the CNRRA Program Personnel Office;

9. Administrative services, such as accommodations, transport, PX, use of office equipment, etc., are to be provided in the regions as well as in Shanghai, on an equitable basis according to the availability of such services, to program as well as non-program personnel. It is obvious all needs cannot be met but discrimination against program personnel in the distribution of available services is intolerable.

The regular monthly information required by FAO 83 is attached as Enclosures 6, 7, quarterly reports are attached as Enclosures 8, 9, 10.

#### ADMINISTRATIVE SERVICES

Condensations of the various section reports of the Division are given as follows:

Property and Procurement: Increased requisitions for the month, both from regions and headquarters resulted in expenditures as follows:

Total for purchase of typewriter:	CNC\$33,219,200.00	US\$ 392.00
Total for purchase of stationery and printed matter:	CNC\$70,018,750.00	US\$ 1,080.00
Total for purchase of office furniture and other office equipment:	CNC\$61,347,400.00	US\$ 500.00
Total for repairs, installations, etc.	CNC\$10,042,250.00	
Total for screenings:	CNC\$ 4,080,100.00	
Total for coolie hire:	CNC\$ 7,845,390.00	
Total for all other purchases and expenses during the month:	CNC\$98,841,438.00	US\$24,650.37



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Purchase of second hand typewriters has been kept at a minimum, despite increased demand for typewriters, since there is constant complaint about them and since Washington has informed us of the shipment of 2,300 new typewriters and other office equipment. New machines received during the month have been shipped to the regions.

Furniture and other Office Equipment: As new personnel is still arriving and new offices are constantly set up, requisitions for office furniture have continued.

Coolie Hire: To decrease the amount spent on coolie hire, it is contemplated to have a staff of permanently hired coolies on monthly salary.

Repairs, Installations, etc: Expenses have been decreased. A staff of permanent employees (electricians, carpenters, typewriter mechanics) is being increased so that only in special cases do we have to ask the local firms to do repair work for us.

Total for all other purchases and Expenses during the Month of June: Local purchases should constantly decrease as the stock of items in our godowns is now slowly increasing as the ships are being unloaded.

An increased staff would permit of our filling the needs of the various offices without unnecessary delay.

Warehouse Section: During the month of June the supply stored at Lay Road Godown and at the Museum Road Godown was moved to Moller's Wharf at 378 Broadway, and the godowns were released. Three floors at the Borden Co., factory at No. 2 Tengyueh Road were also released.

Approximately 20,000 cases of foodstuffs were sent to the regions, or turned over to CNRRA during the month. At the end of the month, the stock was sorted and piled to expedite the June 30 inventory.

Shipping Section: During the month of June, the Shipping Section has been able to forward a number of consignments which had been delayed through lack of shipping. The position appears to be assuming a certain degree of normality, and if the present position continues, there should be every prospect of forwarding Regional supplies on fairly regular schedules.

In the latter part of the month, the system was inaugurated of having every consignment of supplies convoyed by an UNRRA guard. By this means, it is hoped that the losses previously experienced due to pilfering enroute will be eliminated. Special attention is being paid to the problem of packing goods of a fragile or breakable nature, and definite instructions have been laid down for the guidance of the carpenters crating cases.



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Transportation Section: Work on the new motor pool has been handicapped by lack of materials and at times lack of coolies. This was due to failure on the part of CNRRA to provide necessary materials on time and also to have wages available for coolie hire. It is hoped that the new motor pool will be available for occupancy by the middle of July.

The month of June was characterized by the break-down in repair of vehicles so that during the month there were approximately ten cars held up every day for lack of repairs and in most instances clutch plates. This has occurred despite the fact that several months ago in anticipating such a crisis, requests had been made that clutch plate assemblies be air expressed from the United States and also that the proper purchasing agencies in UNRRA China Office obtain these parts. As yet no parts are forthcoming and since repairs are unobtainable in Shanghai, it may be expected that a general break-down in clutch plates will occur during the month of July.

Luggage continues to come in from the States and Hongkong for personnel who arrived here from four to six months prior to the luggage. Some ships are still being delayed in Manila with the result that personal luggage is not coming in as rapidly as it is hoped. Luggage is being sent to the States and to other home stations, including Sydney and London.

Staff Services Section: The Staff Services unit during the month of June has issued 201 Chinese Identity cards and 36 UNRRA Identity cards.

Thirteen tins of fruit or fruit juice have been supplied to UNRRA personnel in hospitals.

Approximately 2,000 books and 200 packets of assorted magazines have been obtained from Surplus Property Section of the United States Army for distribution to the regional offices.

Indoctrination meetings for four groups of new personnel totalling 123 persons have been held and, in addition, approximately 25 people have been processed individually through this office on their arrival.

Information on conditions in the regions has been supplied through files in this office to personnel departing to regional offices.

Lists of bills from medical firms and dispensaries have been checked against personnel records and vouchers for payment of these bills have been issued.

Supervision of the conference room, the mimeograph room and receptionists is a continuous function of Staff Services.



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Staff Services has served on an average of 50 UNRRA members a day during the month of June.

A report on living conditions in the regions prepared by Staff Services, is attached as Enclosure \_\_\_\_\_.

Travel Section: The following is a recapitulation of the activities of the Travel Section, for the month of June:

<u>No. of People Moved</u>	<u>Routed Through</u>	<u>Value</u>	<u>U.S.</u>	<u>C.N.C.</u>
13	ATC	T.R.'s	\$4,928.00	
16	POA	"	8,806.00	
28	CNAC	"		\$2,223,000.00
44	Boat-Com.	Cash	1,600.00	4,724,000.00
16	LST	Not billed		
68	Train	Cash		1,390,200.00
3	Road	Free		
10	Plane	Free		
<u>198</u>			<u>\$15,334.00</u>	<u>\$8,337,200.00</u>

The commercial steamship situation is gradually improving and consequently less money was spent in proportion to the cost figure and number moved via air.

The numbers of persons returned to the Home Stations are increasing each month with a total for June of 29. We have requested the total capacity of the next Pacific Overseas Airlines flight on or about 14th July, as 18 people are now waiting air transportation to the United States.

As indications lead to the obtaining of more steamship accommodations to the United States, a request has been made to the American President Lines to accept travel requests from Shanghai and Hongkong against payment in Washington. Cable concurrence from their home office is awaited.

With the close of the month, 33 people are waiting transport to various stations.

PX Sales Stores: Summary of PX Sales Store activities during month of June:

Non-resident Sales Store: Tallied in during the month approximately 6000 c/s of various PX supplies. Total approximate sales were as follows:

Non-resident Sales Store

Commissary - CNC\$ 4,000,000  
PX Store - CNC\$23,000,000

Resident Sales Store

PX Store - CNC\$16,000,000



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A barber shop was opened on the 15th of June 1946. An electric permanent wave machine has been installed, and a manicurist is at the clients' disposal.

Communications & Registry Section: The following is an outline of C. & R. Activities for the month of June:

Cable Section:

No. of Cables processed: No figures are available - will be submitted in next month's report.

Correspondence Section:

No. of Letters processed: No figures are available - will be submitted in next month's report.

File Section:

Usual routine filing during month.

Receiving & Despatch Section:

1. Personal letters & parcels mailed through post office	3245
2. No. of letters being held for call	88
3. No. of official letters despatched	2394
4. No. of personal parcels and letters redirected	6501
5. No. of personal cables despatched	146
6. No. of personal cables redirected	88
7. Inter-office personal mail forwarded	4467
8. Inter-office official mail forwarded	4592
9. Intra-office personal mail forwarded	202
10. Intra-office official mail forwarded	2259
11. Total No. of courier trips (inter-office)	1105
12. Total No. of courier trips (intra-office)	461

Balance of stamps on hand \$99,217.00

Receiving Activities:

	<u>Personal</u>	<u>Official</u>	<u>Total</u>
Cables received	276	1319	1595
From APO	1264	40	1304
From Navy APO	70	231	301
From British FPO	23		23
Delivered by hand	2391	2108	4499
Mail from Chinese Post Office	9828	2398	12226
	13852	6096	19948

Handled by inter-office despatch courier: 68576  
Handled by inter-office receiving courier: 70821



Telephone & Directory Service:

Installation of the cables for the new switchboard was begun about the middle of the month and it is hoped that the new board will be installed by not later than the middle of July. The functions of the two receptionists have now been completely taken over by Staff Services and upon installation of the new board, the "Information" service will be taken over by an additional operator who will work from the board itself.

Radio Section:

CNRN (CNRRA Radio Network) stations now in operation are as follows:

Hangchow	Chengchow
Liuchow	Tsingtao
Changsha	

Kaifeng has been set up but lacks radio parts which are now on their way.

Audits and Reports Section:

Routine reports were despatched each day.

Billeting Section: During the month of June, the point system on billeting was inaugurated. Five hundred seventeen persons have registered their points to date.

The following figures show a comparison between May and June in the number of rooms rented, occupied and vacant:

	<u>May 31</u>	<u>June 29</u>
Total No. of Rooms	255	282
Capacity	416	559
No. people billeted	410	490 + 150 in private billets
Vacancies	111	98

Security Section: During the month of June, 88 guards were posted at different times for various jobs. The following new guards were engaged:

7	Moller's Godown
4	Repair ship, Pootung
1	Carpenter Shop
6	Motor Pool, Boone Road
4	Outposts duty

Other duties of the Security Office during June included the routine nightly checks for personal items left in the offices, miscellaneous repairs in the Embankment Building, and the furnishing of coolies whenever needed.



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In connection with the new operation now in effect whereby guards are furnished to accompany PX and administrative supplies to the various regions to safeguard them, guards were furnished during this month for the following:

June 14	-	Escorting goods to Nanking
20	-	Escorting goods to Tientsin
21	-	Escorting goods to Foochow
28	-	Escorting goods to Hankow



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SECTION 10A: Bureau of Finance & Accounts

Division of Accounts: Preparation of the accounts for the three months ended 31 March were completed on 14 June.

The final figures for the accounts of the China Office and its 15 regions for the months of April and May will be ready for transmission to Washington early in July. For the first time all known liabilities were included in the monthly returns.

During the month 7 Class I accountants came for assignment from Washington, Sydney and New Delhi. Two were assigned to the regions, 2 to the Division of Audits, 1 to the Division of Administrative Services, while only 1 was retained in Shanghai as 1 returned to Sydney. One auditor on loan was returned and 1 Junior Accountant was recommended for return to Home Station.

accounting  
A revised system of commodity is under consideration and pending the anticipated approval, the Commodity Accounts Branch of Accounts Division has taken over the responsibility of initiating forms F77 and F77A previously prepared by the Ocean Shipping Division.

Daily returns from the tally slips will be made in order to record all goods handed over to CNRRA at ship's tackle.

Valuation of items withdrawn from the stock of Administrative Supplies received prior to the 30th of June continues to be insufficient to permit a proper reflection to be made in our Operating Expenses and in the General Equipment account.

Field allotments of staff members are now held by the Payroll Section until the individuals wish to withdraw the allotments, or a portion thereof, at the going rate of exchange. This has proved a great convenience because of the violent fluctuations in rate.

Although no payments were made on behalf of C.W.T. personnel during June, this office prepared these payrolls and forwarded them to C.W.T. A payroll clerk has been trained in this office for C.W.T.

The rate of US\$/CN\$ exchange has fluctuated since 18 June as follows:

June 18	.....	2640
19	.....	2620
20	.....	2620
21	.....	2650
22	.....	2630
24	.....	2630
25	.....	2670
26	.....	2630
27	.....	2630
28	.....	2730
29	.....	2670



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Internal Audits: A revised budget of audits is being prepared and it is anticipated will be implemented by the end of July.

The regional accounting procedure is being amended to provide for the centralization of the ledger work in the Shanghai Office. This will result in a considerable reduction of accounting work in the regions and enable a more continuous and expeditious accounting for expenditures in the Head Office. There will not be the same need for auditors to visit the regions, as a cash count and physical stock take of non-expendable stores would be mainly involved from the audit view. These points can be covered by Regional Inspectors.

A joint audit of the CNRRA Highways Transport was begun during month by auditors of UNRRA and CNRRA. This audit is continuing, and will be carried into the Regional Offices of C.H.T.

The following Regional Offices were audited during June:

Chinkiang, Nanking, Wuhu, Nanchang and Tsingtao were completed. The Tientsin audit is in progress.

Financial Table I is attached as Enclosure 12; Tables II and III will be forwarded shortly as Enclosures 13 and 14; Table IV, part 1 through 5 is attached as Enclosure 15, part 6 and 7 will be forwarded under the same enclosure number to be attached to Enclosure 15.



SUMMARY

Military

Military activity was reduced to localized North China disputes. Fighting in Manchuria stopped. The 15 day truce announced on 7 June followed significant Nationalist gains in the field. The truce period proved inadequate to settle outstanding differences and was first extended a week and then indefinitely. No significant change is anticipated for the coming month.

Political

Political activity was confined to minority party appeals to Nationalists and Communists to compromise their differences. Propaganda organs of the Communists repeatedly urged Americans to go home and for America to stop aid to Nationalists.

Economic

The continued difficulties hindering industrial recovery are briefly reviewed. A survey of current developments in the textile, mining and flour milling industries is made on basis of current newspapers, periodicals, translation services, and regional reports. These facts and figures are of necessity subject to further evaluation, but are indicative of prevailing thought.

The complete report of this Division is attached as Enclosure



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SECTION 12: Planning

Under the reorganization plan, a Division of Program Planning and Review is being established. Until that unit is functioning, reports on planning will not be submitted.



SECTION 13: Regional Notes

During the month both CNRRA and UNRRA regional offices were advised that the renewed emphasis on CNRRA as the sole operating agency did not eliminate responsibilities under the Basic Agreement for regular consultation between CNRRA and UNRRA on plans and operations involving allocations and sales of supplies of UNRRA origin. The maximum use of the general Coordination Committee and Joint Allocation Committee for such consultations was urged.

An amendment to the C/UNRRA Allocations Committee provides that henceforth a division between health and welfare does not require application of percentages. The Regional Representative, acting on the advice of Regional Joint Allocations Committee on which health and welfare are represented, was assigned responsibility to allocate foodstuffs, welfare and health needs within his regions.

A CNRRA-UNRRA policy was established which permits of the sale of basic foods not to exceed 10% in urban centers only and in strictly limited quantities to semi-indigent individuals at low price, the need to be determined through registration procedures.



Section 14: Financial Adviser.Summary:I. FOREIGN TRADE

General imports to Shanghai in April amounted to CN\$85 billion as compared with CN\$41 billion in March. Exports remained at a low ebb, the April total amounting to CN\$4 billion, a slight increase over March. The Inspectorate General of Customs reported April UNRRA imports at CN\$16 billion against CN\$43 billion in March.

Since the beginning of 1946, excess of commercial imports over exports amounted to CN\$130 billion (US\$64 million), and the excess of total imports (commercial plus UNRRA imports) totalled CN\$192 billion (US\$95 million). Comparing the latter figure with the pre-war balance of trade it appears that during the January-April 1936 period, the excess of imports over exports was CN\$70 million (US\$21 million).

Raw cotton comprised almost half of total imports, and silk made up the bulk of April exports.

Insufficiency of available wharfage for incoming ships and the growing pilferage are considered at present the main obstacles hindering import trade. On the export side the prohibitive price of domestic products and lack of transportation facilities from the producing areas constitute the main deterrents.

II. PRICES AND COST OF LIVING

The upward trend of prices continued throughout June. In Shanghai, attempts have been made to suppress speculation in the rice market and to fix the price of rice, as a result of which only a limited amount of rice of inferior quality was available at the official price. Attempts to clamp down on speculators were reported from all parts of China.

INDEX OF WHOLESALE COMMODITY PRICES IN SHANGHAI

1936 = 100

	<u>General</u>	<u>Food</u>	<u>Textile</u>	<u>Metals</u>
<u>1946</u>				
January	191,428	103,576	228,065	307,704
February	327,669	197,228	332,227	648,418
March	533,921	296,894	430,104	1,018,679
April	493,606	304,705	409,236	903,187
May	498,632	375,267	414,474	830,105
June	536,474	457,719	452,922	779,285

(Cont'd)



(Cont'd) INDEX OF WHOLESALE COMMODITY PRICES IN SHANGHAI

1936 = 100

1946	<u>Construction Materials</u>	<u>Chemicals</u>	<u>Fuel</u>	<u>Miscellaneous</u>
January	196,289	271,247	343,649	181,807
February	539,402	445,532	445,532	335,851
March	566,328	1,212,847	892,600	573,837
April	613,597	971,296	809,907	438,994
May	553,123	839,546	707,113	420,164
June	573,460	847,186	677,346	429,004

Compiled by the Kinchong Bank.

The June cost of living index of Chinese workers and salaried employees in Shanghai was slightly lower than that for May, while that of foreign salaried workers registered an increase.

III. GOVERNMENT FINANCE

Government expenditures for the first five months of 1946 totalled CN\$1,500 billion or 60 per cent of estimated 1946 total expenditures. A spokesman of the Government stated that 70 per cent of total national expenditures is spent for military purposes. The amount of revenue collected up to the end of May was only one-fifth of the sum spent.

The collection of land tax in kind is being resumed.

IV. FINANCIAL DATA

1. Money in circulation - It is estimated that currency in circulation, excluding note issue in Manchuria, Formosa, and areas under Communist control amounted at the end of June to CN\$1,466,520 million. This is considered to be a conservative estimate.

Deposits in all commercial and native banks in China in June amounted to CN\$197,000 million.

2. Foreign exchange rates and regulations - Open market quotations of the U.S. dollar fluctuated between CN\$2,320 and CN\$2,750 during the month of June. The wide use and circulation of U.S. dollar notes have continued.

3. Foreign exchange holdings - Foreign exchange income from expenditures of U.S. Armed forces may be expected to decrease substantially as the trend points toward repatriation and consolidation of U.S. Army and Navy personnel.

Overseas remittances in June were estimated at CN\$17,000 million.

Income from philanthropic organizations for the current year has been estimated at US\$15 million.



p. 43, June 1946.

Income from diplomatic representation for 1946 is estimated at US\$20 million, but this estimate will probably have to be revised upward.

4. Influx of foreign capital - Reparations shipments of Japanese industrial machinery, according to U.S. Reparations Commissioner E. S. Pauley, would probably begin within 30 days.

It is assumed that the fate of the US\$500 million loan will be announced after General Marshall's personal report on his activities and prediction.



June, 1946

LIST OF ENCLOSURES

1. Table of Organization Class I Employees China Headquarters Office
2. Total tonnage arrived in Shanghai in June
3. Food arrivals for month of June, 1946
4. Food supply status for China
5. Report on Externally Displaced Persons
6. Employees by Office & Class
7. Key Personnel (Grade 13 and above), by name, location and function
8. Class I Employees on Payroll, by Office and Function
9. Class I Employees on Payroll by Grade
10. Class I Employees on Payroll by Nationality
11. Brochure on Living Conditions in the Regions (ONE COPY ONLY)
12. Official & Open Market Rates of Exchange
13. Proceeds Accounted for from Sale or Lease of UNRRA Supplies and Equipment (TO BE FORWARDED LATER)
14. Mission Operating Expenses, by Account Classification (TO BE FORWARDED LATER)
15. Financial Status, Summary
16. Monthly Enclosure #7, Office of the Economic & Financial Advisor
17. Monthly Report of Financial Advisor



Enclosure 1  
P. 1 , June 1946

TABLE OF ORGANIZATION CLASS I EMPLOYEES  
CHINA HEADQUARTERS OFFICE

<u>Unit</u>	<u>Approved Strength</u>	<u>Incumbents</u>	<u>Vacancies</u>
Director's Staff	12	9	3
Controller's Staff	7	5	2
Capital Liaison Office	4	4	0
Legal Counsel	5	3	2
Public Information	6	6	0
Economic Adviser	4	4	0
Chief Inspector	8	8	0
Program Review	5	2	3
Total	<u>51</u>	<u>41</u>	<u>10</u>
Bureau of Field Services			
Office of Deputy Dir.	9	7	2
Health & Med. Division	17	15	2
Welfare Division	8	7	1
Displaced Persons Div.	6	4	2
	<u>40</u>	<u>33</u>	<u>7</u>
Bureau of Supply			
Office of Deputy Dir.	9	6	3
Requirements & Records	8	6	2
Discharge & Transfer	14	13	1
Food Division	5	5	
Textiles Division	3	1	2
Agricultural Rehab. Div.	19	12	7
Industrial Rehab. Div.	26	23	3
Distribution	<u>84</u>	<u>66</u>	<u>18</u>
Bureau of Administration			
Office of the Chief	3	2	1
Personnel Division	22	18	4
Administrative Services	33	29	4
Div. of Organiz. & Equip.	4		4
	<u>62</u>	<u>49</u>	<u>13</u>
Bureau of Accounts & Finance			
Office of the Chief	2		2
Procedures & Audits Div.	15	13	2
Accounts & Reports Div.	25	16	9
Budget & Planning	6	5	1
Finance Division	6	4	2
	<u>54</u>	<u>38</u>	<u>16</u>
Stenographic & Clerical Pool	4		4
	<u>295</u>	<u>227</u>	<u>68</u>



Enclosure 2Section 4

June 1946

TOTAL TONNAGE ARRIVE FROM JUNE 1ST TO 30TH, 1946

<u>Date of</u> <u>Arrival</u>	<u>SHIP</u>	<u>FOOD</u>	<u>WEARING</u>	<u>CHEMICAL</u>	<u>VEHICLES</u>	<u>GENERAL</u> <u>CARGO</u>	<u>TOTAL</u> <u>TONNAGE</u>
May 26-46	*Defender	387.22	—	54.00	—	785.52	1226.74
" 26	" *St. John Victory	—	—	—	—	4.41	4.41
" 28	" *Durham Victory	—	—	—	221.42	487.41	708.83
" 31	" *Louise Sullivan	8329.31	—	—	—	—	8329.31
" 31	" *Prian	1184.88	—	—	—	—	1184.88
" 31	" *Gonzaga Victory	—	22.06	—	—	—	22.06
June 1	" Flying Cloud	—	—	—	—	51.26	51.26
" 2	" San Rafael	1538.00	501.00	20.00	—	5195.00	7254.00
" 2	" Capital Victory	2.72	—	—	430.31	2443.46	2876.49
" 4	" Ocean Telegraph	—	—	—	—	349.00	349.00
" 6	" Carole Lombard	—	—	—	—	8712.00	8712.00
" 6	" Pan American V.	2030.00	—	—	—	—	2030.00
" 7	" Mount Rogers	—	—	—	—	1128.12	1128.12
" 8	" President Pierce	42.00	—	—	—	412.00	454.00
" 8	" Samavon	—	—	—	—	1173.80	1173.80
" 10	" Rattler	43.00	—	8.02	—	968.00	1019.02
" 10	" Glehbeg	—	—	—	—	2915.00	2915.00
" 12	" McMurry Victory	—	—	2.85	—	—	2.85
" 12	" Jefferson Myers	4655.83	—	—	344.11	162.80	5162.74
" 13	" Ivaran	1753.56	—	—	—	1811.69	3565.25
" 13	" Haymann	—	—	6.34	—	512.79	519.13
" 14	" Longview Victory	—	517.59	—	—	—	517.59
" 16	" Morning Light	—	—	—	—	763.41	763.41
" 17	" East Gate	—	—	—	—	3045.56	3045.56
" 18	" Fort Pascoyac	8890.00	—	—	—	—	8890.00
" 18	" Christer Salen	781.06	—	—	—	2451.61	3232.67
" 20	" Mount Graylock	—	338.75	—	—	—	338.75
" 22	" Korea	—	—	—	—	991.00	991.00
" 26	" James Bowdoin	—	—	—	—	253.46	253.46
" 28	" H. H. Raymond	—	154.00	—	—	60.00	214.00
" 28	" Douglas Victory	4900.00	—	—	—	11000.00	15900.00
" 29	" Sea Board Star	8994.46	—	—	—	—	8994.46
" 29	" Glenbank	7624.54	—	—	—	—	7624.54
" 30	" Trinity Victory	—	—	—	—	112.81	112.81
" 30	" George Barkely	—	—	—	—	5300.00	5300.00
		<u>51156.58</u>	<u>1533.40</u>	<u>91.21</u>	<u>995.84</u>	<u>51090.11</u>	<u>104,867.14</u>

TOTAL TONNAGE ARRIVED ..... 113579.14

NOTE: \*These 6 ships were not included in May 1946



Enclosure 3  
 Section 4,  
 June, 1946

FOOD ARRIVALS FOR MONTH OF JUNE, 1946 \*

SHANGHAI:

<u>Commodity</u>	<u>Quantity</u>	<u>Tons</u>
Flour	240876 bags & sks	11713
Wheat	88270 " & Bulk	8899
Rice	45681 " & cs	2038
Food (misc.)	240552 cs	7044
Milk, evap.	51651 "	1150.50
Milk, dry whole	56943	1271
Beans & Peas, dried	136050 bags	8222
Sausage, pork	13342 cs	271
Soup powder	60661 "	1354
Stew meat & veg.	12610 "	281
Butter	13282 "	297
Turkey	408 "	9
Corned Beef	4825 "	108
meat, canned	128075 "	2108
Total	1093136	44765.50

KOWLOON:

<u>Commodity</u>	<u>Quantity</u>	<u>Tons</u>
Flour	17925 sks.	714
Rice		7268
Corned Beef		27
Herring	514 bx.	115
Spaghetti	1250 cs	17
Total	19689 cs-bx- sks-bulk	8141

\* Data collected from Ocean Shipping Division - Taken from daily discharge slips, signed for as received by Supervisors at Wharves.



Enclosure 4  
Section 4  
June, 1946

FOOD SUPPLY STATUS FOR CHINA

	Discharged thru June 30, 1946	Expected Shipments	
Wheat	253,885	90,441	1/
Flour	54,485	16,567	2/
Rice	34,839	22,523	3/
Corn		4,000	4/
Soya Flour		5,672	5/
Soup Powder	2,283	6,898	
Milk	28,445	245	
Misc.	<u>55,764</u>	<u>9,165</u>	6/
Total	429,751	153,511	

1/ Shipments expected as of 1 July, 1946. Figures based on cabled clearance information, except as noted.

2/ Includes 8301 tons cleared Australia and an additional 8000 tons leading. All for Shanghai.

3/ Of this, 4044 tons is for Taku, 4148 tons for Kulutao, and 8375 tons for Shanghai.

4/ Includes 8348 tons ex U.S. 14,175 tons ex Siam. Of this total, 1506 tons is for Shanghai, 21,017 tons for Kowloon.

Of the 45,318 tons available in Siam on June 1, 1946, only 16,358 tons has cleared to date. London cable 522 advises that shipping has been arranged for an additional 47,000 tons through August.

5/ Scheduled to Load, Indo-China.

6/ Includes an estimated 6,000 tons on board S.S. Carole Lombard and S.S. Douglas Victory from Samar. Quantities not available.



Enclosure 5  
 Section 8  
 June 1946

NUMBER OF EXTERMINALLY DISPLACED PERSONS IN CHINA AND  
 CUMULATIVE NUMBER DEPARTED, BY NATIONALITY  
 As of End of June 1946

Item No.	Nationality (Country of Citizenship)	Number Originally Registered	Departed through May	Remaining in China End May	Departed through June	Remaining in China End June
<u>Shanghai</u>						
1.	Germans	7,380	40	7,342	14	7,328
2.	Austrians	4,298	45	4,253	13	4,240
3.	Stateless	1,340	2	1,338	4	1,334
4.	Polish	1,265	21	1,244	6	1,238
5.	Italians	639	0	639	225	414
6.	Czechs	289	3	295	0	295
7.	Hungarians	89	0	89	0	89
8.	Estonians	60	0	60	0	60
9.	Jugoslavs	32	0	32	0	32
10.	Latvians	27	0	27	0	27
11.	Lithuanians	30	0	30	0	30
12.	Greeks	21	16	5	0	5
13.	Iranians	20	0	20	0	20
14.	Rumanians	7	0	7	0	7
15.	Filipinos	4	0	4	0	4
16.	Finnish	1	0	1	0	1
17.	TOTAL in Shanghai					15,124
<u>Tsingtao</u>						
18.	Stateless	21				
19.	Austrians	11				
20.	Germans	1				
21.	Hungarians	2				
22.	Polish	1				
23.	TOTAL in Tsingtao					36
<u>Tientsin-Peiping</u>						
24.	Germans	157				
25.	Austrians	47				
26.	Hungarians	19				
27.	Poles	13				
28.	Czechs	5				
29.	Italians(Est.)	300				
30.	TOTAL in Tientsin-Peiping					539
<u>Foochow</u>						
31.	Austrians	2				2
<u>Anhwei</u>						
32.	Germans or Stateless	2				2
33.	TOTAL					15,703



Enclosure 6

Section 10  
June, 1946

Table I  
UNRRA CHINA OFFICE  
EMPLOYEES, BY OFFICE AND CLASS  
As of 30 June 1946

Line No.	Office	Number in UNRRA Offices		Detailed to CNRRA
		Class I (2)	Class II (3)	
1	TOTAL	732	1171	482
2	Headquarters	426	765	213
3	Total Regional & Field Offices	306	406	269
4	Shanghai	21	55	11
5	Canton	44	63*	30
6	Hankow	23	27	18
7	Tsingtao	25	34	23
8	Tientsin	25	39	16
9	Changsha	18	27	19
10	Liuchow	17	15*	12
11	Taiyuan	5	19*	7
12	Kaifeng	31	34	32
13	Chinkiang**	29	48*	58
14	Taipei	10	1	7
15	Hofei	11	23	3
16	Nanchang	13	13	9
17	Hangchow	20	18	16
18	Dairen	14	10	8

\* Estimated figure

\*\* Included in Chinkiang Regional Office are UNRRA & CNRRA personnel attached to the Nanking Office



Enclosure 7  
 Section 10  
 June, 1946

Table II  
 UNRRA CHINA OFFICE  
 KEY PERSONNEL (GRADE 13 AND ABOVE) BY  
 NAME, LOCATION AND FUNCTION  
 As of 30 June 1946

Line No.	Name	Location (City and Province)	Function
(1)		(2)	(3)
1	Kizer, Benjamin H.	Shanghai, Kiangsu	O. D.
2	Duncan, William J.	Nanchang, Kiangsi	O. D.
3	Ennis, Robert B.	Shanghai, Kiangsu	O. D.
4	Falconer, D.	" "	Services
5	Hesketh, T. Hilton	" "	Supply
6	Johnson, James G. Jr.	" "	O. D.
7	Marshall, Kendric	" "	O. D.
8	Martin, Thomas A.	Canton, Kwangtung	O. D.
9	Morgher, John W.	Shanghai, Kiangsu	O. D.
10	Price, Harry B.	" "	O. D.
11	Snyder, Raub	" "	F & A
12	Sokolove, Henri	Hankow, Hupeh	O. D.
13	Stephens, Donald P.	Shanghai, Kiangsu	F & A
14	Borcic, Berislav	" "	Services (Health)
15	Bower, Thomas	" "	Supply
16	Brown, Harold D.	" "	"
17	Clarke, Denzel H.	Hongkong	Services (D.P.)
18	Daly, Conor J.	Shanghai, "	F & A
19	De Tchihatchef, Feodor	Tsingtao, Shantung	O. D.
20	Field, Frank	Dairen, Northeast	O. D.
21	Fitch, George	Kaifeng, Honan	O. D.
22	Fitzpatrick, Walter	Taipei	O. D.
23	Green, William J.	Shanghai, Kiangsu	Supply, Agr. Reh.
24	Hayward, Victor	Liuchow, Kwangsi	O. D.
25	Henry, J. M.	Canton, Kwangtung	O. D.
26	Hodel, G. Hill	Hankow, Hupeh	Services (Health)
27	Hoffer, Joseph R.	Nanking	"
28	Hoffman, Luther	Changsha	O. D.
29	Hope, Charles	Hangchow, Chekiang	O. D.
30	Jacobsen, Jerome J.	Shanghai, Kiangsu	O. D.
31	Leete, Joseph F.	" "	Supply
32	Leland, S. J.	" "	Services (Health)
33	Lund, Harris H.	Tientsin, Hupeh	" (Welfare)
34	MacDowell, W. D.	Shanghai, Kiangsu	Supply
35	Musson, E. K.	" "	Services (Health)
36	Nash, Ernest	" "	O. D.
37	Nixon, F.	" "	D. P.
38	Nucker, Delmas H.	" "	F & A



Enclosure 7  
 Section 10, P. 2  
 June, 1946

Table II  
 UNRRA CHINA OFFICE  
 KEY PERSONNEL (GRADE 13 AND ABOVE) BY  
 NAME, LOCATION AND FUNCTION  
 As of 30 June 1946

Line No.	Name	Location (City and Province)	Function
	(1)	(2)	(3)
39	Richardson, R. P.	Chinkiang	O. D.
40	Saper, Jakob	Shanghai, Kiangsu	Services (D.P.)
41	Sutter, Victor	" "	" (Health)
42	Thorp, J. S.	" "	O. D.
43	Van Hyning, Robert	" "	Welfare
44	Wahlberg, Edgar M.	" "	O. D.
45	Young, P. B.	Tientsin, Hupeh	O. D.

DETAILED TO UNRRA:

1	De Moulin, R. K.	Nanking	Services, Ministry of Interior
2	Eloesser, Leo	Shanghai, Kiangsu	Services (Health)
3	Gilmour, W. S.	" "	" "
4	Hetzel, Kenneth S.	" "	" "
5	Mitchell, A. H.	Nanking	Supply
6	Power, Beryl	"	Services (Welfare)
7	Smith, Chester	"	" "
8	Todd, Oliver J.	Kaifeng	Supply, agr. Reh.



Enclosure 8  
 Section 10  
 June, 1946

Table III  
 UNRRA CHINA OFFICE  
 CLASS I EMPLOYEES ON PAYROLL, BY OFFICE AND FUNCTION  
 As of End of June 1946

Line No.	Function (1)	Total (2)	Number of Employees		
			UNRRA Head- quarters (3)	UNRRA Regional and Field Offices (4)	UNRRA Employees Detailed to CNRRA (5)
1	Class I Employees - Total	1214	426	306	482
2	Office of Director	218	113	96	9
3	Services - Total	337	41	49	247
4	Health - Total	166	17	27	122
5	Doctors	83	5	13	65
6	Dentists	17	-	-	17
7	Nurses	28	3	6	19
8	Sanitary Engineers	11	3	6	2
9	Other Health Personnel	27	6	2	19
10	Welfare - Total	150	18	17	115
11	Technical Personnel	138	11	13	114
12	Other Welfare Personnel	12	7	4	1
13	Displaced Persons	19	4	5	10
14	Other Services	2	2	-	-
15	Supply - Total	402	150	50	202
16	Industrial Rehabilitation	195	47	3	145
17	Agricultural "	58	12	20	26
18	Distribution	70	25	22	23
19	Other Supply Personnel	79	66	5	8
20	Finance and Administration	257	122	111	24



Enclosure 9  
 Section 10  
 June, 1946

Table IV  
 UNRRA CHINA OFFICE  
 CLASS I EMPLOYEES ON PAYROLL, BY GRADE  
 As of End of June 1946

Grade	Number of Employees (Class I)		
	Total	UNRRA	Detailed to CNRRA
(1)	(2)	(3)	(4)
Class I Employees - Total	1214	732	482
Grade 1	-	-	-
2	-	-	-
3	-	-	-
4	2	2	-
5	154	111	43
6	117	78	39
7	104	84	20
8	50	37	13
9	74	40	34
10	252	111	141
11	251	112	139
12	155	110	45
13	38	33	5
14	14	11	3
15	1	1	-
Ungraded	291	291	-
Without Compensation	2	2	-



Enclosure 10  
Section 10  
June, 1946

Table V  
UNRRA CHINA OFFICE  
CLASS I EMPLOYEES ON PAYROLL, BY NATIONALITY  
As of End of June 1946

Line No.	Nationality (Country of Citizenship)	Number of Employees (Class I)		
		Total (2)	UNRRA (3)	Detailed to UNRRA (4)
1	<u>Class I Employees - Total</u>	1214	732	482
2	United States	767	460	307
3	United Kingdom	163	97	66
4	Australia	111	66	45
5	Canada	42	35	7
6	New Zealand	28	15	13
7	British Indies	15	13	2
8	Denmark	13	5	8
9	Stateless	12	4	8
10	France	11	11	-
11	Norway	9	7	2
12	Netherlands	7	1	6
13	Poland	7	2	5
14	Czechoslovakia	5	2	3
15	U.S.S.R.	4	3	1
16	Belgium	3	2	1
17	Haiti	3	3	-
18	Greece	3	2	1
19	Brazil	1	-	1
20	Yugoslavia	1	1	-
21	Portugal	1	1	-
22	Columbia	1	-	1
23	Cuba	1	-	1
24	El Salvador	1	1	-
25	Honduras	1	-	1
26	Iran	1	-	1
27	Philippine Commonwealth	1	-	1
28	Union of South Africa	1	-	1
29	Sweden	1	1	-



Enclosure 12  
Section 10A  
June, 1946

Table 1 - Rates of Exchange

OFFICIAL AND OPEN MARKET RATES OF EXCHANGE  
NUMBER OF CHINESE DOLLARS PER U. S. DOLLAR  
June, 1946

Line No.	Item (1)	Rate at End of Month (2)	Range During Month (3)
1	Central Bank Buying Rate		2,020
2	Central Bank Selling Rate		2,020
3	Official Buying Rate		2,020
4	Official Selling Rate		2,020
5	Diplomatic Rate	-	-
6	Open Market Rate	2,650	2,750 - high 2,320 - low
7	UNRRA Rate	-	-
8	Any Other Rate (Specify)	-	-

If there is more than one type of local currency in use, insert additional columns and specify the type of currency.

2.2 Line 6: Enter the open market rate of exchange at Shanghai.



Enclosure 15  
 Section 10  
 June 1946

5. Table 4 - Financial Status, Summary

UNRRA CHINA OFFICE  
 FINANCIAL STATUS SUMMARY  
 AS OF END OF JUNE 1946  
 U. S. Dollars

Line No.	Item (1)	U. S. Dollars (2)
1	Cash balance on hand, in bank and in other depositories at the beginning of the current month	\$ 5,308.88
2	Receipts during month - Total	59,772.80
2a	Transfer of funds from Wash. Hq. a/c	50,000.00
2b	Receipts from Chinese Gov't	nil
2c	Other Contributions	nil
2d	Miscellaneous	9,772.80
3	Total (1) (2)	68,081.68
4	Payments during month	22,837.93
5	Cash balance on hand, in bank and in other depositories at end of month	42,243.75

(a)	Receipts in US\$ Receipt Book	17,772.80
	Cash from Bank (Over Sea China Office a/c	8,000.00 -
		9,772.80
(b)	Deposits in Hq. a/c	13,587.93
	Payments in US\$ Disbursement Book	8,200.00
	Payment from N.C.B. Over Sea a/c (China Office)	1,050.00
		22,837.93
(c)	Balance at end of month	
	Over Sea China Office a/c	40,950.00
	Cash on hand	1,293.75
		42,243.75

Remarks: (1) The National City Bank of New York, Shanghai oversea imprest account (China Office) was activated on June 12.  
 (2) Please see N.C.B. Washington Hq. a/c.  
 (3) Please see N.C.B. - UNRRA Demand Draft Account



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June 1946

THE NATIONAL CITY BANK OF NEW YORK  
WASHINGTON HQ. a/c

Date		Receipts	Payments
	Balance Brought Forward	US\$ 135,892.30	
June 7	Deposit of Unendorsed Army Exchange Check	33,484.80	
12	Transfer to Over Sea (China Office) a/c		US\$ 50,000.00
19	Cash Deposit	7,033.97	
26	" "	1,055.00	
29	" "	4,606.66	
	Balance		132,072.73
		<u>US\$ 182,072.73</u>	<u>US\$ 182,072.73</u>

THE NATIONAL CITY BANK OF NEW YORK  
SHANGHAI  
UNRRA-WASHINGTON HEADQUARTERS

DEMAND DRAFT ACCOUNT

Date	Descriptions	Amount
May 2	Deposit of unendorsed demand draft (first & second of exchange) #32/3 of The Bank of Canton Ltd., Shanghai on Irving Trust Co., New York in favor of UNRRA	US\$ 9,000.00
23	Deposit of unendorsed demand draft (first & second of exchange) #32/4 of The Bank of Canton Ltd., Shanghai on Irving Trust Co., New York in favor of UNRRA	9,000.00
June 6	Deposit of unendorsed demand draft (first & second of exchange) #32/8 of the Bank of Canton Ltd., Shanghai on Irving Trust Co., New York in favor of UNRRA	9,000.00
6	Deposit of unendorsed draft (sola of exchange #113945 of the National City Bank of New York, Shanghai on National City Bank of New York, New York in favor of UNRRA	839.00
		<u>US\$27,839.00</u>



Enclosure 15  
Section 10, P. 3  
June 1946

5. Table 4 - Financial Status, Summary

UNRRA CHINA OFFICE  
FINANCIAL STATUS SUMMARY  
AS OF END OF JUNE 1946  
C.N. DOLLARS

Line No.	Item (1)	C.N. Dollars (2)
1	Cash balance on hand, in bank and in other depositories at the beginning of the current month	\$ 27,650,187.32
2	Receipts during month - Total	1,679,871,790.00
2a	Transfer of funds	Nil
2b	Receipts from China Gov't.	1,600,000,000.00
2c	Other contributions	Nil
2d	Miscellaneous	79,871,790.00
3	Total (1) + (2)	1,707,521,977.32
4	Payments during month	1,562,428,858.00
5	Cash balance on hand, in bank and in other depositories at end of month	145,093,119.32



STATEMENT OF CASH BALANCE  
AS OF 30TH JUNE 1946

	<u>TOTAL RECEIPTS</u>	<u>TOTAL DISBURSEMENTS</u>	<u>BALANCE</u>
US\$	\$ 23,081.68*	\$ 21,787.93	\$ 1,293.75
CN\$	\$745,886,860.--**	\$634,263,060	\$111,623,800

## I CASH RECEIPTS US\$

TOTAL AMOUNT	\$23,081.68*
INTERNAL TRANSFER	8,000.00
REFUNDS	500.23
OTHER	9,272.57

II CASH DISBURSEMENTS US\$

TOTAL AMOUNT		\$21,787.93
RELIEF & REHABILITATION EXPENSES		
2/0 Personal Accounts		525.00
2/1 Travel & Subsistence		2,550.00
STAFF ADVANCES		3,875.00
OTHER		14,837.93

### III BALANCE

AS OF 30TH JUNE 1946 . . . . . \$ 1,293.75

Note: \* Including the balance of US\$ 5,308.88 carried forward from May.

\*\* Including the balance of CN\$ 14,887,611.--  
carried forward from May.



JUNE 1946

I CASH RECEIPTS CN\$

TOTAL AMOUNT	\$ 745,886,860.-*
INTERNAL TRANSFER	651,428,684.-
REFUNDS	33,958,965.-
UNRRA SALES STORE	45,471,600.-
OTHER	140,000.-

II CASH DISBURSEMENTS CN\$

TOTAL AMOUNT	\$ 634,263,060.-
RELIEF & REHABILITATION EXPENSES	
2/01 Salaries & Wages	217,337,800.-
2/15 Subsistence	221,554,800.-
2/19 Passport, Visas, Photographs	19,345,700.-
2/3 General Supplies	415,800.-
2/4 General Equipments	72,600.-
2/5 Other Contractual Services	11,787,740.-
2/6 Special Services	8,151,650.-
TRANSPORT & WAREHOUSING	8,061,500.-
STAFF ADVANCES	27,136,950.-
REGIONAL OFFICES TRANSFER	24,099,700.-
C. W. T.	62,622,000.-
OTHER	33,676,820.-

III BALANCE

AS OF JUNE 30TH 1946	\$ 111,623,800.-
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Note: \* Including the balance of \$14,887,611  
carried forward from May.



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June 1946

BANK RECEIPTS CN\$

Balance as of 31st May 1946	\$ 2,762,576.32
CNRRA -- Advance (June 3)	300,000,000.-
CNRRA -- " (June 10)	300,000,000.-
Friends Ambulance Unit -- Personal a/c of B. Llewellyn (June 13)	50,000.-
CNRRA -- Advance " "	300,000,000.-
CNRRA -- " (June 17)	200,000,000.-
CNRRA -- Payment for Rabies Vaccine as requested by Hupeh Regional Office-Hankow (June 19)	42,500.-
CNRRA -- Advance (June 21)	200,000,000.-
Hongkong & Shanghai Banking Corp. -- Refund of freight charges on B/L for goods shipped on s.s. Hupeh to Tientsin & Tsingtao (June 21)	208,725.-
CNRRA -- Advance (June 25)	300,000,000.-
	<u>\$1,603,063,801.32</u>

BANK DISBURSEMENTS CN\$

Personal Accounts	\$ 5,594,800.-
Travel & Subsistence	209,055,924.-
Communications	20,373,545.-
General Supplies (2/31)	72,019,720.-
General Supplies (2/39)	30,435,710.-
General Equipment (2/41)	130,859,500.-
General Equipment (2/49)	19,547,200.-
Other Contractual Services	32,905,557.-
Special Services	7,493,758.-
Transport & Warehousing	136,208,231.-
C. W. T.	17,675,089.-
Staff Advances	1,000,000.-
Regional Office Transfers	245,462,000.-
Internal Transfer	573,626,084.-
Other	94,337,364.-
	<u>\$1,594,594,482.-</u>

BANK BALANCE CN\$

As of 30th June 1946

\$ 8,469,319.32



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June 1946

THROUGH  
CENTRAL BANK OF CHINA

REGIONAL OFFICE TRANSFERS

Changsha Regional Office	-	June 10	\$ 25,000,000.-
Shanghai "	"	" 14	16,000,000.-
Wuhu "	"	" 14	8,000,000.-
Mukden "	"	" 14	15,000,000.-
Tsingtao "	"	" 14	25,000,000.-
Tientsin "	"	" 14	50,000,000.-
Nanking Capital Liaison Office	"	14	20,000,000.-
Nanchang Regional Office	-	" 22	5,000,000.-
Shanghai "	"	" 22	40,000,000.-
Shanghai "	"	" 28	35,000,000.-

TOTAL

\$237,000,000.-

Purchases to various Regional Offices  
- during the month of June 1946

\$ 6,462,000.-



Military

Early in June, the Nationalists continued to advance south of the Sungari River, following up their breakthrough in the Szeepingkai area resulting in the recapture of Changchun. In the midst of speculation on the reversed military picture, Generalissimo Chiang proclaimed on 6 June:

"I am issuing orders at noon today to my armies in Manchuria to hold all advances, attacks and pursuits for a period of 15 days commencing at noon on Friday, June 7.

"I am doing this to give the Communist Party an opportunity to demonstrate in good faith their intention to carry out the agreements they have previously signed. In taking this action, the government in no way prejudices its right under the Sino-Soviet treaty to recover the sovereignty of Manchuria.

"The following matters must be satisfactorily settled within the 15-day period:

- a. Detailed arrangements to govern a complete termination of hostilities in Manchuria.
- b. Detailed arrangements and time schedules for the complete restoration of communications in China and
- c. A definite bases for carrying out without further delay the agreement of February 25, 1946, for the demobilization reorganization and integration of the armed forces in China."

Throughout the 15 day truce period violations were reported. Whereas the Manchurian front remained comparatively quiet aggressive Communist advances were reported in Hopei, Jehol and particularly in Shantung. Tsingtao spotlighted much of the news, as an important strategic Nationalist enclave in Communist held territory.

The Nationalists demanded Communist evacuation of Harbin, Jehol and Chahar provinces, North China and the Communist held seaports of Chefoo and Weihaiwei, and proposed that the 3 Communist divisions allotted to Manchuria be stationed at Tsitsihar, Hailunpao and Yenki and that government forces in Tsingtao and Tientsin be increased. The Communists on the other hand demanded a revision of the ratio between Government and Communist troops from 5 - 1 to 15 - 5, and the addition of Harbin and Antung to Communist garrison areas. The Communists were reported willing to accept Nationalist demands on army reorganization in Manchuria but would not evacuate Jehol, Chahar, Chefoo or Weihaiwei.

On 21 June, day before expiration the truce was extended until 30 June. The Communist-Nationalist negotiations were deadlocked on Nationalist proposed grant of arbitration power to General Marshall. Communists continued their opposition



to presence of American forces in China and repeatedly urged their return home.

The "Committee of 3", General Marshall, General Hsu Yung-chang, government representative and General Chou En-lai, Communist representative announced an agreement supplementing that of 27 March for sending field teams into Manchuria. It is to be effective indefinitely although it may be superseded by final settlements. The number of field teams in Manchuria is to be increased from four to seven. The advance section of the Executive Headquarters at Changchun has been given increased power to arrange and implement cease-fire. The following week however, the Communists indicated their disapproval of American participation by their reported refusal to send cease-fire teams to Communist held areas in Manchuria.

The extension of the truce period drew to a close without agreement on army reorganization and the redistribution of Nationalist and Communist troops. On 30 June, Generalissimo Chiang extended the truce indefinitely.

### Political

Democratic League, Young China, Youth Party and non-partisan leaders continued to be vocal in calling for Communist-Nationalist compromise. All parties stressed the need for truce extension and reemphasized their belief that no working policy would be effected during military operations. Lei Chen, Secretary General of the Political Consultative Council said the P.C.C. Steering Committee would not resume its sessions in Nanking "until the Committee of 3 gives us at least a preliminary agreement to work on."

T. V. Soong was subjected to varied and numerous criticisms. He was charged with "overreliance on English speaking friends and failure to get along with the Chinese Press. His quick decisions and rapid implementations are resented by more conservative and old line Chinese politicians and statesmen. Premier Soong's United States popularity and Generalissimo Chiang's backing offset this opposition.

It was reported that the Communists sought in political concessions an increase in the number of Communist member seats on the State Council, the appointment of Communist ministers of the Interior, Social Affairs and Education, and of Communist governors for Shantung, Hopei, Chahar and Jehol provinces.

The propaganda truce reached last month proved unworkable, for Yen-an colorfully described American supporters of the Chinese National Government as "reactionaries, fire eaters, war mongers and imperialists, and added that without them peace and democracy would have been established in China long ago. It bluntly demanded that American pack up and go home. The Nationalists, through Minister of Information Peng accused the Communists of resorting to dilatory tactics by insisting that the communications problem be settled prior to the military question. Peng discounted Communist assertion that a grant of arbitration powers to American member of the Committee of Three would constitute an infringement of national sovereignty, by citing China's adherence to arbitration in the Hague Court without any loss of sovereignty.

The political atmosphere is tense and the bitterness was effectively reflected in the assault and beating of the Shanghai peace delegates at Nanking's railroad



station. There was resumed clamor for a resumption of PCC sessions by the Communists, who suggested a fixed time limit for settlement of the political questions, including the reorganization of the government.

## Economic

### A. GENERAL

Chinese industry continues to be plagued by high power costs, inadequate and outmoded equipment, lack or shortage of raw materials, high labor costs and small sums of working capital, a shortage of skilled technical personnel, high interest rate and heavy transportation costs. The small business man and industrialist beset with these burdens and faced with the increasing incursion of government in business is finding it difficult to continue in operation. Combines such as the Taiwan Sugar Industries Corporation and the China Textile Development Company, to mention two of the powerful units, have by reason of heavy financial backing and excellent government connections been reported able to control and influence prices and "freeze" competition. Reports from the province of Shansi disclose that all industry in Shansi of any account is owned and controlled by the Northwest Industries Co. a provincial government holding company operating on a completely monopolistic basis. Fundamentally it should not matter what means are used to achieve greater production and better distribution. The needs are great and the maximum utilization of available productive capacity and supplies must be stressed. Manchurian industry which could have furnished a great part of the production necessary to economic revival and possible expansion in China, has been incapacitated by heavy and indiscriminate machinery and plant removals by the Russians.

### B. INDUSTRY

#### (a) Textile Industry

##### (1) Cotton

The capacity of China Textile Development Co., government sponsored, according to Shun Pao translation is:

Area	Number of Spindles		Number of Looms	
	Total	Operating	Total	Operating
Shanghai	800,000	600,000	20,000	10,000
Tsingtao	450,000	180,000	9,000	4,000
Tientsin	400,000	120,000	7,000	2,000

The Combined Board of the Legislative Yuan (Financial, economic and commercial committees) charged the government owned textile industry was competing with private plants and was interested only in profits.

China Textile Development Co. profits according to Sin Wan Pao translation:



April - CNC\$ 9,000,000,000.  
May - CNC\$14,000,000,000.  
Since start of operations in January  
- CNC\$31,200,000,000.

The Hankow, Hupeh No. 1 Cotton Mill has resumed operations. (Chung Yang Jih Pao translation) The factory has a total of 15,000 spindles. The second mill of the company with a total of 44,000 spindles is scheduled to reopen within the next two months. In pre-war days the two mills had 88,000 spindles. Many of the spindles were damaged or destroyed during the war.

The Yue Tsung Cotton Mill in Wuhu, Anhwei has a capacity of 18,000 spindles, 46 spinning frames and 60 carding machines. It manufactures only cotton yarn and employs 1,500.

The China Spinning and Weaving Development Co. proposes to step up present daily output of 1,000 bales of cotton yarn to 1,500 bales and cotton piece goods from 18,000 rolls to 26,000 rolls.

Since the Japanese surrender only 450,000 bales of cotton have been consumed by the mills, whereas imports aggregated 1,250,000 bales. The Central China Cotton Development Bureau of Ministry of Agriculture and Forestry has increased cotton field area under cultivation to over 40,000,000 mow during this year. This year approximately 300,000 metric tons of raw cotton will be produced compared to pre-war 800,000 metric tons.

Cotton harvest prospects in North China are good, provided the military situation does not get worse. The full effects of the recovery of the cotton textile industry is not felt because of the reported heavy drain and diversion of materials to military use.

## (2) Silk

The Kiangsu silk culture extension service is established in four districts along the Shanghai - Nanking railway and covers 11 hsien with the center at Wusih. Silk culture is an important item of local economy for generally it is carried on by small farmers who also produce food crops.

The China Silk Corp. expects to collect sufficient cocoons to turn out 30,000 piculs of raw silk this year. Large quantities of cocoons were collected in Kiangsu, Chokiang and Anhwei provinces. 15,000 piculs of raw silk will be ready for export to U.S. by the middle of August. Chokiang province cocoon collection was completed by mid June, with a total purchase of 70,000 piculs. Representatives of the China Silk Co. have gone to Japan to try to induce General MacArthur to sell 150,000 piculs of cocoons needed for Chokiang and Kiangsu silatures. His promise of 75,000 piculs is considered inadequate.



The China Silk Co. will act as agent for various silk factories. It will export and sell raw silk in New York on a consignment basis.

Shanghai silk filatures are finding continued operation difficult. Many have not reopened. Labor at present represents 20% of production cost as contrasted to 5% in prewar years. (Wen Wei Pao translation).

It is believed that unless the cocoon purchase price is increased in line with the high cost of production resulting from high price of mulberry leaves and rice, silk farmers will have little incentive to produce more silk cocoons next year.

(b) Mining

(1) Coal

The output of the Kailan Mines for the month of May was reported to be 333,000 tons. The demand for Kailan coal is approximately 395,000 tons monthly. 150,000 tons for Shanghai, Tsingtao, Canton and other Yangtze ports and 245,000 tons in North China cities. A 30% increase in coal prices beginning 1 June was announced by Kailan Mining Administration. No. 2 lump coal CNC\$21,000 per ton 1 May, CN\$30,000, 1st June.

The Kailan Mining Administration reported the production of 81,247 tons of coal for the week ending 15 June. This is a record output this year, but well below the 20,000 ton daily output for prewar years.

U. S. reparationer E. W. Pauley's advance field team is reported to have found evidence of Soviet removals of a considerable amount of heavy equipment from the Fushun Coal Mines, 30 miles east of Mukden.

The New China News agency reports speeding up of repairs in Changhsing Coal Mine in Tsaochwang. Mine operation is expected to be resumed shortly.

(2) Oil

The capital of the China Petroleum Company - organized directly by the National Resources Commission - has been increased from CN\$1,000,000,000 to CN\$5,000,000,000. It is the largest oil company in China, organized for the production, transportation and distribution of oil. It plans to develop the oil fields of Formosa. Present 300,000 gallon monthly production is only 60% of monthly consumption.



UCIB reports that only 13 of 61 Kansu oil wells are in operation. Poor transportation facilities and inadequate machinery is hindering appreciable production increase.

### (3) Miscellaneous

Mid-June U. C. I. B. reports indicated accumulating stocks of Anhwei timber in Hangchow, Chekiang. Anhwei timber merchant experience difficult and slow market due to competing low cost foreign pine, steady Fukien province timber shipments and high transportation and labor costs.

The nitrogen fixation plant at Dairon is reported incapacitated due to electric generator removals.

Molybdenum deposits at Yangchachantze with estimated reserves of 8,000,000 tons of ore with 4/10 per ton yield may turn out to be world's largest according to geologists of Pauley's mission.

The wartime control of all metals was relinquished as of 11 June by order of Executive Yunn. Business men may now produce, transport or sell copper, lead, tin and a few other minerals.

### C. POWER

The National Resources Commission is reported contemplating a 10 year electrification plan for the Kiangnan area. (Kiangsu, Anhwei, Chekiang). In Kiangsu a 300,000 KW power plant located at Lungwa along Whangpoo River near Shihhuikong. In Chekiang a 150,000 KW power plant at Tunghu utilizing the river water power in its location in upper reaches of Fuchun River. In Anhwei, at Wuhu utilizing coal of Changshing Coal Mine.

The Wuhu, Anhwei water plant is supplying only 200 out of 3000 units in Wuhu because of tank and piping deficiencies.

The Municipally owned Peng-pu Electric Power Plant in Anhwei had a prewar capacity of 550 kws. The removal by the Japanese of the generating equipment and the superheater from the boiler has reduced kilowattage to 250.

The National Resources Commission will provide CN\$10,000,000,000 and operate the municipal power plant jointly with the Canton Municipal Government. Coal is to be imported from Formosa and the initial operating capital of CN\$2,000,000,000 is to be furnished by N. R. C. Three member's of the 5 man joint commission will represent the National Resources Commission.

### D. FOODSTUFFS

The Chinkiang Flour Mill (Kiangsu) is milling about 2,000 bags of flour per day. Pre-war levels were about 6 - 7000 bags per day. If grain is available the present young and vigorous managing personnel say they could mill 8000 bags daily.



A loan of CN\$50,000,000,000 from the government for the purchase of wheat has been requested by local flour mill owners. Flour mills in Kiangsu, Anhwei and Chekiang have a capacity of 141,000 bags of wheat flour per day, requiring 94,000 piculs of wheat.

The Pao Hsing Flour Mill in Peng-pu, Anhwei is milling 2,000 bags (50 lb.) daily as compared to 8,000 bags daily prewar. Conveyors, bleaching and weighing machines are inadequate as result of heavy damage sustained by Allied bombing.

In prewar years the Fu Hsin Flour Mill had 7 factories in Shanghai and one in Hankow. Nos. 1, 2 and 7 in Shanghai are open. With 800 workers, 4,000 bags of flour are produced. Modern flour machinery has been ordered from England - daily output 8,000 bags - to be installed in Fu Hsin Mill No. 5.

The Mao Hsin Flour Mill had 3 factories in Wusih and one in Tsinan in prewar days.



Enclosure 17  
 Section 14, p. I,  
 June 1946.

REPORT OF FINANCIAL ADVISER  
 June, 1946.

I. FOREIGN TRADE

1. Value of imports and exports

The Customs authorities have compiled the following statistics on the foreign trade of Shanghai for the month of April, which is the latest information on record:

Date	IMPORTS			EXPORTS
	General Imports	UNRRA Supplies	Total	
	Million CN\$			Million CN\$
1946				
January	9,383	598	9,981	5,641
February	17,173	2,858	20,031	3,309
March	40,577	43,047	83,624	3,937
April	81,510	15,863	97,373	4,084

Excess of General Imports over Exports, April 1946, CN\$77,426,242,000.

Excess of Total Imports over Exports, April 1946, CN\$93,289,528,000.

Converted into U.S. dollars at the official exchange rate, the April figures are as follows:

April 1946

General Imports .....	US\$40,351,515
UNRRA Imports .....	7,853,112

Total US\$48,204,627

Exports ..... US\$ 2,021,692

Excess of General Imports over Exports ..... US\$38,329,823

Excess of Total Imports over Exports ..... US\$46,182,935

The foreign trade of the Port of Shanghai since the beginning of the current year presents the following picture:



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June 1946.

January - April 1946

General Imports .....	CN\$146,643,609,000	US\$72,595,846
UNRRA Supplies .....	62,367,592,000	30,875,045
<hr/>		<hr/>
Total Imports	CN\$209,011,201,000	US\$103,470,891
<hr/>		<hr/>
Exports .....	CN\$ 16,971,776,000	US\$ 8,401,863
Excess of General Imports over Exports .....	CN\$129,671,833,000	US\$ 64,193,977
Excess of Total Imports over Exports .....	CN\$192,039,425,000	US\$ 95,069,022

The above figures compare as follows with the corresponding 1936 figures:

April 1936

Imports .....	CN\$ 86,807,496	US\$ 26,305,301.82
Exports .....	54,848,592	16,620,785.45
Excess of Imports .....	31,958,904	9,684,516.37

January - April 1936

Imports .....	CN\$290,163,693	US\$ 87,928,391.82
Exports .....	220,063,070	66,685,778.79
Excess of Imports .....	70,100,623	21,242,613.03

Note: 1936 figures refer to China Proper.

Raw cotton comprised almost half of the total imports. The following table shows the imports of cotton to Shanghai in 1946 and during corresponding period in 1936:

	<u>1946</u>		<u>1936</u>	
	<u>April</u>	<u>Jan-Apr</u>	<u>April</u>	<u>Jan-Apr</u>
Import of raw cotton, Quintals	463,319	769,413	84,769	171,786

Silk exports made up the bulk of April exports, as shown below:

<u>April 1946</u>		
Exports .....	CN\$4,083,818,000	
Silk Exports .....	CN\$2,195,595,000	

The April export of silk, in terms of quantity, amounted to 27,500 kgs., as compared with 165,635 kgs. in April 1936.



Enclosure <sup>17</sup>,  
Section 14, p. 3,  
June 1946.

Appendix A gives an itemized account of April 1946 imports and exports.

In North China, foreign trade continued to be at a standstill. The unstable political situation, according to traders, hampers the free movement of cargoes. Pilferage is rampant in transit between Taku Bar to Tientsin.

## 2. Imports

Insufficiency of available wharfage for incoming ships and the growing pilferage are considered at present as the main obstacles hindering import trade. Pilferage of cargoes on the Shanghai waterfront has reached such proportions that insurance underwriters are increasing their rates. Some underwriting companies have refused to cover cargo against theft on the China Coast.

## 3. Exports

### a) Trends

Commodities for export from Szechuen and Sikong, consisting of tung oil, hog bristles, silk, hides, skins, etc. have not arrived in Shanghai in significant quantities for a long time as many vessels have been allocated for carrying Szechuen rice to famine areas.

China's exports of tung oil to the United States are expected to amount to 25,000 short tons in 1946, which compares with an annual average of 39,000 tons during 1933-37.

Tea merchants are making urgent appeals to the Government for early restoration of communications to facilitate transportation of tea from the producing areas, readjustment of the foreign exchange rate so as to encourage export of Chinese tea, and granting of subsidies to exporters. They attribute present stagnation of the Chinese tea trade to the fact that China's principal tea buyers - Soviet Russia, Britain and the United States - are now in no position to import tea from China. Sino-Soviet trade is virtually at a standstill, while Sino-British trade has not yet been brought back to its prewar level. The United States, although in need of Chinese tea, can only pay the ceiling price of US\$0.40 a pound, which is considerably lower than the cost price in China. According to the Sin Wan Pao, the British authorities have permitted the import of 2,500,000 pounds of Chinese tea into Britain according to reports received from London. It is expected that large quantities of tea will be sent to England this autumn. However, the amount permitted by the British authorities represents only 30 per cent of Chinese tea imported by Britain in the pre-war year.

Dumping of Japanese raw silk affects the overseas market for Chinese silk. Rising production costs, coupled with transportation difficulties, are hampering the Chinese merchants from competing with the Japanese in the overseas markets.



Enclosure 17,  
Section 14, p. 4,  
June 1946.

The main suggestions of Shanghai exporters to break the present deadlock in export trade are: Government banks should extend larger loans at lower interest; the testing work on export commodities should be expedited; the Government should exempt all exports from duties; transportation facilities should be improved.

The chief obstacle to the restoration of export trade remain the prohibitive price of domestic products and lack of transportation facilities from the producing areas.

b) Government encouragement of exports.

As from June 14, exporters may obtain credits from the Central Bank or other government banks for the export of native products. The exported goods will be used as security at 30 per cent discount and the loan will be extended for a period of three months with an interest of 6 per cent.

The loans will be extended at low interest rates under the following conditions:

- 1) Exporters' applications for loans at the appointed banks will be considered and accepted without previous reference to the Central Bank. These banks can also obtain funds at 6 per cent simple interest from the Central Bank in case of their ready funds being insufficient.
- 2) The term of the loans will not be for more than three months and the amount of loans will be fixed at 70 per cent of the actual value of the exported commodities.
- 3) Only reliable and old-established firms are eligible for such loans.

The authorities are contemplating to provide shipping space at low freight rates to exporters.

4. Government regulation of foreign trade

a) The Ministry of Finance, on instructions of Dr. T. V. Soong, President of the Executive Yuan, has officially approved the appointment of Mr. E. A. Pritchard, of British nationality, to be commissioner of the Maritime Customs, in Shanghai, to succeed Mr. K. T. Ting.

b) The Board of Supply of the Executive Yuan was organized in the middle of May to handle the purchase of U.S. war surplus. All goods acquired under foreign loan facilities, lend-lease arrangements are sold by the Board to the government or to the public on a loan basis.

c) To check rampant smuggling of imported luxuries into Shanghai, the value of which is roughly estimated at more than CN\$2,000,000,000 a month, steps will be taken by the local Customs authorities to tighten preventive control around the port area. Before the war, the Customs



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Section 14, p. 5,  
June 1946.

had a fleet of eight preventive vessels patrolling the waters. They are not in serviceable condition because of long years of neglect. As a result, Customs preventive officers can only exercise their functions along the shore while smugglers are active under cover of night and carry boatloads of taxable goods to the shore without being detected by patrolling Customs officers. The Customs authorities have reportedly ordered a number of preventive vessels from abroad. These will be put in service as soon as they arrive here.

#### 5. Financing of imports

a) The United States and China have signed a "pipeline" agreement under which China will pay nearly US\$60,000,000 in connection with lend-lease supplies in "pipeline" before the end of the war against Japan. Forty-eight million dollars of the total is actually for supplies, the remainder being for payment of transport and other expenses. The agreement is retrospective from September 2, 1945, and the total amount is to be paid by July 1, 1976, in 30 annual instalments. The sum is to be paid in American dollars and will draw annual interest at the usual lend-lease pipeline rate of 2-3/8 per cent.

b) The Central Bank of China notified all appointed banks handling foreign exchange not to receive foreign banknotes in payment of the following imported commodities and/or other usages for their settlement of foreign exchange:

1) Banned imported goods (as listed in table No. 2 of the provisional rules governing the import and export trade) consisting of luxuries, laces, trimmings, embroideries, wool or woollen carpets and other kinds of rugs, pure or mixed silk, musk, ivory articles, curios, perfumes, cosmetics, rouge, etc.

2) Banned imported goods consisting of perfumes, cosmetics, rouge, shaving soap, creams, tooth paste, talcum powder, hair oil and other toilet preparation, apples and other unlisted fruits, preserved and dried fruits, coconuts, lemons, oranges, artificial resin and plastics, toilet articles, such as combs, brushes, pen nibs, fountain pens and other unlisted office appliances, and canned goods.

It was added, however, that the imports of the just mentioned articles when shipped before June 15 or when being en route to China could be financed out of frozen funds.

3) Any imported goods not being sanctioned by the Central Bank.

Goods listed on the Customs' prohibited list may not enter Chinese ports if they have been purchased or shipped after March 31, 1946.



Enclosure 17,  
Section 14, p. 6,  
June 1946.

II. INDEX AND COST OF LIVING

1. Price movements and price control

Shanghai - The Mayor of Shanghai continued to take energetic measures to suppress rice speculation and thus bring prices down. Some of the measures passed by the Shanghai Municipal Government were:

- 1) Elimination of unreliable rice shops. This is being carried out through the process of registration of the rice hongs and shops in this city. Those with insufficient capital or inadequate management are to be eliminated together with all the newly established small rice hongs.
2. Supervision of rice shops. Rice retail shops will be required to exhibit price tags.
3. Rice retail shops may sell rice to the public with a profit of 6 per cent including transportation fees.
4. Invoices must be issued by rice shop selling 86 lbs. or more of rice to customers. This step aims at eradicating attempts of rice dealers in arbitrarily hiking up the price of the staple.
5. More rigid regulation of rice stocks. All rice stocks arriving in Shanghai must be registered with the Bureau and must be sold within three days after their arrival here, so as to forestall hoarding.
6. All private citizens having more than three months' rice, or any organization or business firm with more than two months' rice must have it registered, otherwise the excess will be confiscated. Hoarders caught with supplies of 5,000 piculs of rice or above will be sentenced to death and those found guilty of hoarding more than 3,000 piculs will be punished with life imprisonment.
7. As the local market needs about 7,000 piculs of rice a day, only this amount can be permitted to be traded in the market at the price of the previous day and no increase is permitted. The price was pegged at CN\$50,000 per picul on 8 June. If there is not sufficient rice on any particular day, the rice stored by the rice shops and registered with the authorities will be sold in the market.

As a result of the fixed price, only a limited amount of rice was available at the official price of CN\$50,000 per picul, and consisted of inferior quality ("sharp rice").

The cause of this crisis is said not entirely based on profiteering. The cost price of rice in producing districts such as Wusih and Changshu is approximately CN\$55,000 a picul, therefore the rice quotation on the black market in Shanghai is around \$60,000 per picul.



Enclosure 17,  
Section 14, p. 7,  
June 1946.

It is exceedingly difficult for the authorities to thrash out the present problem. The reason is that whenever the official rice rate in Shanghai is increased, the selling price of rice at producing districts will follow suit and rise by a similar proportion. Until rice may be shipped from various producing areas other than those situated in the vicinity of Shanghai, the local price of rice is hard to be controlled.

The Government has launched a thorough going investigation into the use of the CN\$1,000 million government loan extended to rice merchants in April. The report issued at the conclusion of investigation revealed that high officials of the Shanghai Food Commissioner's Office of the Food Ministry were parties to practices which not only produced higher rice prices in Shanghai, but in nearby rice-producing areas as well. As a result of this investigation, Jen Hsin-ya, section chief of the Shanghai Food Commissioner's Office, who had been in charge of the rice loan, has been arrested together with several rice dealers, and the Shanghai Food Commissioner's Office was abolished as of June 30.

#### Hopei-Jehol Region<sup>1</sup>

The formidable increase in the price of foodstuffs, coupled with the shrinking stocks of cereals available, have combined to force government action. After a series of conferences with private and governmental agencies, plans have been announced for the raising of a fund of CN\$10,000,000,000 with which to purchase 30,000 tons of provisions and the necessary warehouses in which to store them. This total represents a month's supply for the city of Tientsin, and will be made available to the public as needed.

In addition to this step, the Social Welfare Bureau has decreed that the milling of rice must produce at least 90 per cent and that wheat must yield at least 85 per cent flour. No cereals are to be allowed to be used in the making of wine, and the feeding of cattle with rice, wheat, corn, kaoliang and sweet potatoes is forbidden. Restaurants are to be limited in terms of luxury foods and confectioners are forbidden to use the finest flour for cakes and cookies. Finally, the citizens are to be called upon to change their eating habits so as to provide the maximum conservation of needed foodstuffs. Those who have been accustomed to eating three meals a day are to do with less, and those who have eaten dry rice are to turn to porridge.

The Kailan Mining Administration has announced a rise in coal prices effective as of 1 June. This has meant an increase in price for electric current, as the latter has been pegged to the price of coal. Further price increases in other industries affected by the K.M.A. action may be expected soon.

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1. Weekly Report, Nos. 9 - 10.



Anhui Region<sup>1</sup>

The sudden jump in the price of rice which occurred in the first part of June was so serious that local authorities intervened. Measures taken to remedy the situation were: 1) prohibition of rice exports, 2) registration of existing stocks by each merchant with the local rice guild, 3) penalties fixed for profiteering.

The sudden jump in the rice price was attributed to 1) heavy purchasing by outside dealers, 2) compulsory sales to military, 3) hoarding and profiteering.

Kwangtung Region<sup>2</sup>

The price of rice continued to fluctuate daily with an upward trend at the end of the first week of June over the opening price on June 1st. However, the weekly average price reflected a drop of CN\$3,740 over the average for the previous week. The slight decline in average prices which occurred in the first part of June was attributed mainly to the following factors:

- 1) The continued efforts of the Provincial Government to clamp down on hoarding and to enforce the rice saving campaign. During the first week of June two large rice hongts were raided and some 80,000 catties of polished rice and 3,500 catties unpolished were discovered and made available on the market at the official price. Other raids were made and the same action taken. Those responsible for the hoarding were prosecuted and this, together with the confiscation of the rice concerned, has had a salutary effect on other hoarders who have released supplies to the market.
- 2) The continued arrival of newly harvested rice in limited quantities on the Canton market from neighbouring hsien and from Liuchow, Kwangsi.
- 3) The possibility of importation of large quantities of rice to Kwangtung from other sources. It was reported in the local Chinese press that 200,000 piculs from Kiangsi and 5,200 tons from Siam are on the way to Kwangtung but confirmation of this information has so far not been obtained.
- 4) The Provincial Government, as reported in the press, has ordered all hsien and city governments to permit the free movement of rice from one area to another and not to hinder transportation in any way.
- 5) A total of 336 rice wine distilleries in Canton have been closed by the government and forbidden to resume business until further notice.

The subsequent rise of rice in the market was attributed to the

1. Weekly Report, No. 4.
2. Weekly Report, No. 2.



following factors:

1) Army requisitioning - The municipal government of Canton was ordered by the army to provide 10,000 bags (198 lbs. each) of rice at a price of CN\$40,000 per bag of which 5,000 bags were demanded by 7th. June. A petition for withdrawal of the order was rejected and the Canton Military Food Supply Purchasing Committee was formed on 2 June. The following resolutions were adopted:

(a) Of the 5,000 bags remaining to be delivered after 7 June, 3,000 required by 15 June are to be purchased by the Committee from the Rice Merchants' Guild on the principle that this will prevent a sudden rise in the price of rice.

(b) The difference between the quoted price (CN\$40,000 a bag) and the market price is to be paid by civilians and shops in the form of a tax on rentals. This tax to be handled as follows:

(i) All owners of houses, shops and wharves will pay one half the monthly rent for June as a subsidiary tax. This money is to be paid in advance by the tenants in the name of the property owners, the tenant to pay the balance of the rent direct to the owner or landlord.

(ii) All shop owners are required to pay a sum equivalent of half a month's rent of their shops.

(iii) The tax will be collected by the Municipal Subsidiary Tax Bureau with the assistance of the Police and the Municipal Chamber of Commerce.

The difference between the price paid and the price received from the army will be advanced by local banks until Municipal authorities have collected the tax.

2) Merchants are most reluctant to release supplies of rice for fear of non-arrival of further supplies within reasonable time.

3) This summer's harvest is expected to be smaller than normal and has been affected by untimely rains.

RETAIL PRICE INDICES (SHANGHAI)  
1936 - 100

	<u>General</u> <u>Indices</u>	<u>Foodstuffs</u>	<u>Fuels</u>	<u>Clothings</u>	<u>Sundries</u>	<u>Purchas-</u> <u>ing Power</u>
1946						
Jan.	153,198.24	115,543.88	265,200.61	217,643.22	204,880.19	0.065
Feb.	238,364.30	191,801.33	373,108.55	323,042.50	285,205.90	0.042
Mar.	403,941.12	346,306.35	760,070.18	479,131.87	416,348.57	0.025
Apr.	398,939.45	356,886.07	677,070.30	412,087.74	435,960.61	0.025
May	450,066.87	456,808.42	593,991.78	432,606.00	393,061.82	0.022

Source: Shanghai Municipal Government.



WHOLESALE PRICES OF RICE (MEDIUM) IN LEADING CITIES  
(Yuan per Hectoliter)

Date	Chungking	Shanghai	Nanking	Hankow	Canton	Tsingtao
May Av.	20,141	50,390	44,741	43,222	93,143	90,593
June Weekly Av.						
1 - 7	18,480	48,833	50,667	42,625	72,000	114,953
8 - 14	17,800	44,333	51,000	43,800	73,500	120,890
15 - 21	17,000	44,000	51,000	45,000	73,500	116,714
22 - 28	15,780	45,333	41,667	51,400	78,500	--
June Monthly Av.						
of Weekly Prices	17,265	45,625	48,584	45,706	74,375	117,519

WHOLESALE PRICES OF WHEAT (MEDIUM) IN LEADING CITIES  
(Yuan per Hectoliter)

Date	Chungking	Shanghai	Nanking	Hankow	Canton	Tsingtao
May Av.	10,791	22,285	24,000	24,311	43,911	41,487
June Weekly Av.						
1 - 7	11,560	20,667	30,000	21,250	30,000	45,283
8 - 14	11,200	19,833	30,000	20,000	37,500	47,457
15 - 21	11,433	22,000	30,000	20,333	37,000	47,457
22 - 28	10,400	20,150	22,333	21,200	44,000	--
June Monthly Av.						
of Weekly Prices	11,148	20,663	28,083	20,696	37,125	46,732

INDEX NUMBERS OF WHOLESALE PRICES OF 22 BASIC COMMODITIES  
IN CHUNGKING

Jan. to June, 1937=100  
(Weighted geometric mean)

1946	General	Food	Textiles	Fuel
January	133,712	124,280	248,033	338,150
February	141,750	131,200	250,300	334,860
March	147,800	133,500	278,300	346,800
April 30	182,750	173,600	265,900	347,470
May 29	185,229	174,800	287,750	376,867
June 28	154,332	140,884	264,235	342,300
1946	Metal	Timber	Sundries	
January	172,308	70,193	71,125	
February	191,350	86,256	79,970	
March	213,020	117,810	92,270	
April 30	225,700	130,350	107,320	
May 29	267,950	120,331	105,037	
June 28	257,610	120,331	105,071	



INDEX OF WHOLESALE COMMODITY PRICES IN SHANGHAI

1936 = 100

1946	<u>General</u>	<u>Food</u>	<u>Textile</u>	<u>Metals</u>
January	191,428	103,576	228,065	307,704
February	327,669	197,228	332,227	648,418
March	538,921	296,894	420,104	1,018,679
April	493,606	304,705	409,236	903,187
May	498,632	375,267	414,474	830,105
June	536,474	457,719	452,922	779,285

  

1946	<u>Construction Materials</u>	<u>Chemicals</u>	<u>Fuel</u>	<u>Miscellaneous</u>
January	196,289	271,247	343,649	181,807
February	539,402	445,532	445,532	335,851
March	566,328	1,212,847	892,600	573,837
April	613,597	971,296	809,907	438,994
May	553,123	839,546	707,113	420,164
June	573,460	847,186	677,346	429,004

Compiled by The Kinchong Bank.

2. Cost of living

The June cost of living index of Chinese workers and salaried employees in Shanghai was slightly lower than that for May, while that of foreign salaried workers registered an increase.

Following the publication of the May cost of living index in Shanghai, rumors were current that the publication of the cost of living index, which is under continuous attack by employers and workers alike, will be discontinued. These rumors were officially denied by the Statistical Section of the Shanghai Municipal Government.

INDEX OF COST OF LIVING OF CHINESE  
SALARIED EMPLOYEES IN SHANGHAI

1936 - 100

1946	<u>Food</u>	<u>% Change vs. prev. mth.</u>	<u>Housing</u>	<u>% Change vs. prev. mth.</u>	<u>Clothing</u>	<u>% Change vs. prev. mth.</u>
Jan.	101,314		32,445		218,975	
Feb.	189,595		54,286		346,107	
Mar.	285,202		80,858		588,597	
Apr.	288,100		76,176		526,442	
May	473,250	64.27	74,731	-1.90	546,767	3.86
June	470,383	- 0.61	76,547	2.43	687,604	25.76

(Cont'd)



(Cont'd) INDEX OF COST OF LIVING OF CHINESE  
SALARIED EMPLOYEES IN SHANGHAI

1936 - 100

	Misc.	% Change vs. prev. mth.	General	% Change vs. prev. mth.
1946				
Jan.	105,900		89,855	
Feb.	141,431		146,403	
Mar.	213,008		229,806	
Apr.	233,994		226,320	
May	279,068	19.26	304,624	34.60
June	290,811	4.21	319,518	4.89

INDEX OF COST OF LIVING OF CHINESE  
WORKERS IN SHANGHAI

1936 - 100

	Food	% Change vs. prev. mth.	Housing	% Change vs. prev. mth.	Clothing	% Change vs. prev. mth.
1946						
Jan.	90,898		111,559		332,235	
Feb.	171,263		179,273		472,737	
March	246,822		310,963		622,727	
April	245,977		303,851		502,685	
May	452,313	83.88	294,674	-3.02	518,379	3.12
June	438,454	- 3.06	300,479	1.93	573,595	10.65

	Misc.	% Change vs. prev. mth.	General	% Change vs. prev. mth.
1946				
Jan.	126,990		106,245	
Feb.	206,288		134,572	
Mar.	309,502		275,422	
Apr.	297,816		269,430	
May	325,110	9.16	409,578	52.02
June	336,549	3.52	404,065	- 1.35

INDEX OF COST OF LIVING OF WESTERN  
FOREIGN SALARIED WORKERS IN SHANGHAI

1936 - 100

	Food	% Change vs. prev. mth.	Housing	% Change vs. prev. mth.	Clothing	% Change vs. prev. mth.
1946						
Jan.	157,309		100,131		222,909	
Feb.	236,318		107,652		332,659	
Mar.	324,781		163,493		567,016	
Apr.	362,618		124,468		541,379	
May	425,169	17.25	118,952	-4.43	543,391	0.37
June	493,951	16.18	109,594	-7.87	629,668	15.88

(Cont'd)



(Cont'd) INDEX OF COST OF LIVING OF WESTERN  
FOREIGN SALARIED WORKERS IN SHANGHAI

1936 - 100

	Misc.	% Change vs. prev. mth.	General	% Change vs. prev. mth.
1946				
Jan.	98,835		135,735	
Feb.	114,918		182,184	
March	143,691		270,052	
Apr.	201,842		273,533	
May	228,754	13.33	298,115	8.99
June	229,840	0.47	330,124	10.74

Source: Shanghai Municipal Government.

The following table gives the cost of living index of Peiping workers and Peiping employees as compiled by the Bureau of Social Affairs of Peiping:

COST OF LIVING INDEX IN PEIPING

Jan.-June, 1937 - 100

		Employees of Peiping City Government	Workers
1945	February	98,761	74,248
1946	January	159,042	122,556
	February	263,691	181,623
	March	377,776	244,130
	April	351,113	232,779
	May	476,511	316,091

III. GOVERNMENT FINANCE

Dr. O. K. Yui announced at a weekly memorial meeting of the National Government held in June 1946 that Government expenditures for the first five months of 1946 totalled CN\$1,500 billion or 60 per cent of the estimated 1946 total expenditures. In a statement made on 16 June, Chun-fan Koo, Director of the Bureau of Finance, Shanghai Municipal Government, revealed that 70 per cent of total rational expenditures is spent for military purposes. The amount of revenue collected up to the end of May was only one-fifth of the sum spent, according to Mr. Koo.

In view of the prevailing budgetary practice in China, the above figures should be interpreted only as estimates. Close observers of the Chinese national budget have pointed out that a clear picture of expenditures cannot be gained because there is no indication on a month to month basis as to the extent to which credits established



in favor of a government agency have actually been disbursed. In other words, the records do not differentiate between authorized expenditures and disbursements.

# 1. Taxation

The national budgetary conference called by the Finance Ministry in June revised the system of the apportionment of the different categories of tax revenue between the Central Government on the one hand, and the Special Municipalities and the Provincial Governments on the other. The allocation of the revenue has been arranged as follows, according to information received from the Direct Tax Bureau of the Ministry of Finance:

Name of Tax	Local Government	Special Municipality	Central Government	Collected by
Title deeds tax	100%	-	-	Local Gov't
Land Tax	70%	-	30%	"
Inheritance tax	15%	30%	55%	Central Gov't
Business tax	-	70%	30%	"
Excess profits tax	-	-	100%	"
Stamp tax	-	-	100%	"
Income tax	-	-	100%	"

By far the largest amount of revenue is derived from the business tax. The following figures show the amount of revenue collected by the different categories of direct taxes:

## DIRECT TAX REVENUE FOR 1945 (Collected up to May 10, 1946)

Name of Tax	Estimated Revenue	Actual Revenue
Total	CN¥16,243,000,000.00	CN¥13,512,064,574.97
Income tax	CN¥2,600,000,000.00	CN¥2,002,730,112.40
Excess profits tax	3,100,000,000.00	1,741,439,466.31
Inheritance tax	200,000,000.00	118,864,856.02
Stamp tax	2,200,000,000.00	2,270,124,883.27
Business tax	5,900,000,000.00	7,185,928,649.79
Deeds tax	1,900,000,000.00	3,973,779,820.68
Land tax	300,000,000.00	67,306,320.00
Land increment tax	43,000,000.00	152,840,466.00

Source: Direct Tax Bureau, Ministry of Finance.



Enclosure 17,  
Section 14, p. 15,  
June 1946.

In discussion the trend of revenue to be collected from direct taxes, the chief of the Direct Tax Bureau of the Ministry of Finance pointed out that for the time being it would be unrealistic to expect a substantial increase in direct tax returns in proportion to total revenue collected. He pointed out that lack of effectiveness in the tax administration and lack of systematic book-keeping methods were among the reasons precluding more favorable results.

a) New regulations governing direct taxes

The Deeds Tax<sup>1</sup> now in force throughout China is a National Government levy on all transfers of immovable property including the sale, "lien"<sup>2</sup>, exchange, gift, partition, or occupation thereof.

Before the war, this tax was administered by Provincial governments, and rates and administrative procedures varied from one province to another. In 1941, the Direct Tax Administration of the National Government took over the administration and collection of this tax. After July 1, 1946, however, the tax will revert to the jurisdiction of the Provincial Governments<sup>3</sup> which will collect the tax and retain 100 per cent of the proceeds. Certain centralized controls over the tax will, however, be retained by the National Government, the most important of which is the power to fix the rates of the tax. The rule will now be followed, contrary to former practice, that a single tax rate will prevail over the whole of China.

From April 17, 1945 until recently the Deeds Tax has been levied at higher rates than are now in effect. On April 19, 1946 the rates were all revised downward in order not to discourage the buying and selling of land and transfers of property generally. The rates formerly in effect and those presently levied are summarized below:

- 
1. Not to be confused with the Stamp Tax, which is a levy on many types of documents, including the deeds recording transfer of property.
  2. "Dien" is the right to use an immovable property of another person and to collect the fruits therefrom by making a long-term loan and taking possession of the immovable property. See Article 911 of the Chinese Civil Code.
  3. Not to be confused with, and independent from, Provincial Direct Tax Bureaus of the National Government.



Type of Deed	Rate of Tax on Price of Deed (in percentage)	
	Former Rate	Present Rate
Sale	15	6
"Dien"	10	4
Exchange	6	2
Gift	15	6
Partition	6	2
Occupation	15	6

This reduction in rates is a definite improvement over the previous ones, but even now they seem extremely high, when one takes into consideration the high value which is usually attached to immovable property. In the case of property which is indicated in a deed to be worth CN\$100,000,000 (US\$50,000), for instance, the deed tax would amount in the case of sale, to CN\$6,000,000 (US\$3,000), and in the case of a "dien" it would be CN\$4,000,000 (US\$2,000). In the case of a residential property valued at the common level of, say, US\$10,000, the tax would amount to an additional US\$600.

Direct Tax Administration officials have agreed that this tax is not an ideal method of revenue collection by taxation, chiefly because of its possible effect in reducing the transfer of property and the value of deeds. From the standpoint of revenue, however, it has long been valued, and is, according to these officials, "easily enforced". They state the intention of the government is eventually to discard this tax, as an increasingly larger amount of land in China is surveyed and can be made subject to the Land Tax.

Resumption of Land Tax collections in kind in the former Japanese-occupied areas will begin with the present crop. Dr. T. V. Soong stated at a press conference held in Nanking on 19 June that, in his opinion, the Government "mistakenly" agreed to forgive one year's tax in the recovered areas, but now that year is at an end and collection of taxes will be resumed. Dr. Soong explained that he considered the one year tax waiver a mistake "because the Army must go on living and the Government is obliged to purchase rice in the recovered areas regardless."

The Direct Tax Bureau announced that as of 1 July, business firms or shops which violate business tax regulations are liable to be fined between CN\$5,000 and CN\$25,000, instead of a fine between CN\$100 and CN\$500. Even the revised penalty for tax evasion is considered very light.

#### b) Regional notes on direct taxes

Through misinterpretation of a 1939 report by the former Ministry of Finance representative for Kwangsi, addressed to Central



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Government authorities, the land taxes, which were originally intended to cover Central, Provincial, and County taxes, were reported as one lump sum which the Central Government accepted as the amount of their own taxation.

There has been no redress on the subject for six years. The land taxes are supposed to have been divided - 50% Central, 30% County, 20% Provincial. Seeking compensation since central authorities made no revisions, provincial and county officials resorted to double taxation, unjustly burdening the farmers. As provincial and county officials resorted to double taxation, farmers had to pay an approximate total of CN\$0.30 per mow<sup>1</sup>. Payment in kind was regulated at CN\$1 to 73 catties of grain<sup>2</sup>. At CN\$0.30 per mow the farmer would have to pay approximately 21.3 catties of grain. This weight would be, at prevailing market values, about CN\$3,000, which figure exceeds the entire seedage required for each mow at a period when seeds are scarce, and the farmers depending on Agricultural Rehabilitation funds for seeds.

All county magistrates are awaiting final clarification of the land tax policy either in the form of a redress by the Central authorities or an adjustment by local provincial authorities for the year<sup>3</sup>.

#### c) Consolidated taxes

The Consolidated Tax Bureau furnished this Office with the following figures on revenue from consolidated taxes up to 20 June 1946:

#### REVENUE FROM CONSOLIDATED TAXES

<u>Description</u>	<u>1945</u>	<u>Jan.-June 1946*</u>	<u>Rates</u>
Total .....	22,783,464,322	85,920,634,324	
Cotton yarn .....	645,219,622	9,290,268,895	3.5%
Wheat flour .....	6,065,546	-	2.5%
Cement .....	12,997,707	-	15%
Foreign wine .....	49,437,257	1,960,574,727	60%
Sugar .....	4,901,326,986	5,424,605,704	25%
Tee .....	19,729,291	-	15%
Fur .....	14,330,086	-	30%
Matches .....	631,700,220	1,755,508,677	20%

(Cont'd)

\*Jan-June 1946 figures are based on reports received up to 20 June.

1. 1 mow = 0.16 acre.
2. 1 catty = 1.1 lbs.
3. Kwangsi June Intelligence Report.



(Cont'd) REVENUE FROM CONSOLIDATED TAXES

<u>Description</u>	<u>1945</u>	<u>Jan.-June 1946</u>	<u>Rates</u>
Cigarettes .....	6,196,994,677	51,770,624,962	100%
Foreign-made tobacco .....	543,041,685	4,261,554,926	30%
Paper and metal foil .....	41,181,962	-	Paper 5% Metal foil 80%
Spirits .....	24,055,702	-	10%
Aerated water ....	8,163,727	-	20%
Bamboo and timber	17,330,324	-	Bamboo 10% Timber 30%
Porcelain and chinaware .....	3,414,092	-	Porcelain 10% Chinaware 5%
Native tobacco ...	4,685,075,189	4,027,509,419	Tobacco shreds 20% Tobacco leaves 40% 60%
Native wine .....	4,179,300,151	5,864,974,495	Iron and steel 5% Other metals 10%
Mining products ..	763,246,999	1,540,865,352	Include fines
Others .....	41,153,199	24,147,167	

Source: Consolidated Tax Bureau, Ministry of Finance.

2. Alien Property Administration

From its inauguration to the end of May a total of CN\$254,900,000,000 worth of enemy and puppet properties were sold by the A.P.A.

Over CN\$70,000,000,000 were received from the sale of enemy commodities in Shanghai alone. Enemy property in Nanking is estimated to be CN\$29,000,000,000. The A.P.A. for Kwangtung, Kwangsi and Fukien reports that enemy property valued at CN\$170,000,000,000 have been taken over already. A total of CN\$10,000,000,000 worth of enemy property has been taken over by the A.P.A. for Chekiang Province.

The above figures are based on newspaper accounts, inasmuch as the A.P.A. does not release official figures on its activities, and for this reason should not be looked upon as entirely reliable. The Government has promised to investigate the operations of this much criticized organization, and it is possible that official figures will become available when the investigation is concluded.



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### 3. Customs revenue

	<u>Total</u>	<u>Shanghai</u>
1946		
January	CN\$2,842,462,082	CN\$ 2,118,626,653
February	5,254,220,130	4,351,544,956
March	8,160,532,618	6,606,053,894
April	-	-
May	-	10,000,000,000
June	-	20,000,000,000

### 4. Revenue from the sale of CNRRA commodities

	<u>Cumulative Total</u>	
	<u>To 31 May</u>	<u>To 30 June</u>
Gross proceeds rec'd by Chinese Gov't from sale or lease of UNRRA supplies and equipment	CN\$32,944,219,317	CN\$48,000,000,000
	<u>May</u>	<u>June</u>
" " "	CN\$12,789,148,854	CN\$34,210,851,146

## IV. FINANCIAL DATA

### 1. Money in circulation

#### a) Currency

Currency in circulation, excluding note issue in Manchuria, Formosa, and areas under Communist control - assuming a 10 per cent increase per month - amounted at the end of June to CN\$1,466,520 million. In face of the rapidly developing inflationary situation, however, the note issue is considered to exceed the amount quoted above.

#### PURCHASING POWER OF C.N. DOLLAR (Based on S.I.C. Retail Price Index.)

1936 - 100

1946	January	0.065
	February	0.042
	March	0.025
	April	0.025
	May	0.022

Recurrent rumors to the effect that the Government will issue another currency to be known as the "Sun" were called absolutely groundless by spokesman of the Ministry of Finance.



The Customs Gold Unit was formally abolished on June 7, and is no longer allowed to be used in transactions with the Chinese Maritime Customs. Customs Gold Unit notes, however, for the time being will remain in circulation as the equivalent of CN\$20 for one Customs Gold Unit. The Gold Unit was introduced in 1931 and was used as a customs accounting currency. Since early 1938 the "Gold Unit" was no longer standing for the open market value of a definite quantity of gold.

Currency in Communist-controlled area<sup>1</sup> - The UNRRA representatives in the Communist-controlled areas of the Kiangsu-Nanking Region report the exclusive use of the Kang Pi, a unit of paper currency valued at about 35 CN dollar<sup>2</sup>. The currency is printed within the Communist-controlled territory by the government bank (called the Central Bank of China) and is present in adequate supply. The attitude of the people toward it appears to include at least as much confidence as is inspired by the CNC in Central Government areas. The CN dollar is not used at all in the Communist area. The Kang Pi has been maintained at a relatively stable level although there is a gradual inflationary trend. There are no street money exchanges or money lenders. All currency transactions involving exchange are performed at the government bank at the official rate. The denominations in use range from 1/2 Yuan to 50 Yuan, the 5 Yuan note being the most popular in everyday use. The notes look very much like some of the less pretentious small-size issues of the Central Government, and have no wording or symbols easily recognized as political in connotation.

### Currency in Manchuria<sup>3</sup>

1) History and brief description of denomination of currencies being circulated.

(a) The Manchoukuoan currency, also called "kuo-pi" - The "kuo-pi" was introduced in Manchuria in the year of 1932 as the currency of the then newly-formed state of Manchoukuo. Although the original issue is practically out of circulation, subsequent issues circulate everywhere in Manchuria to this day. Denominations: ¥1.00, 5.00, 10.00, 100.00. Notes of denomination less than ¥1.00 are at present out of circulation.

(b) The Soviet Occupational Notes - These were introduced into circulation in August, 1945 by the Soviet military authorities, and continue to circulate everywhere in Manchuria to this day. Denominations: ¥1.00, 5.00, 10.00, and 100.00.

- 
1. Weekly Report No. 7, Kiangsu-Nanking Regional Office.
  2. On the border - around Shao Po and Kao Yu - both CN and KP are used. In the interior of Communist territory, KP only.
  3. Letter from Chief Representative of the Northeast China Regional Office, dated 12 June 1946, to the China Office.



(c) The Chinese Northeast Currency - This currency is issued by the Central Bank of China, specially for circulation in the Northeast. It was introduced into circulation at the beginning of 1946, in the wake of the Nationalist Armies entering Manchuria. The area of circulation roughly corresponds to the area occupied by the Nationalist Troops. Denominations: ¥50.00 and 100.00.

(d) The Communist Currency - Issued by the "Northeastern Bank" (Tungpei Bank) and circulate in territory held by the Communists in 1.00, 5.00, 10.00, 50.00, and 100.00 denomination notes.

2) The relationship of the currencies in circulation to the Chinese National currency.

(a) The Manchoukuoan "kuo-pi", the Soviet Occupational Notes and the Chinese National Northeast currency, circulate at par.

(b) The official remittance rate of the Chinese Northeast currency to the Chinese National currency is NEC 1.00 = CN\$13.00. The black market exchange rate in Mukden is NEC 1.00 = CN\$12.50.

(c) The Communist currency is not quoted anywhere in the Nationalist territory. Some time ago it was reported that in the Communists held An-tung, they established a rate of Communist 1.00 = NEC 2.00.

3) The approximate amount of currencies in circulation.

(a) Manchoukuoan "kuo-pi" - After the surrender of Japan, the Japanese authorities in Manchuria stated that approximately ¥12,800,000.00 was in circulation.

(b) The Soviet Occupational Notes - The Soviet authorities were quoted by the Chinese as having stated that approximately ¥3,000,000.00 are in circulation.

(c) According to the Central Bank of China, Mukden Branch Officials, the amount of the Chinese Northeast currency in circulation is at present unknown, but the amount is said to be increasing.

4) The attitude of the people to the currencies.

With the establishment of the Central Government authority in parts of the Northeast, the population began to prefer the Chinese Northeast notes. There appears to be an expectation that both the Soviet Occupational Notes and the Manchoukuoan "kuo-pi" will eventually be withdrawn from circulation in that order.

Currency in Formosa<sup>1</sup> - Official figures released by the government

1. Report No. 4, Taiwan Regional Office.



indicate that during the month of May the amount of yen in circulation was increased by 600,000. This means that in one month alone the amount of currency has been increased by 22% bringing the total amount to nearly 3 and one half billion yen.

b) Bank deposits

According to the Financial Investigation Department of the Central Bank of China, the total amount of deposits in banks in China for the month of June was CN\$200,000,000,000, an increase of CN\$20,000,000,000 over May. In Shanghai, the total amount of deposits represented 45 per cent of total deposits, i.e. CN\$90,000,000,000, an increase of CN\$10,000,000,000 over May.

c) Anti-inflationary measures

The Central Bank of China continued the sale of gold to the public. It was estimated that from 8 March to 31 May the Central Bank sold 12,873 gold bars and called back about CN\$22,584,470,000. It is generally believed that the Bank has sufficient gold to maintain the present level of gold prices between CN\$185,000 and CN\$200,000 per ounce.

PRICES OF GOLD IN LEADING CITIES  
(Yuan per oz.)

Date	Chungking	Shanghai	Nanking	Hankow	Canton
January Av.	86,042	85,701	91,792	87,194	87,993
February Av.	126,721	140,550	153,296	138,167	120,356
March Av.	152,403	160,408	171,508	147,433	138,808
April Av.	152,313	155,558	163,376	150,031	133,536
May Av.	178,884	175,982	189,407	178,047	168,127
June Weekly Av.					
1 - 7	186,300	181,667	196,000	192,750	177,929
8 - 14	192,820	190,250	204,750	199,900	181,013
15 - 21	197,600	191,375	204,000	203,667	183,926
22 - 28	206,240	195,750	211,000	201,800	193,784
June Monthly Av.					
of Weekly Prices	195,740	189,761	203,938	199,529	184,163

2. Banking

The Ministry of Finance announced on 16 June that all domestic bonds issued prior to the war would be redeemed at their face value. Payment of principal and interest on government bonds will be resumed as from 1 July.

1. Since January 1939, payments on internal loans secured on Customs revenue have been suspended. The announcement of the Government created a panic in the market Consolidated Bonds.



Consolidated Bonds in China's domestic finance stand for the sum of internal bonded debt incurred prior to February 1936 when the then existing bonds were converted into this type of bond issue. During the later phases of the war, ever widening financial circles began to look upon these bonds as different from wartime bond issues, and gradually generated hopes that the government might offer some compensation for the depreciation of these bonds, i.e. might service and redeem them for considerably more than face value. In recent months speculators, in order to raise bond quotations, have created the rumor that domestic bonds, in particular Consolidated Bonds, will be redeemed in Customs Gold Unit, which would have meant a twentifold appreciation, or in the non-existing 'Sun' notes, allowing one Sun for each CN dollar in pre-war bonds, hence, the announcement of the Government brought about an unprecedented crash in the local bond market. Speculators lost heavily because of the inflated value placed on the bonds. The panic spread from the bond to the illegal stock market and was accompanied by the bankruptcy of several brokerage firms. Native banks have reportedly suffered heavy losses.

There is no indication that the bond market crash, which occurred in June, will mark the end of post-war speculation in bonds, stocks or commodities. As long as idle funds are allowed to seek their most profitable employment in the black market without legal restraint, there is little chance that speculators will direct their idle funds into the channels of industrial production.

Over 60 per cent of the total of Chinese bonds outstanding is in the hands of the big commercial banks and is used by these banks as part of their reserve deposit with the Central Bank of China.

The Financial Inspection Bureau of the Central Bank of China is undertaking the investigation of commercial banks. For the time being, the investigation will cover only Shanghai. Whether this investigation will be purely technical, or whether it will be followed by restricting the extension of credits and withdrawal of deposits is not known. Scattered reports point to the fact that banking authorities are giving thought to curb inflation by stricter control over loans extended by commercial banks. But there is nothing to warrant the belief that such regulations would go as far as freezing the amount of loans to the amount extended as of a certain date (which at the present rate of price increases would mean a drastic reduction), and using total deposits as reserves with the Central Bank.

### 3. Foreign exchange rates and regulations

U.S. dollar notes fluctuated on the open market between CN\$2,320 and CN\$2,750 during the month of June. The advance in the open market quotation of U.S. dollar notes was due to the fact that importers utilized U.S. dollar notes to pay for their foreign exchange commitments. Following V-J Day, Chinese and foreign importers placed orders for American or European products, long before the temporary



regulations were announced. For contracts arriving after 4 March 1946, the Central Bank does not provide exchange cover for the imported merchandise at the official rate. American merchandise ordered five or six months ago has been arriving in increasing quantities, and importers of such merchandise must settle exchange on their purchases. Increasing demand for U.S. dollar notes from this source, together with speculative buying, inspired by rumors that the Government intends to raise the exchange rate, were the chief reasons for the upward trend of U.S. dollar note quotations.

To stop the practice of avoiding import regulations, the Central Bank notified all the appointed banks handling foreign exchange not to receive foreign currencies in payment of imported commodities specified by the Central Bank ( see p. 5 for list of these commodities). Import and export merchants are now required to hand in their application form for registration before they apply for foreign exchange. The Central Bank stipulated that only import firms established three years before the outbreak of war or those legally registered with the Government after V-J Day, will be allowed foreign exchange for legitimate purchases of imported goods. This new regulation has been introduced because of the increasing demand for foreign exchange by applicants who are not bona fide importers.

Local banks are required to submit a detailed account of their foreign exchange transactions to the Central Bank every Saturday, and should any irregularities be detected, their licences would be cancelled.

PRICES OF U.S. BANKNOTE IN LEADING CITIES  
(Yuan per U.S.\$)

<u>Date</u>	<u>Chungking</u>	<u>Shanghai</u>	<u>Nanking</u>	<u>Hankow</u>	<u>Canton</u>	<u>Tsingtao</u>
May Av.	2,440	2,318	2,333	2,332	2,237	2,345
June Weekly Av.						
1 - 7	2,482	2,369	2,337	2,373	2,220	2,299
8 - 14	2,561	2,641	2,590	2,512	2,510	2,531
15 - 21	2,630	2,640	2,590	2,610	2,460	2,578
22 - 28	2,743	2,665	2,670	2,672	2,597	-
June Monthly Av.						
of Weekly Prices	2,604	2,579	2,547	2,542	2,397	2,469

The wide use and circulation of the U.S. dollar notes have continued in June.

4. Foreign exchange holdings

a) Army expenditures

The amount due to the Chinese Government in settlement for advances of local currency and for supplies and services furnished to the U.S. forces in China - beyond 31 December 1944, when US\$255 million



was credited to the Chinese Government - has not yet been determined. Considering that American military activities expanded in subsequent months, China's claim must be considerably larger for the period for which the settlement has not yet been completed.

With the prevailing trend toward repatriation and consolidation of the U.S. Army and Navy personnel and accommodations, income from this source may be expected to decrease substantially.

b) Emigrant remittances

During May, remittances received in Kwangtung Province from overseas Chinese reached CN\$8,000,000,000. Total remittances received in May are estimated at CN\$10,000,000,000. The Central News estimated June remittances at CN\$17,000,000,000.

The Bank of China is now making every effort to facilitate the handling of overseas Chinese remittances. In addition to reopening its overseas offices in Batavia and Rangoon, the Bank is also planning to open new offices in Bangkok, Marseilles and Paris.

A movement has been started by the Governor of Kwangtung, General Lo Cho-ying, who is endeavoring to convince overseas Chinese, especially those in the United States and Canada, that investments in Kwangtung will be safeguarded and will, at the same time, help to rehabilitate their ancestral homes. The Commissioner of Reconstruction, in urging overseas Chinese to play their part, stated that it was up to private enterprise, instead of the Kwangtung or Central Government, to provide the financial means for the industrial rehabilitation of the province.

c) Other invisible credit items of the balance of payments

Income from philanthropic organizations for the current year has been estimated by competent observers at US\$15 million.

No estimates are available as to income from diplomatic representation in China. An article published in the Monthly Report of the Central Bank of China (January 1946) by the noted economist, D. K. Liu, estimated income from this source at US\$20 million for the current year. (The pre-war average amounted to US\$30 million). In view of the fact that the U.S. Embassy and consular staffs are expanding in increasing number, and numerous missions are being established, and dependents of U.S. civilian personnel are arriving in China, this figure may be revised upward. While numerically the increase in diplomatic representation is far less than the decrease in U.S. Army and Navy personnel, foreign exchange income from the former source is larger. While Army expenditure for billets, etc. is charged against the advances of the Chinese Government to the U.S. forces in China, the civilian staff of the United States must cover such expenditures from their U.S. dollar salary payments; also, PX facilities are available on a lesser scale to the civilian staff.



5. Influx of foreign capital

a) Surplus property

The Board of Supply, established last May, under the Executive Yuan is charged with handling purchases and sales of surplus commodities and lend-lease supplies. Supplies not needed by the Chinese Government are sold to merchants for cash. Director Kiang of the Board of Supply stated that about 30 shiploads of supplies have arrived on credit; about 10,000 tons, comprising army rations were bought by the Board; and a considerable quantity of trucks has been received in the form of lend-lease surplus.

b) Reparations

It was announced that Kuo Chin-chung, general manager of the China Silk Company, will leave for Japan soon to study the Japanese sericulture and to negotiate with General McArthur's Headquarters regarding the proposal of using Japanese silk as part payment of indemnity for China.

U.S. Reparations Commissioner Edwin S. Pauley declared at a press conference in Manila held on 24 June that reparations shipments of Japanese industrial machinery would probably begin within thirty days under an interim partial distribution plan. Since the dismantling of plants has not yet begun in Japan, it is quite likely that such equipment will not arrive in China before the end of the year.

c) Foreign loans

It is the consensus of opinion that the fate of the US\$500,000,000 loan will probably be announced after General Marshall's personal report on his activities, accomplishments and predictions.



Appendix A

IMPORTS INTO SHANGHAI FROM ABROAD

(Including Withdrawals from Bond, but not including  
UNRRA Supplies)

<u>Description</u>		<u>April 1946</u>	
		<u>Quantity</u>	<u>Value CN\$</u> (in Thousands)
Shirtings and Sheetings, Dyed, Plain .....	Meters	643,754	471,131
Cotton Piece Goods, White or Dyed, n.o.r. .	Value	..	5,610,877
Cotton, Raw .....	Quintals	463,319	47,227,773
Clothing, and all art- icles of personal wear and parts or accessor- ies thereof, n.o.r. ...	Value	..	126,265
Cotton Goods, n.o.r. ...	"	..	42,989
Flax, Ramie, and Hemp, Raw; Cordage, twine, and Rope .....	Quintals	466	89,003
Wool, carded or combed wool, and waste wool ..	Kilogrs.	140,167	203,513
Woollen Piece Goods, pure or mixed, n.o.r. .	"	7,837	102,626
Clothing and all art- icles of personal wear and parts or accessor- ies thereof, n.o.r. ...	Value	..	236,874
Aluminium (not including foil) .....	Kilogrs.	325,048	218,568
Ingots and Slabs (includ- ing old and scrap re- melted) .....	Quintals	12,977	797,491
Iron and Steel, ungal- vanized .....	Value	..	754,769
Prime Movers and parts .	"	..	817,795
Machinery and parts, n.o.r. ....	Quintals	3,377	541,344
Motor Tractors, Trailers and Trucks (including chassis) .....	Pieces	166	394,300
Scientific Instruments or Apparatus, and parts or accessories, n.o.r.	Value	..	1,053,375
Condensed Milk; Cream and Milk, evaporated or sterilized and Milk Food .....	Kilogrs.	431,240	369,654
Fruits, n.o.r. ....	Value	..	364,222

(Cont'd)



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IMPORTS INTO SHANGHAI FROM ABROAD (Cont'd)

<u>Description</u>		<u>April 1946</u>	
		<u>Quantity</u>	<u>Value CN\$</u> (in Thousands)
Wines, Beer, Spirits, Table waters, etc. ....	Litres	32,605	97,727
Cigarettes .....	Five Hundreds	42,603	144,563
Tobacco, Leaf .....	Kilogrs.	753,663	1,191,044
Soda, caustic .....	Quintals	16,322	361,897
Chemicals and Chemical Compounds, n.o.r. ....	Value	. .	447,608
Medicines, Drugs, etc; n.o.r. ....	Kilogrs.	245,670	2,310,617
Aniline Dyes, and other Coal Tar Dyes, n.o.r. ....	Quintals	669	977,102
Gasoline, Naphtha, and Benzina, Mineral .....	Litres	13,607,270	1,729,294
Liquid Fuel .....	Metric Tons	4,268	399,030
Oil, Kerosene .....	Litres	11,199,132	2,008,917
Oil, Lubricating .....	"	2,816,332	563,817
Books, Maps, Papers, and Wood Pulp .....	Value	. .	1,127,862
Hides, Leather, and other Animal Substances .....	"	. .	335,852
Railway Sleepers .....	Pieces	64,936	260,011
Cement .....	Quintals	20,852	181,654
India-rubber and Gutta-percha, old, waste, and crude .....	"	9,988	1,809,206
Cinematographic Films, Developed (standard width of 35 m.m.) .....	Meters	476,781	147,740
Miscellaneous Goods and Sundries, n.o.r. ....	Value	. .	1,280,755
Others .....		. .	6,704,795
Total		. .	81,510,060 (in thousands)



EXPORTS ABROAD FROM SHANGHAI

<u>Description</u>		<u>April 1946</u>	
		<u>Quantity</u>	<u>Value CN\$</u> (in Thousands)
Animal Products, n.o.r. ..	Value	..	2,040
Fishery and Sea Products	"	..	4,185
Rice and Paddy (including Ships' Stores) .....	Quintals	69	1,780
Fruits Fresh Dried, and Preserved .....	"	20	1,730
Medicinal Substances and Spices (not including Chemicals) .....	Value	..	6,488
Spirituuous Beverages .....	"	..	9,242
Tea .....	Quintals	183	8,657
Vegetables canned .....	"	6	702
Vegetables, n.o.r. (Fungus, Other than Black, Bamboo shoots, Sweet Potatoes) .	"	..	1,031
Other Vegetable Products	Value	..	160,714
Wood, n.o.r. ....	"	..	205
Wood Furniture and Wood- ware, n.o.r. ....	Quintals	75	33,178
Paper, First Quality .....	"	8	2,165
Paper and Paper Manufact- ures, n.o.r. ....	"	328	68,792
Silk, Raw, White, Re-reel- ed and Steam Filature ...	Kilogrs.	27,500	2,195,595
Silk, Waste .....	"	15,538	21,155
Yarn, Thread, and Plaited and Knitted Goods .....	Value	..	881,569
Cotton Piece Goods, n.o.r.	Quintals	28	40,000
Silk Piece Goods, Natural	Kilograms	858	71,406
Silk Piece Goods, Artifi- cial .....	"	610	32,980
Towels .....	Quintals	51	33,559
Clothing and Articles of Personal Wear .....	Value	..	42,378
Cotton Products, n.o.r. ..	Kilograms	1,190	14,760
Glass and Glass or Vetri- fied Ware, n.o.r. ....	Value	..	32,394
Stones, Earth, Sand and Manufactures thereof (including Chinaware and Enamelledware) .....	Quintals	597	41,549
Chemicals and Chemical Products .....	Value	..	32,793
Printed matter .....	Quintals	148	6,515
Hats, Buntal Fibre, Hemp, Straw, and Rush .....	Pieces	141,360	116,839

(Cont'd)



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Section 14, p. 4,  
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EXPORTS ABROAD FROM SHANGHAI (Cont'd)

<u>Description</u>		<u>April 1946</u>	
		<u>Quantity</u>	<u>Value CN\$</u> (in Thousands)
Hair-nets, made of Human			
Hair .....	Gross	5,438	58,543
Matting .....	Value	..	22,745
Jewellery (not including			
Goldware and Silverware)	Hectogram	395	23,868
Stationery, n.o.r. ....	Quintals	..	1,232
Toilet Requisites, n.o.r.	Value	..	15,161
India-rubber Goods,			
n.o.r. ....	Kilogrs.	1,161	15,858
Others .....	Value	..	82,010
Total		..	4,083,818 (in Thousands)



24 June 1946

TO: Col. F. W. Harris, Acting Director  
Office of Far Eastern Affairs

FROM: J. Franklin Ray, Jr., Acting Director  
China Office

SUBJECT: Monthly Report No. 7 (June 1946)  
Part 2: Regional Summary

Attached is a summary, under separate section headings, of regional activities.



SECTION 1: Relationship with CNRRA

REGION 1 - Northeast

The joint CNRRA/UNRRA coordinating and planning committee has been formed.

REGION 2 - Hopei-Jehol

There has been continuing contact with the Executive Headquarters of the Cease Fire Commission in an attempt to secure passage of supplies into Communist areas.

REGION 3 - Shansi

Nothing significant to report.

REGION 4 - Shantung

Nothing significant to report.

REGION 5 - Henan

A committee has been organized for the coordination of agricultural rehabilitation work and the supervision of the allocation and distribution of agricultural supplies. All provincial agencies concerned with agricultural rehabilitation are represented.

REGION 6 - Shanghai

Nothing significant to report.

REGION 7 - Kiangsu

Nothing significant to report.

REGION 8 - Anhwei

An UNRRA-CNRRA Coordination Committee has been set up which has resulted in CNRRA taking more initiative in executing its plans and projects with the advice and cooperation of the UNRRA specialist concerned.

REGION 9 - Kiangsi

Nothing significant to report for April, May or June. Relationships are very satisfactory.



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REGION 10 - Kunan)  
REGION 11 - Hupeh) Nothing significant to report.

REGION 12 - Kwangsi

A regional coordination committee has been established, the medical allocation committee is functioning and the second meeting of the CNRRA Advisory Council has been held. Harmonious relationship with CNRRA exists.

REGION 13 - Kwangtung

The Regional Coordination Committee has held several meetings which have resulted in beneficial discussions of many problem. At the meeting of the CNRRA Advisory Council stress was placed on unhampered distribution of supplies.

REGION 14 - Chekiang-Fukien

Nothing significant to report.

REGION 15 - Formosa

The CNRRA-UNRRA Regional Coordination Committee has been formed and is functioning.



SECTION 2: Relationship with the Military and other Organizations.

GENERAL

The problem of inadequate UNRRA operating funds has continued to reflect on all phases of the program of relief and rehabilitation.

REGION 1 - Northeast

Safe conduct passes have been issued by the general officer of the Communist forces of the Executive Headquarters to individual members of the UNRRA Regional Office who may be going into the field.

During the month an agreement was made with the Foreign Affairs Bureau of the Northeast China Command to grant travel permits to all foreign displaced persons for whom UNRRA was arranging travel facilities.

REGION 2 - Hopei-Jehol

During June there were several occasions in which convoys left Peiping with Executive Headquarter passes, only to be refused passage in the field. The Executive Headquarters have given all possible help to try to overcome this obstacle. A shipment of 1,000 tons supplies to Changteh in Jehol province is being made with 250 tons delivered as of 15 June.

The U. S. Marines in Tientsin, Peiping, Tangku and Chinwangtao have contributed much to the program in the area; e.g., they furnished flame throwers to combat the locusts, they have assisted in the medical program, they have sprayed DDT by plane over some sections of the city, etc.

REGION 3 - Shansi

Nothing significant to report.

REGION 4 - Shantung

Relations with the U. S. Marines, U. S. Navy, Chinese National Army and Chinese Communist Army are excellent and have proved of utmost value in the present acute military situation.

REGION 5 - Honan

In settled areas under Nationalist control UNRRA personnel have moved without interference. The distribution of UNRRA relief supplies has not been interrupted, although in several instances it has been delayed by the movement of military forces and equipment on the railroads.



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Similarly, the movement of personnel and supplies in Communist territory has not been interrupted, although military escort has been provided for most operations.

The movement of personnel and supplies across the "no man's land" between Communist and Nationalist lines in northern Honan has presented some problems. Usually preliminary arrangements have been made with Cease Fire Teams and the necessary papers issued without hesitation. Unfortunately local sentries have not always been informed of the movements in advance and innumerable delays have resulted. The movement of flour from Kaifeng and Shangchiu to Tsaochow has been uninterrupted to date.

#### REGION 6 - Shanghai

Nothing significant to report.

#### REGION 7 - Kiangsu

Protests were made to highest authorities relative to the Nationalist blockade at Yangchow of UNRRA relief supplies destined for Communist-controlled areas of North Kiangsu. The blockade was lifted in late June after having been in effect for over a month.

#### REGION 8 - Anhwei

Nothing significant to report.

#### REGION 9 - Kiangsi

The Kiangsi Highway Administration has carried on extensive and valuable work throughout the Province. The network of roads is passable although a more permanent repair job is necessary.

#### REGION 10 Hunan

Nothing significant to report.

#### REGION 11 - Hupeh

Recurring reports of interference with distribution of UNRRA supplies to Liberated Areas are being checked by members of the 32nd Peace Team.



REGION 12 - Kwangsi

Interference from the military has been at an increasing tempo during the month. With regard to food supplies, CNRRA has arranged to purchase a considerable stock of Government rice at Tzu-yuan which is very near to the most stricken area. In spite of the fact that all arrangements has been concluded the military insisted on taking over a large part of this rice to feed their own troops in that region. The military makes reckless use of roads often bringing them to a state where it is extremely difficult to repair them in any short space of time. Since all military trucks claim priority at ferry crossing, relief supplies can be held up for several days. Moreover, when troops are passing, for example, from north to south the military often refuse the empty ferries on their return journey from south to north to be used for the transport of other persons or supplies. There have been two glaring cases of unwarranted interference as regards commandeering of boats by the military. Protests have been made to local authorities and referred to China Headquarters for action by highest authorities.

REGION 13 - Kwangtung

The question of the distribution of the gift rice from Siam (distribution being handled by the Provincial Government) will be discussed with the CNRRA Advisory Council in an attempt to increase rate of distribution.

REGION 14 - Chekiang-Fukien) Nothing to report.  
REGION 15 - Formosa)



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SECTION 3: Public Information

REGION 1 - Northeast

Nothing significant to report.

REGION 2 - Hepei-Jehol

Thus far, releases to the papers have been issued by CNRRA who give short, factual items following each major distribution activity.

REGION 3 - Shansi

Nothing significant to report.

REGION 4 - Shantung

The political situation in this province has been such that actual accomplishments within the region have been practically impossible during the month. This coupled with the tendency of the local press to attach political significance to many situations and activities of UNRRA has greatly affected the amount of releases which this office has proposed.

REGION 5 - Honan

CNRRA makes almost daily releases to the local papers (there are no foreign papers in the province). UNRRA keeps a daily check on these and finds they cover the progress of the program, plans for future activities, advice to the public to report any evidence of misuse of CNRRA supplies, movements of personnel, and results of surveys in different areas. Official releases are accurate, factual, and well presented.

REGION 6 - Shanghai

Nothing significant to report.

REGION 7 - Kiangsu

The situation on public information remains virtually as reported last month.

REGION 8 - Anhwei

To date the release of publicity is handled by the CNRRA Regional Office who have given good coverage of main items of interest.



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REGION 9 - Kiangsi

The CNRRA publicity is handled by the Regional Inspector's office who has set up the following publicity program:

1. Compiling monthly work reports.
2. Giving news and reports on special subjects.
3. Editing of a pamphlet on the disaster condition of Kiangsi.
4. Preparation of picture books showing activities.
5. Compilation of all plans and program up to the present time.
6. Issuance of a bi-monthly news bulletin.

REGION 10 - Kunan

Nothing significant to report.

REGION 11 - Hupeh

Nothing to report.

REGION 12 - Kwangsi

The trend of publicity this month has been to show how UNRRA and CNRRA are meeting the needs of the people of Kwangsi.

REGION 13 - Kwangtung

REGION 14 - Chekiang-Fukien

) Nothing significant to report

REGION 15 - Formosa

Nothing to report.



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SECTION 4 - Supply Position

No significant information has been received on the supply distribution situation since submitting the comprehensive report requested by your cable 2274.



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## SECTION 5: Industrial Rehabilitation

### REGION 1 - Northeast

No Industrial Rehabilitation Officer assigned.

Chinchow: The 2500 KW generator allocated to Chinchow may be withdrawn because reports indicate that Chinchow is tied in to the Manchurian grid. UNRRA Electric Power Section has made a study of reports from this region and is of the opinion that the Manchurian power grid would be greatly restored with the repair of transmission facilities and existing power plants.

Fushun: The 5000 KW generator which was to have been allocated to Fushun will not be procured by Washington because of the cut in budget.

### REGION 2 - Hupeh

Two 1000 KW generators will be recommended for allocation to Chinghsing Coal Mine at the next allocation meeting.

Pending report on its justification, one 1000 KW generator will be held for Mentoukou Coal Mine.

A survey of dredging equipment at Tientsin to determine the time, cost and labor required to restore this equipment to operable condition for the Hai Ho Conservancy Commission has been made, and report is now being compiled.

### REGION 3 - Shansi-Suiyuan-Chahar

Mr. Krivor will proceed to this region to make the first overall survey of industrial needs.

### REGION 4 - Shantung

Mr. F. C. Gorowara will replace Mr. Krivor who is assigned only to Regions 2 and 3. The number of knockdown freight cars received from Iran and assembled here is 430 out of a total of 701. This report is as of early June and it is anticipated that an increased number have been already completed. The estimated date of completion at Tsingtao will be at the end of August.

One 1000 KW generator will be allocated to the Chunghsing Coal Mine when the political military situation clears up so that the unit could safely reach point of end use.

### REGION 5 - Honan

Pending report on its justification, one 1000 KW steam generator is being held for Sinkhsiang Power Plant. If three 500 KW steam generators can be released



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from previous allocations to Wolfram Mines in Kiangsi, one each will go to the Yee Lo Coal Mine and Chiaotso Coal Mine.

On his mine examination trip to Honan Province (17 June - 8 July) Mr. Brailsford covered an area encompassing 12,000 square miles, travelling west and east of Kaifeng 800 miles, and north about 300 miles, by means of jeep, muleback, horse and train.

The following mines were examined, their requests screened, and reports made:

- |                        |                       |
|------------------------|-----------------------|
| 1. Mines at Liu Ho Kou | (North Honan)         |
| 2. Mines at Lim Sin    | (Ksitso, North Honan) |
| 3. Yee Lo              | (Loyang, Honan)       |
| 4. Ming Sen            | (Loyang, Honan)       |

Final recommendations for allocation of equipment will be made by the Coal Screening Committee early in July.

The request for equipment of Ming Sen Mine, one of the largest in Honan will be screened by the Industrial Committee in July.

Requests from other mines, which have been examined and screened, will be considered at a later date.

Reconnaissance Team No. 2 inspected 785 miles of highway in Honan Province and submitted recommendations on requirements for reconstruction.

#### REGION 6 - Shanghai

The number of knockdown freight cars received from Iran and assembled here to date is 456 out of a total of 1,508. A certain amount of delay has been experienced in Shanghai while negotiations have taken place between the Ministry of Communications, Nanking-Shanghai Railway and the sub-contractor. Production is, however, proceeding satisfactorily.

These freight cars can only be used at present on the Nanking-Shanghai Railway and a small section of the Tientsin-Pukow Railway.

Textile mills in the Shanghai area have received allocations for purchase of 150 KW Diesel generators now in Shanghai.

Shanghai Portland Cement Company in Lunghua has been given third priority for rehabilitation in the Cement Plant rehabilitation program. It is estimated that equipment worth US\$300,000 would place the plant in efficient operation.



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REGION 7 -- Kiangsu-Nanking

Ta-Ming Textile Mill in Changchow has purchased one 150 KW Diesel generator from CNRRA.

Sunhsing Textile Mill in Wusih has purchased one 150 KW Diesel generator.

Kiangnan Cement Company has received first priority in Cement Plant rehabilitation. The budget sets aside \$1,300,000 for this project.

REGION 8 -- Anhwei

No Industrial Rehabilitation Officer assigned.

Yuchuen Cotton Mills, Wuhu, withdrew its request for one 150 KW Diesel generator.

One 600 KW Diesel generator will be allocated to Anking Power Plant.

REGION 9 -- Kiangsi

Mr. Alf Olsen, Industrial Rehabilitation Officer (enroute).

Three 150 KW Diesel generators allocated to Tungsten Mines have been withdrawn at the request of N.R.C. The three 500 KW steam generators being held for Tungsten Mines will also be subject for release at the next meeting.

One 500 KW unit will be allocated to Po-Lo Coal Mine.

Reconnaissance Team No. 3 inspected 420 miles of highway in Kiangsi Province and submitted recommendations on requirements for reconstruction.

REGION 10 -- Hunan

No Industrial Rehabilitation Officer.

Hua Hsin Cement Company has requested one new 300-ton cement plant for Chuchow. This request has received fifth priority on cement plant rehabilitation program.

Chenchi has withdrawn its request for one 500 KW steam generator.

Reconnaissance Team No. 3 inspected 966 miles of highway in Hunan Province and submitted recommendations on the requirements for reconstruction.



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#### REGION 11 - Hupeh

Two 1000 KW steam generators allocated to Tayeh Power Plant have been withdrawn because its present facilities are inadequate.

One 1000 KW unit allocated to Shasi Power Plant is receiving further study.

Hua Hsin Cement Company requested help in rehabilitating its Tayeh plant. It needs \$450,000 to erect the plant and purchase building materials. This request has fourth priority and funds for the project will have to be extracted from Shelter or General Construction.

Reconnaissance Team No. 2 has inspected 365 miles of highway in Hupeh Province and submitted recommendations on the requirements for reconstruction.

#### REGION 12 - Kwangsi

Mr. T. L. Paget, Industrial Rehabilitation Officer. (Just assigned and now enroute thereto.)

Reconnaissance Team No. 4 inspected 97 miles of highway in Kwangsi Province and submitted recommendations on the requirements for reconstruction.

#### REGION 13 - Kwangtung

A total of 789 out of 1256 freight cars (received from Iran in knockdown condition) have been assembled to date. It is anticipated that at the present rate of production 1000 be completed by the end of July; the balance will be completed during August.

The Canton-Hankow Railway has only just resumed operations and will not be ready for any but moderate traffic until the bridging has been received and installed.

The following excerpts from report by J.F.G. Tubbs, Railroad Communications Specialist, of an inspection trip to Hongkong are submitted as a typical example of the problems and difficulties encountered by the Industrial Rehabilitation Division:

"This inspection trip was undertaken in order to ascertain the true figures relating to shortages in shipments and to have prepared a list showing the components which were in short supply in order that satisfactory steps could be taken by the China Office to supply these, and to enable Kowloon to complete the assembly of the full number of wagons.



"The position at Kowloon and actions taken are as follows:

a. Shortages: It rapidly became apparent that the lists provided by the railway were inaccurate in view of the fact that complete stock taking had only taken place on their own premises. All freight car equipment, after unloading, was handed over to the Ministry of Communications for storage in their yard. Also, the Canton-Kowloon Railway carried a certain amount of stock which was being used by the sub-contractor on assembly. A further reason for these inaccurate figures was due to the extremely bad packing and marking of cases, and the complete disregard of orderly loading in Iran. It appears that this must have taken place with little or no supervision.

As an example of the bad marking and loading, I quote the following instance. Sixty-six 50-ton flat cars have been held up for the past four weeks at Woosung for  $5\frac{1}{2}$  x 10 journal bearings. While in the M.O.C. yard at Kowloon, I requested a case, which was marked for 20-ton wagon, to be opened. I was informed that this was unnecessary as it was marked for 20-ton and contained the journal bearings for this type of wagon. However, upon insisting, this box was opened and found to contain, in fact, the journal bearings for 50-ton cars. I followed this matter up and managed to produce 303 bearings which I have arranged to be shipped to Shanghai at the earliest possible date to alleviate our present shortage here.

At a meeting with the manager of the Kowloon-Canton Railway, who is also chairman of the Railways Joint Tender Board, I pointed out the discrepancies in the figures which he had produced, and he authorized me to go to the railway workshops and to instruct them to produce information which I required. This was done and a list was produced. The manager is satisfied with this list and says that if these parts are supplied by 1 August the balance of wagons can, in fact, be produced. I have already taken action to prepare these parts for shipment.

b. Further Contracts: In view of the fact that we intend to supply the missing parts, a further 210 wagons will be available for erection; 132 of these wagons are of the most difficult type to assemble, that is, 40-ton covered goods. It was therefore felt that it would not be desirable to place these wagons out to tender; firstly, because the quantity would be lower than any of the previous contracts, and secondly, because the largest percentage of these wagons were the most difficult to assemble. The existing sub-contractor was therefore approached (Liu Ho Kou Iron Works, Ltd.) and it was suggested that the 210 wagons could form an extension to the existing contract (which, incidentally, is the cheapest contract let so far), and that in view of the increased numbers, we feel that a slight reduction might be given. This matter is being considered by the sub-contractor.



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c. Firm Request for Materials, British Section of C-K-R: While on this visit I took the opportunity of clearing up the question of materials which had been requested for the British Section of the Canton-Kowloon Railway and explained that it was impossible for us to supply these from materials which had been sent out for the rehabilitation of China, but pointed out that direct negotiations with the Canton-Hankow Railway would be the best procedure in this case. This action has been taken and supplies have already been handed over to ease the position on the British Section. "

REGION 14 -- Chekiang-Fukien

No Industrial Rehabilitation Officer assigned.

The entire length of the Foochow-Amoy Road was inspected by Highway Engineers and a recommendation on requirements for reconstruction submitted, including details for culverts, bridges, pontoons, earthwork and crushing plant requirements for metalling this highway.

REGION 15 -- Formosa

No Industrial Rehabilitation Officer assigned.



SECTION 6 - Agricultural Rehabilitation

REGION 1 - Northeast China

Shortage of draft animals in this area is causing farm work to be less thoroughly done than would normally be the case. Insofar as they can, farmers are attempting to replace the lost horse-power with man-power.

In this region agricultural information is so completely disorganized that in order to coordinate all efforts, and to fully utilize all available information, a council was formed in Mukden. The membership consists of representatives from CNRRA, Farmers' Bank, Farmers' Union, MOAF, Bureau of Social Affairs, Liaoning Provincial Department of Agriculture and UNRRA.

REGION 2 - Hopeh-Jehol

An intensive campaign against locusts in the Tientsin area was waged by MOAF who used UNRRA supplies provided by CNRRA. Advice and assistance was given by UNRRA. Poison bait was mixed and spread by agricultural students. In some communities, work relief projects were organized, using UNRRA flour in payment for catching locusts. The average payment was one catty of flour for five catties of the insects. In other localities the vegetation was sprayed with insecticides or kerosene. At one place the U.S. Marines cooperated by sending 60 officers and men with 11 flame throwers. In places where the locusts had already developed wings, the flame throwers were not very effective. Insects that were hit by the flame were killed. Others flew away on account of the heat. In one place where the locusts were still in the crawling stage, from 95 to 100 percent were destroyed. In some communities material assistance was provided by professional locust catchers who made a business of catching the insects and selling them for food.

Wheat from the new harvest has appeared on the local markets but has not yet affected the prices.

First reports from an agricultural questionnaire, prepared and sent out by the Agricultural Rehabilitation Office in Tientsin, indicate that cotton production in Hopeh will be appreciably less than last year. Out of eight cotton growing sections polled in Hopeh, only one reported a greater cotton acreage than last year. Another reported the same acreage; the rest indicated a marked reduction up to 75%. The questionnaire also revealed very heavy losses in farm animals and livestock. Up to 80% of the mules had been lost, which is a serious handicap.

REGION 3 - Shansi-Suiyuan-Chahar

A questionnaire returned from this region indicates that the wheat acreage is 20% larger than last year because of (1) popular interest in return to farming since victory; (2) release of land held during occupation by the



Japanese; (3) Government promotion of agricultural policies; and (4) favorable weather at planting time, September 1945.

However, inspite of increased acreage, total yield may be 30% less than last year. This is due to (1) insufficient rainfall in the north which has resulted in an almost total loss; (2) a diminished yield because of rust and smut in southern and central areas; (3) flood conditions in some areas; and (4) damage by the mole-cricket in the southwest.

#### REGION 4 - Shantung-Tsingtao

Pelivory of vegetable seeds coincided with the recent military activity which disrupted communications from Tsingtao to all parts of Shantung province. Consequently the seeds remain undistributed. Plans, however, are being prepared for utilization of the seeds for direct relief as well as for seed production. If communications can be reestablished before the end of July, it will be possible to utilize a major portion of the seeds for late planting.

A rainfall graph of Shantung province shows a rise in monthly precipitation from a low of 10 millimeters in February to a maximum of 150 millimeters (6 inches) in October, the harvest season of many of these crops. Barring an unfortunately early frost, the second growing season would, therefore, be better for seed production because of the relatively dry weather at harvest time. It is proposed that 100 drums be diverted to seed production plots to be located at Tsingtao, Lini, Tsinan, Neih sien, and Laiyang.

The local agricultural tool project has been completed. Five thousand plow shares, 525 mould boards, and 1,500 pairs of planting points have been manufactured at costs of approximately one-half of the market price. Negotiations are under way for the establishment of another tool project for the manufacture of mattocks and shovels.

#### REGION 5 - Honan

About two weeks were spent by John Shirkey surveying resettlement conditions in the Special Administrative Area No. 9 in the Hsinyang and Loshan areas. Because of the submarginal nature of a large part of this territory recommendations do not include plans for use of agricultural rehabilitation supplies in this area at the present time.

A survey of plant pests in the province was made. It was learned that the locust infestation was very small.

The tractor training and relief plowing project at Fanchia on the edge of the flooded areas is proceeding satisfactorily. By the end of the month 1000 acres had been cleared, plowed, and disced. The clearing is being paid with



UNRRA flour. As quickly as the land is plowed and disced, it is planted by the returning farm families. Seed for this purpose is provided by CNRRA. Thirty students are receiving tractor training instruction. Most of the students have progressed to the point where they can be used to help in training others.

#### REGION 6 -- Shanghai

No agricultural work is under way in this region at this time.

#### REGION 7 -- Kiangsu-Nanking

The Provincial Agricultural Advisory Committee consisting of representatives from the Kiangsu Provincial Bureau of Construction, Kiangsu Provincial Peoples Political Council, UNRRA Regional Office, CNRRA Regional Office, Agricultural Extension Committee, the China Farmers' Bank, Kiangsu Provincial Farmers' Bank, Kiangsu Provincial Silk Culture Improvement Committee, and the Kiangsu Provincial Agricultural and Forestry Improvement Committees, has been organized and meets once a week to discuss projects pertaining to agricultural rehabilitation in the province.

Serious outbreaks of locust have occurred in five hsien. Flour has been used as a basis for pay in securing laborers to fight the locusts. The tranching method has been used with good success.

Three trips have been made to Nanking Island to aid in the locust control work.

The provincial authorities have arranged for a loan of approximately one billion dollars (CNC) for the purchase of improved seed for resale to farmers.

#### REGION 8 -- Anhwei

To combat the threat of drought in central and northern Anhwei, construction of 10,000 wells in five hsien are being planned. A start has been made in the digging of two wells in Mengchan as an experiment.

The Anhwei Provincial Agricultural Developing and Directing Committee has been organized. This new organization will initiate extension work within the province. Members are representatives of UNRRA, CNRRA, MOAF, the Farmers' Bank, the provincial social welfare department, the provincial agricultural bureau, and the provincial experiment station.

Three hundred sixty drums of vegetable seeds have been distributed to various sections of the province.

#### REGION 9 -- Kiangsi

A tour of inspection into the southern part of the province indicates the following:



Linchuan: Most of the land is fully cultivated and planted with rice. The district looks prosperous. There seems to be sufficient buffalo in the area to meet the needs providing the animals are shared.

Nanchang: Approximately 20,000 mow of farm land in this area is not under cultivation. Requests have been received for 1346 buffalo. It has been reported that 883 farmers are in need of assistance with 252 in urgent need of help.

Kanhsien: Practically all land that was cultivated before the war is being cultivated now. Loans totalling CN\$10,000,000 have been granted to the farmers to purchase cattle, of which there is no shortage here. Irrigation machinery is required rather than more animals.

Kian: From Kanhsien to Kian, all land along the road appeared to be cultivated with the exception of areas lacking irrigation. At Wanan and Kisui there is a failure to cultivate to full capacity because of shortages of animals and tools.

Yunchsin: All the farmers appear to have returned to their land, very little of which remains uncultivated. There is a shortage of buffalo here.

Changshu: This community is a prosperous farming area. The crops are well grown and no land is uncultivated.

#### REGION 10 -- Hunan

Hunan province has received plenty of rain during the month of June and the hot weather has made conditions ideal for growing crops. A large acreage of rice was planted during the month and estimates are that 95% of the rice paddies are now planted. Predictions are for a 75% to 80% of a normal crop providing the good crop conditions continue. The people have used every available means to get their fields ready and planted. In the areas where there is a shortage of buffalo, the fields have been prepared with hoes, shovels and any available implement.

Dry land crops (soy beans, peanuts, tobacco, cotton and sweet potatoes) are good. Gardens and truck crops also look good.

The wheat crop, relatively small for this province, was all harvested by 1 June. The crop was only 50% of normal due to the drought in April followed by heavy rains at harvest time.

#### REGION 11 -- Hupeh

This region reports a 10% increase in wheat acreage over last year due primarily to the return by farmers to waste land previously held by the Japanese



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troups. A larger crop than last year is expected due to this increase in acreage.

An important milestone in the administration of the agricultural rehabilitation program in Hupeh was reached at the conference in Hankow on 1 June between members of provincial agricultural organizations and a two-man team visiting Hankow as the joint representatives of the Ministry of Agriculture and the Agricultural Rehabilitation Division of UNRRA. The conference represented a definite attempt, at a provincial level, to merge UNRRA's temporary program for agricultural rehabilitation with the long range program of the Chinese government for agricultural recovery and improvement.

#### REGION 12 - Kwangsi

Approximately 70% of the regular crop may be harvested providing insects and worms do not take a larger than usual toll. The approximate 70% is based on the following:

1. Late plantings of from four to six weeks because of drought conditions. This is the primary factor which complicates two crop planting and the harvest itself.
2. Early harvesting will be necessary in some fields in order that the second crop be planted soon enough to assure a full crop. Some systems of land ownership requires the tenant farmer to harvest earlier than usual.
3. A lack of proper farm implements, draft animals, and seeds have caused many areas to remain untilled.

#### REGION 13 - Kwangtung

The Kukong area reports that farmers are having difficulties due to the shortage of draft animals, lack of fertilizers, and loan limitations at \$2,000. Many farmers have abandoned the land to become coolies to augment daily earnings.

Rice fields in Nanhai, Punyu, Tungkuan, and Chungshan are reported as producing a crop 75% of normal, while those at Shunts were badly hit by land crabs. After the spring drought, there is some danger, particularly along the North River, of too much water at harvest time. The first crop has already begun to reach the Canton market and the price is dropping slowly.

The Provincial Bureau of Forestry and Agriculture, together with the representative of the Ministry of Forestry and Agriculture, have formulated plans for agricultural improvement which include the planting of 171,000 shih now near Canton and Kukong with American vegetable seeds imported by UNRRA.



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REGION 14 - Chekiang-Fukien

A report from the Shaoshing area, about 30 miles southeast of Hangchow, indicates that this year's crop of wheat will approach normal, approximating a 25% increase in mowage over last year. The only visible sign of shortage now was the almost complete absence of draft animals. The people appeared to be of fine morale and were well occupied.

Optimistic reports concerning the early and late system of transplanting of rice indicate that this crop will show the same increase over last year as does the wheat crop.

REGION 15 - Formosa

The first crop of rice in the south has been harvested and is reported to be good. In the northern section of the island, following the recent period of rain, the rice is nearly ready for harvest and prospects are good.

Soy bean culture should be increased here for there is a great need of soy bean cakes for fertilizing and feeding purposes as well as other soy bean products for the human diet.

The need for the extension of leguminous crops cannot be too much emphasized in a region where soil productivity is so much dependent upon the use of fertilizer.



## SECTION 7: Welfare

### GENERAL

Welfare Division, China Office: The objective of the Division is to build within CNRRA a strong Bureau of Relief looking toward a unified or National Welfare Program. The program here is essentially relief with rehabilitation as the goal, hence our efforts will be to give through CNRRA central control and guidance to regional programs which to date have tended to develop along diverse and unrelated lines.

Recent arrivals of Welfare Personnel have made it possible to strengthen UERRA and CNRRA Regional staffs. National program personnel are getting into the field to bolster lagging regions. Several were recently sent to the famine area in Hunan to help administer relief during the immediate critical period.

The following are summaries of the Regional Welfare Reports. In the light of recent developments in the total program, we have attempted to include concrete evidences of progress, critical evaluations of the problems. In some instances, where the program is lagging, corrective measures under way are indicated. Where corrective measures are not indicated, follow-up will be initiated.

### REGION 1 - Northeast - June Report

Community relations have been seriously affected by political activities in the Northeast. Generally speaking, conditions while appearing normal and quiet are disturbed and unpredictable. These conditions affect the entire welfare program.

Transient centers have been established at Chanhalkwan, Mukden, Chinchow, Changchun, Sau-p'ing-kai. These centers provide food and shelter for ex-forced laborers who are enroute to their homes in the South, and refugees from Japanese oppression returning to the North. A link-up system which provides for transients' care during the journey has been established and is operating successfully.

Services to children and other special groups have been limited to subsidies to institutions. With the recent arrival of the Child Welfare Specialist, it is hoped that the program will be stimulated.

Work Relief: Funds were this month made available by CNRRA to the Mukden City Government for reconstruction of a dam urgently needed for irrigation work. The project is being treated as work relief to take up some of the 164,000 unemployed persons in Mukden.

Emergency Relief: Distribution of flour has been largely by direct relief. Humanitarian Institute provides 900 meals per day. The CNRRA food kitchen at Fushun provides 13,000 meals per day. Other channels of distribution such as



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institutions, churches and missionary groups, and hospitals have also been used.

#### REGION 2 - Hopeh-Jehol

(The full June report has not been received. Following are excerpts from special reports).

The Regional Welfare Officer, accompanied by an interpreter-assistant, travelled to Hochien in Central Hopeh "to observe general conditions and welfare needs, to confer with relief organizations, and to observe the work of the CNRRA 7th Field Team." The party took responsibility for conveyance of about three tons of medical equipment and supplies to the Hochien District. Part of these supplies were allocated to the Catholic Mission Hospital at Hsianhsien, part to the International Peace Hospital at Shih Tsin T'sun and the remainder was to be distributed according to need. The supplies were delivered intact, the unallocated portions given to three municipal hospitals. The supplies brought in were of course pitifully small according to the need.

Central Hopeh, which has suffered very greatly as a result of Japanese occupation needs particularly for food, clothing and medicines. The deliveries already made of food and medical supplies indicate that the area can be aided when permission for the passage of goods is obtained from the Nationalist forces. Full cooperation has been given by local authorities in the distribution of supplies so far taken to the area, and equitable distribution under CNRRA supervision is assured. The 7th CNRRA Field Team services fourteen hsien with a population of about 3,000,000, containing about 350,000 destitute individuals. Only the six northern hsien in the 7th Team area have so far received supplies, the amount of which is inadequate. A more equitable distribution of supplies is needed in Hopeh.

Work relief: Over a thousand workmen are engaged on a work relief project repairing the campus of Tsing Hua University. Flour is paid the workmen at the rate of 3 to 4½ lbs. per day of second grade flour. There are still 80-90 Chinese soldiers on the campus and their presence, and the demands of the military, are making the reconstruction program difficult.

A garbage removal project in Peiping is being handled as a work relief project. The garbage has been piled up so long as to be pretty well decomposed and is being used to fill up roads and build up river banks. Four hundred and thirty thousand tons have been removed and the work is employing about 3,500 people, with a total of 5,000,000 pounds of flour being used.

#### REGION 3 - Shansi

The June Report has not yet been received.

#### REGION 4 - Shantung - June Report

Areas covered: During the month of June it has been impossible to operate outside of Tsin-tao and the immediate vicinity due to the political situation and actual hostilities. On the 7th of June a supply convoy left for Weihsien and although the supplies reach the destination safely, the convoy had to go through zones of actual fighting, which emphasized the fact that supplies could not be sent out of



Tsingtao until the situation is cleared up. There were only small program-operations possible in such places as Tsinan where previously shipped supplies were still on hand. A wire from Communist authorities in Chiachsien, previously occupied by the Nationalists, requested authority to distribute supplies on hand in the warehouse to meet the emergency needs of residents of the outlying sections of the city. Authority was granted by CNRRA and UNRRA to utilize the supplies available in accordance with established principles of distribution.

Child Welfare and other Special Groups: The Tsingtao Child Care Nursery, the orphanage already referred to in a previous report, opened on May 25 to 57 children and is now full to capacity.

A group of 32 blind soldiers repatriated from Japan who were previously living together in a shelter and given food by CNRRA, have now been dispersed to their homes with the exception of two men admitted to the Blind School.

One feeding center for the distribution of nutritious foods to special groups has been approved. Because of the cost involved it is doubtful that others will be set up.

Regional distribution of nutritious foods to special groups cannot be carried out at present because of the political situation and blockade of Tsingtao. Milk is now being supplied to children's institutions in Tsingtao in sufficient quantities to allow 1 pint of milk a day to each child. Women and children in one of the refugee centers are also receiving milk.

Work Relief: During the past 30 days as many as 4,762 workers have been employed on work projects in the city of Tsingtao, which is an increase of 409 workers over the month of May. Due to the fact that the garbage-collection project in Tsinan was practically completed, the project was reduced by approximately 5,000 workers, some of whom have been absorbed on other projects. The overall wages paid to the 4,762 workers during the period was 6,146 small bags of flour and 7 catties, and 1,761 large bags of flour supplemented by \$4,614,400 CNG.

During the month there were five specialists working as program personnel in the CNRRA Regional Office. UNRRA, in cooperation with CNRRA, is working out a program for the best utilization of this personnel.

The most urgent outstanding need towards the adequate execution of a welfare program in this province, is the advance of sufficient money for work relief and general relief purposes. There is very little that can be recommended to the National Headquarters until the political situation permits program operations on an equitable basis throughout the Region.



REGION 5 - Honan - June Report

A review and evaluation of present CNRRA policies of direct relief and work relief administration and methods of putting these into operation has been initiated. Inherent in this is the giving of assistance of CNRRA to help them make wider use of Program Personnel.

Milk Program: With the help of the Dependent Groups Specialist, a policy was established for the division of responsibility for distribution of milk by the Relief and the Medical Divisions of CNRRA. A plan of operation for milk distribution in Chengchow was worked out with a local committee to serve milk in various sections of the city and in the Refugee Camp. CNRRA plans to extend the milk distribution to nine more cities, viz., Chengchow, Loyang, Hsuehchang, Hsin Yang, Nan Yang, Kuang Chuan, Anyang, Hsin Hsiang and Shan Chou. The distribution will continue in eleven milk stations in Kaifeng to approximately 3,800 children. Also distribution will continue to the orphanages and other institutions, public and private. The Bureau of Social Affairs is cooperating in this program through its local representatives who will work with the twenty CNRRA teams.

Congee Feeding Stations: The station at Hsi-Hwa has been in operation about two months and has been such an outstanding success that additional stations have been established this month to meet extreme emergency needs at Fugo and Fan Chia, the site of the Tractor Training Program. Each station serves approximately 2,000 people one meal per day. Stations are to open in the immediate future in Hui Yang and Yen Ling.

Work Relief: The work relief project undertaken in cooperation with the Tractor Training Program has progressed rapidly and well. Accomplishments during the month include the construction of compounds as living accommodation for 2,000 workmen plus those in the Tractor Training School, and the operation of congee feeding station and milk station to serve the above. Future objectives include sanitation; excavation of wells; clearance of land for the tractor operations; carpenter and blacksmithy shops to repair and make farm implements and tools; road making and drainage; and brick making.

Small Community Industries: CNRRA has allocated \$20,000,000 for the establishment on a loan basis of small community industries in Wei Shih. A widely representative local committee has been established to advise and participate in the program. The work projects are spinning, weaving, willow-basket-making, blacksmithing (farm tools), loom-making, wheat grinding and brick making.

Distribution to Communist Hsiens west of Anyang: In compliance with CNRRA's request the UNRRA Inspector, accompanied and assisted CNRRA personnel in the distribution of 3,000 bags of flour, 30 bales of clothing, 6 cases of medicine, 15 drums of seed and \$4,500,000 seed money to three hsiens, north and east of Anyang in the control of the Border Government. A five-man CNRRA-UNRRA team left Kaifeng on 23 May with five light Dodge trucks obtained from GHT. Necessary arrangements were made with



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Cease-Fire Teams at Hsinhsiang and Nayang; all passes and assurances were obtained. Six round trips by all trucks were needed to transfer all the goods from Anyang to Shuiye in the Communist portion of Anyang hsien from which point distribution is to be made. This completed the initial distribution of relief to 12 Hsien in the Communist area of Honan.

Movement of Refugees through Nationalist Communist Borders: Problems involved in the refugee program have increased steadily since late in April, when indications pointed to a "bottle-neck" in the movement of refugees into and through Communist-controlled territory in northern Honan. This accumulation of refugees in Anyang, Hsin Hsiang and Shang Chiu, augmented by numbers of political refugees from Communist area has reached dangerous proportions in the event of possible military action. In any event, it presented a problem of how relief and medical needs can be met for these refugees who have come to Honan from other provinces, and who cannot be moved to their homes. Honan Regional Office cannot provide funds for this long time relief need of non-Honanese. These problems have been referred to CNRRA Headquarters for decisions which can be made only on a National level. In the meantime, local CNRRA has approved a plan for Congee feeding stations and milk stations at Anyang, Hsin Hsiang and Shang Chui to meet relief needs for one month pending Headquarters decisions. These stations will serve only children, aged, and those who are physically unfit to work. Those able to work will be assigned to work relief projects.

A Camp and Shelter staff member has been assigned by CNRRA and UNRRA to make an investigation of the situation, and will leave for the area concerned on 19 June.

#### REGION 6 - Shanghai - June Report

There are six "Skim Milk Stations" operating now with a total number of around 7,000 people being served. Five of the stations have opened since the 15th of May. Dried skim milk was distributed to students of all schools in Shanghai, two pounds of milk each for 25,000 students cafeterias to school authorities; distribution to students in primary and middle schools will begin soon.

During the first half month of June, 695 adults and 182 children of refugees from the interior were disbanded at CNRRA Service Station at the North Railway Station on the day they arrived at Shanghai. A sum of \$2,730,000 was spent besides 877 bags of flour.

A free flour distribution has been organized in the suburban areas of the city. These areas have assumed a mushroom growth from the heavy influx of people from the areas surrounding Shanghai. Refugees from as far north as



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the northern boundaries of Kiangsu province are coming in as Communist forces advance throughout the countryside. Four hundred and sixty six bags of flour were distributed to 600 needy people and later 862 bags were distributed among 1,115 indigent persons at Tonchaocheng.

Work Relief: With the dredging of the Chackaipang Creek almost completed, the Fahuapang Creek in the west of the city is now the scene of operation. The work in the Third District is well underway while that in the Fourth District is being planned. The disposal of huts which had grown on the banks of the Creek during the years of occupation partly accounted for the delay of the project.

#### REGION 7 - Kiangsu-Nanking - June Report

The CNRRA Office now proposes an integration of its various divisions. The representatives of each division (technical, relief and health) will make up working teams or corps and be responsible for organization and operation of relief plans in certain districts. This plan would be a definite improvement over the present plan of operation.

Work Relief: CNRRA has still not set up any small work projects although they agree that this type of work relief is their responsibility. The Nanking Office with the assistance of a work relief specialist from another province has completed plans for a sewing project. Twelve sewing machines were allocated to Nanking for this purpose.

Equity of Distribution: Supplies continue to be distributed in Central Government territory. After a great deal of difficulty CNRRA was persuaded to send 300 additional tons of flour to Hwaiyin to continue the work projects started under the direction of the UNRRA-CNRRA mission. The flour was loaded on junks but stopped at Yangchow by the military authorities. They were held there from May 24 to June 10, a total of 17 days with the expectation that the military blockade would be lifted. The cost of CNRRA was over \$1,000,000 CMC per day and paid for by expenditure of relief at Yangchow. This situation has been the subject of numerous cables and reports to Headquarters during June.

Sale of flour in Kiangsu Province exceeds the amount allowable and does not have adequate provision for establishing the need of recipients. Sale of flour in Nanking is 79% of the total allocated to Nanking or 21% of the total amount allocated in the province. This has been brought to CNRRA's attention but they feel that the sale of flour in Nanking was a Headquarters plan even though the regional office approved the plan. This is being followed through and will be reported on later.

#### REGION 8 - Anhwei - June Report

Western personnel have been assigned and have begun work in Anhwei only during the past six weeks.



Shelters: CNRRA operates four shelters for internally displaced and refugees: Wuhu, Pengpu, Tunki and Anking. In the shelters, refugees are registered, provided with identification forms, given transportation, provided with housing, allowed \$400 per adult and \$200 per child daily for three days, and each person whose pre-war residence was in Anhwei is given \$5,000 at the time such person leaves camp. In Wuhu CNRRA knows little about what happens to a displaced person after he is assigned space within the shelter. Other than the payments mentioned above, CNRRA has given no help to shelter persons. Some of the refugees are said to be starving. The conditions at the Pengpu shelter are even more serious than at Wuhu. The building is inadequate, refugees are packed in and are said to be starving. Sanitation is neglected, medical care is negligible and many are unemployable. CNRRA has agreed to mass shelter feeding and special attention to the needs of the aged, handicapped and other dependent groups. Conditions in the Tunki and Anking shelters are not known.

Milk Distribution: On June 18, CNRRA began operating a supplementary child feeding program within Wuhu schools. The same program is also operating in Pengpu. Approximately 6,000 children in Wuhu and a similar number in Pengpu are receiving one-half pint of milk six days a week. Plans call for extension of the program to 10,000 in each of the two cities and similar programs throughout the province.

Work Relief: The only small work relief project in operation in June was in Pengpu, where about 150 workers are employed. According to CNRRA officials, no wells or ponds have been dug during June, but UNRRA staff members believe such projects are in operation in central and northern Anhwei. Dyke repair, some of which is carried on as CNRRA work relief, was due to end in June because of rising waters in the Yangtze.

Communist Region: The Anhwei Regional Welfare Officer has returned to Wuhu after a visit to the Kiangsu-Anhwei Communist region. He was accompanied by the Welfare Officer of the Kiangsu region, and the son of a Vice Chairman of the Border Government. It was noted that the free flour distribution seems to have been carried out in a reasonably satisfactory manner. The Catholic Mission and the local government were represented at the selection of all recipients and at the distribution, which were done through local relief committees. The Border Government paid for the transport from its labor relief funds. The distribution was as follows in the new "hsien" of the Communist zone. Wuhu, 800 bags; Hsuting-cha, 600; Sze-nan, 1,000; Sze-yang, 600; Sze-hsu, 500; Sze-sien, 1,000.

Fei River Work Relief Project: The official reason for the suspension of this work on both sides of the river, that is, at Wuhu and Pengpu, was the early rise of the Huai River level. The real reason, according to talk on both sides,



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was that the military situation had become increasingly tense. The work had been about 75 per cent completed. Suspension is unfortunate because unrepaired sections of the dykes leave the whole area open to floods.

#### REGION 9 - Kiangsi

June Report not received to date.

#### REGION 10 - Hunan - June Report

One hundred Field Teams have been established throughout the Province with Welfare districts being established and in operation at Yangyang, Hengyang, Shaoyang, Lingling and Changteh. Two others will be set up at Sian Tan and at Kiyang, making 7 Welfare Districts in all covering the most critical parts of the Province. To each of these Welfare Districts is assigned both a Western Program Person and a Chinese counterpart as Welfare Supervisors who are responsible for directing the work of the field teams assigned to their districts. Local Welfare committees consisting of the welfare supervisors, local government officials, and other interested citizens have been appointed. These committees have been delegated emergency operating responsibilities and may, within limits, revise at the local level the allocations established by the Regional Office.

Use by CNRRA of Program Personnel: The description of the assignment of Western persons as welfare supervisors and the experience thus gained in this experiment already demonstrates the soundness and the effectiveness of use of such personnel. While seven welfare districts are in operation there is need to assign more such personnel to new districts as the territories now assigned to the present Supervisors are too large and the numbers of persons in need too great to be handled most effectively by present personnel.

Transients: The problem of out-of-Province refugees continues at somewhat abated intensity. The following gives the picture in different parts of the Province: In Shaoyang the capacity of the shelter is 300 with 900 refugees being cared for resulting in serious over-crowding. The ferry at that point is being used exclusively by the military resulting in the refugee being stranded. Most of the refugees have begun their trek home from Kunming and Kweiyang. In Lingling the number of out-of-Province refugees is declining. Overnight care is provided and they are then processed to Hengyang for transshipment to Changsha. The rate is approximately 90 per day.

At Changsha during June 4,217 refugees were processed by the local shelter, 3,610 were moved to Yoyang by boat, 114 to Hengyang by train, 493 to other destinations; 80 local homeless children are being cared for in the shelter.



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Child Welfare: The first, second and third Children's Homes of Changsha were taken over by CNRRA as of April 1st. They were formerly operated by the committee of Madam Chiang Kai-shek. They are now caring for 600 children. The 4th and 5th Provincial Homes for children are caring for an additional 400 children but they are inaccessible, making the delivery of supplies difficult. Food rations and medical care are fairly adequate. They have a school program operating. Sleeping arrangements are crowded but clean and orderly.

At Yo Yang the general lack of housing has resulted in very inadequate care of children and other dependent groups, the blind, aged, etc. The Chinese army has appropriated most available shelters and has taken over parts of still existing homes further making impossible the adequate functioning of these institutions.

At Shaoyang the orphanages existing before the war have been either completely or partly destroyed. Local agencies are not functioning and their requests for aid need immediate action as there are large numbers of children and other dependent groups wandering through the towns and villages and living among the debris of ruined buildings.

At Hengyang wandering starving children present a tremendous problem. The Children's Home is doing a good job but is seriously overcrowded. A hundred children have been recently transferred to the Service Center somewhat alleviating this condition. The Magistrate is making plans for another institution to care for 1,000 children. Dr. Kulscar and a medical team has been able to greatly improve medical care. Over 200 children are being treated daily through the clinic that has been established. A former Children's Home now occupied by the Chinese Army will be available if the efforts of the Mayor to have them move are successful.

The first milk station opened June 1 and served 1,000 persons in its first two days of operation. They have given milk to children, pregnant mothers, nursing mothers and ill adults.

At Lingling 40 children are being cared for by the Catholic Orphanage and they have plans to care for 40 more on a day care basis. Three milk stations are in operation serving 200 daily. It is planned to increase the capacity to 1,000 per day as supply increases. While conditions are severe in Lingling Hsien they are worse in Tungan and in Kiyang.

At Changsha, CNRRA has established two additional shelters for children and homeless. Tents are being used until buildings can be rehabilitated.

#### SUPPLIES - Welfare

Methods and Problems of Distribution: On June 7, the first convoy of CHT trucks left Hengyang and subsequent convoys have departed, greatly increasing



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the speed of delivery over that provided previously by junks. Receipt of supplies has improved but is far below the 1,000-tons-per-day target. While allocations are still being made at the standard of 1 catty per person per day the actual grant, based upon supplies getting into the field, is averaging  $\frac{1}{2}$  catty per day.

In Shaoyang the Welfare Supervisor reports only enough supplies to provide 7 catties for the month of June for some 30,000 farmers in need. A request for sufficient supplies, to increase the grant to 15 catties during the critical month of July has been made. Present supply will not provide for that increase. Four rice kitchens in operation in this Hsien will have to close because of lack of local rice supply.

Lingling received 758 tons of flour from February 1, to the end of May with 460 tons being received in May. The Welfare Supervisor states a minimum of 1,500 tons per month is necessary to meet the needs of 100,000 needy individuals out of a total of 280,000 needy reported. In the Tungan Hsien supplies can only be delivered by overland carrier and conditions there are critical.

#### REGION 11 - Hubei

June report not received to date.

#### REGION 12 - Kwangsi - May Report

Relief teams are assigned to each of six districts. There are now 186 team members and all teams have been deployed to the field.

Approximately 1,500 tons of rice and flour have been distributed. The supplies provided to date do not begin to meet existing acute needs. For example, at Chuan Hsien where 160,000 people are reported eligible for help, relief has been given to only about 20,000.

There has been no sale of relief goods. The outstanding welfare need in the Province continues to be food for emergency relief.

Service to refugees shows no signs of lessening. More than 4,000 refugees were transported this month, including the remainder of the population at Chin-Chuen-chiang. A new problem has been reported from Wuchow in the South-western corner of the Province where a number of people, estimated to be as high as 10,000 have been pouring up from Kwangtung Province into Wuchow. A number of deaths among this group have been reported, although what percentage of this is cholera or other disease and not starvation is not known. It is quite clear that some program will have to be undertaken in their behalf. The Office is in touch with Canton and has begun discussions regarding a program of work relief for villages at the border.



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Approximately 884 refugees were cared for at the Liuchow shelter during May. Improvements were made in the physical aspects of the shelter; it was agreed that a central mess be established and medical care has been extended. Temporary shelter and care is offered to women without husbands and their children; to unattached children; and during this month to a large number of children who have been found by the police begging and living on the streets.

A child care program is now emerging. Money is being remitted for the reconstruction of institutions for children. This includes CN\$203 million for the reconstruction of 104 schools, CN\$15 million for the repair of the Kwangsi Provincial Government Institution at Kweilin, CN\$1 million for the institution in Kweilin for blind girls, CN\$3 million for a school for the blind and deaf. A child welfare committee for the Province has been set up. CNRRA has provided food supplies to six institutions for the care of children. In rural areas through family relief work, it is estimated that 100,000 children have been getting help in food. The distribution of milk in the famine areas "has at last got under way." About 50,000 children will be receiving 5 pounds of milk a month. CN\$5 million have been remitted to the Kweiyang Refugee and children's shelter on the basis of an inter-regional decision.

#### REGION 13 - Kwangtung

June Reports not received to date.

#### REGION 14 - Chekiang-Fukien - June Report

The assigning of a CNRRA program personnel member to each of the five Working Corps Offices has resulted thus far in one person being deployed to Ningpo and another to Wu-Hsing.

Emergency Relief Distribution: CNRRA is endeavouring to correct unfair methods of distribution which have been reported. It has not been possible for CNRRA to assign one representative to each Hsien to work directly with the Hsien officials in public distributions. Lack of administrative capital is given as the reason.

In the various Working Corps Offices there has been withholding of foodstuffs. In the Wuchow area only 132 out of 300 tons of flour was distributed, only 53 out of 1396 cases of milk stuffs, and there was no distribution of rice or tinned goods. The reason was that difficult communication delayed proper authority from the Regional Office. As a remedial measure efforts are being made to have the head of each Working Corps given authority to allocate on the spot.

Work Relief Projects: which have been approved and on which work has already started number 22 in Chekiang and 9 in Fukien. The major project in Chekiang is the emergency repair work on the Chien Tang River Dyke. A total of 878 tons of flour has been distributed on this one project.



The Visiting Team of National Program Personnel and other CNRRA Bureau of Relief representatives completed the report of its work in this region. Specific matters, such as organization of clothing distribution, transport of flour to work relief schemes, speedy distribution of milk, new routes for refugees, etc., were subjects of recommendations.

Regarding administration and supervision, the need was stressed for less operational control at top levels and more delegation of authority. It was suggested that the Foochow Office should either be established as a separate regional office, or should be given full authority to act without prior recourse to the Hangchow Office.

Work with refugees has been proceeding satisfactorily in Chekiang with a good start having been made in the establishment of the Hangchow shelter. The operation there is characterized by sound planning and procedures designed to render adequate service to refugees.

Increased assistance to CNRRA was recommended in relation to development of programs for the care of children in and out of institutions.

The operations in both relief and rehabilitation are still largely in the planning stage. Actual operation seems to be delayed.

#### REGION 15 -- Formosa

The report for June has not yet been received.



SECTION 8: Displaced Persons

REGION 1 - Northeast

Nothing significant to report.

REGION 2 - Hopei-Jehol

There are 128 Italian ex-marines in Tientsin and 50 in Peiping. Of these, 77 are employed and need no relief, 33 require part help, 6 are disabled, the remainder are unemployed and need full relief. Twenty eight thousand four hundred and twenty three Koreans have been repatriated.

REGION 3 - Shansi

Investigations to date have revealed no European Displaced persons seeking rehabilitation or requiring the assistance of UNRRA.

REGION 4 - Shantung

Four displaced persons embarked for Bremerhaven on 25 June. The estimated number of political refugees remains at 200,000. The Refugee Control Committee has taken over so-called supervision of 31 shelters which house approximately 9,000 of these refugees. These are overcrowded and poorly equipped. UNRRA is working with this committee to determine the eligibility for and continued receipt of flour in these shelters.

REGION 5 - Honan

Nothing significant to report.

REGION 6 - Shanghai

Refugees from the interior, from zones of military activity in Kiangsu, and transient refugees from Canton continue to pour into Shanghai. Hundreds of these people are disbanded on the spot after being given the customary financial assistance by UNRRA.

REGION 7 - Kiangsu

The Nanking Camp site was taken over by the Nationalist Army at the end of May; approximately one half of the camp had been released by the Army at the end of June. Political refugees continue to congregate in the large centers of the province and are presenting an ever increasing problem.



REGION 8 - Anhwei

Since December, 1945, the number of persons processed out of shelters in this province (according to CNRRA figures) are: December - 259; January - 3518; February - 8454; March - 11,663; April - 8238; May - 11,405.

REGION 9 - Kiangsi)

Nothing significant to report.

REGION 10 - Hunan )

REGION 11 - Hupeh

Many improvements in the physical conditions of the camp at Wuchang have been effected; the medical service has been further improved through a daily check of all sickness in the dormitories. During the month 9,623 refugees were cared for at this camp, of whom 3,777 were new arrivals. Transportation was provided for 5,846 refugees. Ichang serves as an intermediate stop-over location for some refugees on their trip down river from Chungking toward the coast.

REGION 12 - Kwangsi

To date the CNRRA office has facilitated the movement of about 17,000 refugees. A receiving station with a team of workers was established at Lungchow to receive 700 men and 100 women returning from Indo-China. These adults were taken prisoner by the Japanese Army and transported to Indo-China. Necessary arrangements have been completed for their return. Forty-nine Kwangsi residents who had been taken prisoner by the Japanese and transported to Sumatra have returned this month throughout the Province.

REGION 13 - Kwangtung

The outstanding feature of the displaced persons situation this month is a steady but rather slow internally displaced refugee movement, and virtually a static situation as respects externally displaced persons.

REGION 14 - Chekiang-Fukien

The bulk of the Overseas Chinese in this region are in Foochow and Amoy. These persons, apparently all eligible for repatriation come principally from Burma, the Philippines, Dutch East Indies and British Malaya.

REGION 15 - Formosa

Nothing to report.



SECTION 9: Health

REGION 1 - Northeast

Surveys were made in Fushun and Changchun relative to health needs in those areas. Reports are in the process of compilation. A CNRRA-sponsored training course for anti-plague field workers has been inaugurated, with 70 middle school graduates as students. The program consists of work in rat and flea surveys, as well as rat and flea eradication campaigns.

Plague: Although no human plague cases have been reported in May, a rat and flea survey is being continued.

Typhus: No cases of typhus have been reported, but there has been a reinfestation of refugee camps by lice; although no mass delousing program has been initiated, treatment of railway employees has been undertaken.

Dysentery and paratyphoid are reported in the area, with diarrheal diseases steadily increasing in incidence.

The Mukden Medical College and hospital, operated by a Presbyterian Mission, has obtained a grant of supplies from the British Red Cross sufficient to re-open and operate the institution. These supplies are awaiting shipment from Shanghai.

A survey of laboratory facilities in the Mukden area was made by the laboratory technician program personnel with CNRRA, a report is in progress of preparation.

Unfortunately there has been a change for the worse in the public water supply of Mukden. The amount of electric power available has been reduced so that the plant now operates at less than 10% capacity. CNRRA has been urged repeatedly to request remedial action on high administrative levels for reduction of military and non-essential consumption of power. The Fushan Water Works functions almost normally except for lack of chlorine. A source of liquid chlorine has been located in Mukden.

In Fushan, the present volume of water is insufficient to keep sewage solid in suspension in the sewer, and as a consequence, sewers and man-holes are clogged. Since the public water supply fails them, the whole population now relies on the shallow driven wells in the streets. This water is of course contaminated from the sewers. Help has been requested from CNRRA to clean the sewers by hand but the real remedy can only be provided by increasing the supply of water. The sewage and drainage system of Kiran has completely failed, reportedly due to broken pipes. Early investigation is planned.

In Mukden, old garbage piles, although reduced, still litter the streets and public places. The new City Health Commissioner has recommended to the City



Council that the number of scavengers be increased from 80 to 600. Garbage carts are being constructed.

A crude benzol solvent has been found which is to be used along with garbage removal for anti-fly work, and every effort is being made to eliminate fly breeding places. A projected fly eradication campaign by DDT spraying has failed because of the non-availability of DDT solvent. The production of a suitable solvent for DDT could be accomplished by the operation of a coal tar distillation plant in Fushan. However, operation of the plant depends upon the rehabilitation of an electric power plant in the area.

#### REGION 2 - Hopeh-Jehol

Mr. G. K. Tsao, Sanitary Inspector has taken over full responsibility for general sanitation which includes allocation distribution and training in the use of DDT. He also contacts health bureaus, inquires into their work and offers technical assistance. He thus far has covered Peiping, Tientsin, Tanku, Tongshan, Shanghai Kwan and Chingwantao, in Hopeh, Chengte in Jehol, and Kalgan in Chahar.

The Tientsin committee on training films has been active and is now working up final serials on the following subjects for which film strips will be made by UNRRA: (1) Infant & Maternity Care; (2) School Hygiene; (3) Municipal Health Program, Tientsin; (4) Disease Control; (5) Human Waste Disposal.

Requests for equipment to rehabilitate the Peiping Waterworks and the Tientsin Waterworks have been submitted to the China Office. Water supplies in Chengte, Jehol and Kalgan, Chahar, both in Communist areas, have been surveyed and have been requested to make specific requests for equipment in writing.

The Work Relief Project for dredging the Chang Tze-ho, the main sewer outfall in Tientsin, is well underway. More than 3000 men are working at present. The request for construction of a bridge over this canal, and a lock to enable daily flushing has been submitted for approval of funds for materials.

In Peiping, a Work Relief Project for the improvement of the sewerage system has been approved and underway. This will require about 500 tons of flour to complete the work.

#### REGION 3 - Shansi-Suiyuan-Chahar

Miss Hemingway, program nurse, concentrated on assisting with the restoration to pre-war standards of the nursing service, nursing and midwifery schools of the Taika Hospital.



REGION 4 - Shantung

The most pressing problem of the Shantung-Tsingtao Regional Office is the solving of the political problems, for it is now impossible to transport its relief and rehabilitation personnel and supplies through the Central Government lines out into the Province of Shantung.

Supplies have been arriving more frequently and in larger amounts; 60 cases from the International Peace Hospital, 1344 cases UNRRA-CNRRA supplies, 339 cases from the American Red Cross, 54 cases from the Canadian Red Cross, 509 drums DDT powder and 1 ambulance. Although some of the supplies from the voluntary agencies were ear-marked for specific institutions, distribution of the remainder of the supplies was promptly effected by speedy allocation and delivery. Since May 28 it has been impossible to get medical supplies past the blockade into the Communist areas.

A hospital consisting of a dispensary and six beds is located in Pingtu; it is poorly equipped, having no surgical instruments and few medicines. Arrangements have been made to staff this hospital and enlarge the dispensary to a 20-bed hospital.

At Laiyang there is a fully staffed 130-bed hospital equipped with a good laboratory, but handicapped in surgical work by lack of instruments and sterilizing machinery. This hospital treats an average of 50 patients daily.

The delivery of the 100-bed hospital in Chefoo is awaited.

In Taitzen, a public health station has just been established which treats approximately 50 patients daily; a VD clinic has been established in Tsingtao Municipal Hospital; a dental clinic has been established in Tsingtao Municipal Hospital; the Tsingtao Hygienic Laboratory has been newly opened and is producing antigens and vaccines sufficient for the local area. In the Taitzen district there is a small factory producing drugs. These drugs are sulfanilamide, sodium chloride, sodium bicarbonate, caffeine, ephedrin, yatren, tannic acid, creasote and other cough medicines. In a large workshop near this same factory, surgical instruments are being produced of excellent quality.

Miss Doyle, Acting Nurse Consultant, assisted in the administration of the division, collected and prepared epidemiological reports, concluded the nursing survey and made plans to form an organization of the qualified nurses of the city. Mrs. Ward, program nurse, organized and is teaching a course for nurses aides in the Municipal Hospital at Tsingtao. Miss Ogden, program nurse, is assisting with the in-service training of nurses helpers who have various degrees of previous training and experience. At the University Hospital, Tsingtao, preparations are being made to open a school of nursing in this hospital this fall. Miss Ogden addressed the local Medical Association on "The Role of the Nurse to-day."



REGION 5 - Honan

The 40-bed CNRRA hospital at the Yellow River Gap project has been in operation since May 15. It comprises a surgical clinic for outpatients, a medical clinic for outpatients, a general dispensary and two inpatient wards for medical and surgical cases. An isolation ward is also maintained. An average of 350 patients are seen daily. In Chengchow a CNRRA Chinese Red Cross team has established a 16-bed hospital for the use of the refugee camp in the city. Plans have been made to enlarge the hospital to 30 beds. The refugee camp in Chengchow has been operating satisfactorily with good housing and health facilities. In Loyang a National Health Administration medical team has commenced work in medical service in the refugee camp in that city. Another is being sent to Shanchow for the same purpose. Voluntary agencies have 16 hospitals in operation in Honan Province, with a total capacity of 760 beds. It is planned to establish two more hospitals - 11 100-bed hospitals and 7 50-bed hospitals.

The Honan University Medical School is functioning and will graduate 27 students in June 1946, but owing to a lack of educational equipment and supplies, the students are greatly hampered in their studies. Its school of nursing also lacks sufficient equipment and facilities, but it is operating. The midwifery school has opened a 40-bed maternity hospital and is able to furnish limited practical training to its students. The funds allocated to these institutions have been far from adequate to really rehabilitate the institution. UNRRA-CNRRA efforts are being expended to rapidly improve this Medical School.

A surgical training program has been placed in effect in the Honan Medical School and the University Hospital, as well as certain governmental and mission hospitals throughout the area.

In connection with the Yellow River Project, three mobile clinics (via ambulance) have been established and a medical officer has been appointed to supervise and organize medical service to the dike laborers in Communist areas. A DDT unit delouses every new patient coming to the outpatient department of the hospital. The delousing of workers and their homes is done by the sanitation team together with DDT units. At Chengchow, a DDT unit is used to delouse refugees as well as to disinfect hotels, restaurants, barber shops, etc. Twelve new public latrines have already been built. The local police have been requested to assist in the removal of rubbish and garbage threatening the health conditions of the city. At Fanchia, a first aid clinic has been established for workers in the agricultural tractor program.

In Loyang, a National Health Administration medical team comprising a doctor, nurse, sanitary engineer, and an attendant is giving medical service to the refugee camp in the city. The remainder of the National Health Administration



team will be sent to Shanchow to operate a medical clinic for the refugees passing through that city. The team is composed of two doctors, two nurses, two attendants, a sanitary engineer, and the business manager. A DDT team will also be attached to this unit.

#### REGION 6 - Shanghai

The Shanghai General Hospital capacity has been increased to 270 beds. A new outpatient clinic has been opened, providing for a 150% increase.

The distribution of evaporated milk to malnourished babies attending the pediatric clinic has shown favorable results. It is hoped that an additional supply of milk as well as cod liver oil, vitamins, etc., will soon be available so that the work may be continued and the number of patients increased.

The regular monthly meeting of the Mothers' Club of District I was held with an attendance of 30 mothers. A similar club is to be organized at District 3.

Cholera: With the appearance of cholera in epidemic proportions in May, it became obvious that a fairly sizable epidemic could be predicted. Cholera has been present in Shanghai almost every year. Cases have been limited to the coolie class and have occurred in fairly circumscribed areas which are regions of native population and include overcrowded areas with poor living and sanitary conditions.

The Municipal Bureau of Health has begun a cholera inoculation campaign. -- 2,000,000 inoculations having already been accomplished. Household contacts are inoculated against cholera, and stool cultures are taken if indicated. Inspection of residences are made with particular attention to the water supply, closure of wells, chlorination of certain water points, the establishment of new water points by the opening of city water hydrants. Efforts are being made to control vendors of fruits and beverages.

Five thousand two hundred and six pounds of UNRRA medical supplies were received. Allocation of a part of these supplies for the European Displaced Persons project was made and delivered. A small quantity of A.R.C. supplies was allocated to Government and mission hospitals, according to a pro rata plan.

#### REGION 7 - Kiangsu:

A survey of the Central and University hospitals in Nanking with respect to eye clinics has shown that although the clinics are working, the conditions are difficult, the wards are crowded, and the eye department is limited in space. Their equipment is poor, but in spite of it some 80 cases per day are treated. Trachoma comprises approximately 75% of the cases treated.

An extensive survey of X-Ray departments of various hospitals was conducted, with the general conclusions that operators of X-Ray machines have but little idea of its use and dangers. Trained technicians are badly needed. Most hospitals are equipped with Japanese equipment which continually needs repair.



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Surveys have been accomplished in Nanking in the Central Municipal and University hospitals relative to their needs for equipment and supplies. Repairs in the Central Hospital continue to progress, about 50% of the total having been accomplished. The 750-bed hospital unit for re-equipment of this hospital is arriving in Nanking and awaits only the completion of building repairs for its installation. The outpatient department is caring for about 1000 people per day.

Lt. Helen Chapple, assigned on a time basis to the Nanking Central Hospital and School of Nursing, has begun morning circles with head nurses and nursing care studies with the students. A course of study for dental hygienists has been planned through various hospital clinics.

A cholera epidemic occurred in Chinkiang at the beginning of June. Several hundred cases daily were reported, with a high death rate. An isolation hospital was established on 21 June and but little efforts have been made to locate the foci of infection. Another cholera outbreak was reported in Hsuehowfu and supplies were immediately dispatched to the area. Tungtai has reported a small outbreak, and some supplies have been forwarded there by means of a local missionary.

Miss Moehring, Program Nurse, has been assigned to the Kala Azar team at Hwaiyin. Her major assignment, to organize nursing service for the Peace Hospital to be established there, is impeded by the blockade and inability to move the hospital out of Chinkiang.

The Wuhu Waterworks has been inspected and is functioning poorly due to lack of mechanical equipment and coal.

#### REGION 8 -- Anhwei

A survey has been made of the various health centers in Anhwei Province. Hospitals in the area comprise:

Wuhu General	100 beds	Tunki Provincial	70 beds
Wuhu Provincial	60 "	Showhsien Mission	50 "
Anking "	46 "	Hofei "	100 "
Fuyang "	32 "	Chachsien "	40 "
Hofei "	20 "	Hwaiyuan "	70 "
Pengpu "	40 "	Siuning Municipal	15 "

Miss Vickers, Regional Nurse Consultant, is teaching a course in "Health and Sanitation" at the Wuhu General Hospital. The District Nurses' Association has been revived and a program of refresher courses for graduate nurses has been organized through the Association. Consultation was held with the School of Nursing, Wuhu General Hospital on ways and means to re-establish



this school to its pre-war standards. A field trip and survey of nursing was undertaken in part of the province.

Diarrhea and dysentery, the filth-borne diseases, are generally prevalent. Thus far, sporadic cases of cholera and typhoid have been noted. No epidemics or large endemics have been reported. Tuberculosis is prevalent; malaria is said to be wide-spread in the province; falciparen is predominant; venereal diseases constitutes a major health problem.

Reporting of communicable diseases by the community health centers is being encouraged, though the results have been poor. Births and deaths are not reported as a matter of custom.

Programs are being formed to promote the sanitary disposal of human waste and fly control campaigns.

#### REGION 9 - Kiangsi

During the month, Kuling Sanitorium has been re-established with 40 beds. This will include a nursing school. An orthopedic teaching clinic has been established at the Provincial Hospital. A free clinic at the National Medical College is planned. A refresher course for doctors and nurses has been formulated. A teaching dental clinic has been established at the Dental College.

A mobile unit has been sent to Kukiang for anti-cholera work, with an allocation of 2 million dollars to establish an isolation hospital. CNRRA has allocated personnel to cooperate with the Provincial Health Administration in Nanchang, in suppressing plague. field trip and survey of nursing was undertaken in part of the province.

#### REGION 10 - Hunan

Diarrhea and dysentery, the filth-borne diseases, are generally prevalent. An out-door clinic for children has been established at the CNRRA Orphanage in Changsha. It sees approximately 200 patients daily, and in addition has three hospital wards with a total of 120 beds. Miss Beerstecher, Regional Nurse Consultant, completed a survey of the Changsha Municipal Health Department, made a plan for refresher course in public health nursing and arranged for unqualified nurses to complete their education.

Being encouraged, though the results have been poor. Births and deaths A class for X-Ray technicians and a dental clinic have been established at the Yale-in-China hospital.

Programs are being formed to promote the sanitary disposal of human waste. At Yoyang, the Reformed Mission Hospital will soon be expanded from 30 to 60 beds. The staff, at present, is inadequate in number. The Yoyang Hsien Health Station has begun an anti-cholera inoculation program.

Although some medical supplies have been received, their flow is rather slow. Estimates of necessary amounts of drugs have been prepared. DDT demonstrations and instructions have been arranged at five refugee centers.



REGION 11 -- Hubei

Jean LaMotte, UNRRA Regional Nursing Consultant, on return from a nursing refresher course at Nan Tien, Central Plains Border Area civilian hospital, devoted time to study of a school health program and to the investigation of nursing educational facilities in the area. A 70-bed hospital at Nan Tien is very poorly equipped but well staffed. No instruments, no laboratory materials and no sterilizing equipment is available.

Lilla Newbrand, CNRRA Program Personnel Nurse, has been working with provincial and municipal health administrations and NHA inoculation teams to assist them in organization of their work and in improvement of technique. Miss Newbrand has also devoted time to reactivation of the Wuhan branch of Nurses' Association of China.

Numerous training and refresher courses have been in operation during the month. An X-Ray technicians training course has been established under CNRRA at the Methodist General Hospital, Hankow; the Union Hospital continued its second laboratory technicians course; a clinical refresher course for medical personnel of the Border Region has been inaugurated; a refresher course in communicable diseases and nursing was given at the Municipal Isolation Hospital in Hankow and a demonstration dental clinic was established. About 80 students in Fsun Hua T'ien attended a refresher course in medicine, nursing and sanitation.

An aggregate of 3,387 cases of medical supplies have been received in Hankow where a more efficient method of handling supplies has been installed.

Mr. Wah Choy Ching, UNRRA Regional Sanitary Engineer, supervised DDT air spray of Hankow, Wuchang, Hanyang and Ichang, 3 June thru 6 June. A specially equipped B-25 plane was supplied and piloted by the Chinese Air Force, after demonstration flights by a similarly equipped U.S. Army Air Force plane. A total area of 23 square miles was sprayed. Larva counts were made at three points and adult mosquito counts at five points in the Wuhan area. These disclosed a 98% kill of larvae and an 88% kill of adults, which persisted for the two weeks which have elapsed since spraying was completed. Further counts will be made to determine when mosquito counts begin to rise. Mass delousing and residual DDT spraying programs were continued. From 1-31 May, a total of 88,342 persons were deloused, and an area of 13,620 sq. meters residually sprayed. From 1-15 June, an additional 28,873 persons were deloused and 29,240 sq. meters sprayed.

A more efficient method of handling medical supply was inaugurated at Hankow. An aggregate of 3,387 cases of medical supplies was received.

REGION 12 -- Kwangsi

Advancement has been made in the number of hospitals in operation although much improvement is still necessary. The CNRRA Hospital in Liuchow continues to operate; Liuchow Provincial Hospital has opened; Kweilin Provincial Hospital, while not complete, has its obstetrical wards already in use. Thirty four Provincial Hospitals, public health experimental institutions and community public health hospitals are receiving subsidies. Kweilin Community Hospital has 48 beds and is operating fairly efficiently, but



with a general low standard. The Provincial Hospital, Kweilin, has 24 beds operating, but a new building is under construction. The hospital staff is well trained. The Medical School is attached to the hospital. The Refugee Clinic is run by the National Health Association. It is staffed by two doctors, but handicapped by a shortage of drugs. The Anglican Mission Hospital has been allotted funds and is being rebuilt. The R.C. Mission Clinic has a very limited scope of work. It operates for two hours daily for out-patient treatment. Ch'uan-Hsien Hospital has been recently completed and opened. It has a lack of drugs and is just beginning to function. A new hospital is being constructed in the city of Shin An.

One health station in Li Pu is functioning with a 10-bed ward. The Kweilin Medical School has 100 pre-clinical and 30 clinical students. It does not have adequate teaching staff, and buildings and equipment are insufficient. The school is in the initial stages of reconstruction.

Miss Augusta Black, Regional Nurse Consultant was assigned this month. Miss Florence Hargott, Program Nurse, completed surveys of the principal schools of nursing at Liuchow So Bank Hospital, Watlam Provincial Hospital, Stout Memorial Hospital, Wuchow Provincial Hospital. Toward the end of the month, Miss Hargott was assigned to Kweilin Provincial Hospital school of nursing as instructor.

A small cholera epidemic is present in Wuchow with an estimation of about 100 deaths and 335 cases during the month of May. Wuchow has received the bulk of cholera vaccines, and inoculations are progressing rapidly.

Air shipments have been received of cotton and medical equipment, diphtheria and cholera vaccines. A Regional Supply Allocation Committee has been formed to expedite the movement of supplies.

#### REGION 13 - Kwangtung

Survey of hospitals during the month has revealed that Chankong City Public Hospital is poorly equipped, with only about 60 beds; the Municipal Saiying Hospital which has four wards and 50 beds is well supplied with general service, including surgery and laboratory; Hoihong Hsien has a small dispensary but poor equipment; Chui Min Hsien has no wards; Leungkuong Baptist Hospital at Tungshan has 100 beds and a large out-patient service. It is well staffed, has an X-Ray service, but is poorly equipped for surgery, gynecology and obstetrics.

Miss Burgess, Acting Nurse Consultant, conducted a refresher course for 65 graduate nurses and another series for the attendants at the To Kuen Hospital.

Cholera: During the first 17 days of June, 563 cases of cholera in Canton were reported, with a mortality rate of 37%. There has been a gradual decrease



in the number of cases reported and in the number of admissions to the hospital. With the institution of supervised treatment in Fongpin Hospital, there has been a marked decrease in the death rate. There is but little evidence of any wide-scale chlorination of well water throughout the city. Cholera has developed very severely in Kongchuen, in a congested area. Efforts are being made to quarantine the area. Anti-cholera vaccinations are proceeding to a large degree - at the rate of about 8000 persons per week.

A sub-committee on cholera control with sulfadiazine was instituted in Canton by Major Peterson, and is progressing.

The water treatment plant in Shameen has not yet been installed. It is proposed to connect the Oilwan Hotel water supply with the city system.

A sanitation survey was made in Hsin-Hui Hsien. There is now, as there was before the war, a hsien Public Health Bureau divided into three sections, Medical Administration, Anti-epidemic, and Public Health, the latter being responsible for water supply and garbage disposal. On the present staff is included one sanitary inspector. The present monthly budget includes CN\$5000 for medical supplies and CN\$2000 for administrative expenses. The Public Health program is not functioning due to lack of funds. Water is drawn from wells and the river, and there is no purification attempted. Sewage is dumped into the same river without any treatment. Garbage is collected by the Police Department and piled up. There is no control for food sanitation and no program for the control of diseases spreading from insects. A very limited program of smallpox and anti-cholera immunization is carried on, affecting only an infinitesimal section of the population. It is expected that this condition obtains in many other hsien.

Because of the cholera epidemic in Wuchow, Kwangsi Province, Mr. J. N. Lanoix, Regional Sanitary Engineer, visited this city of 100,000 inhabitants. An inspection was made of the wells and the water system of the city. Although the pumping station was destroyed by the Japanese, an emergency station has been installed with disinfection by bleaching powder solution as the only means of treating the Fu River water. It was found that as an average the dosage of 0.62 ppm. did not satisfy the demand of the water during normal times which amounted to as much as 1.9 ppm. after heavy rains. Instructions were left by Mr. Lanoix for greatly improving the chlorination procedure and its control. Fortunately, the city has been able to obtain bleaching power, while UNRRA supplied bleach which has been used by the Health Department for chlorination of wells and river water. A better method for providing chlorination of local wells through a centrally controlled organization in each village was recommended by Mr. Lanoix. Fortunately, the cholera epidemic in Wuchow is on the decline.



At the Chang Bo Water Plant of the City of Canton, repairs to the mechanical equipment are proceeding satisfactorily but the situation regarding the application of chemicals for coagulation and disinfection is about the same as before in spite of strenuous efforts to have the Water Department purchase satisfactory types and amounts of alum, lime, and chlorine. The locally produced alum must be used at the high rate of 1200 lbs. per day in order to produce a satisfactory flow which will appreciably reduce the turbidity of the raw water. The plant manager claims this amount of alum cannot be purchased daily because of lack of funds.

Bleaching powder and locally produced magnesium hypochlorite solution are still being used although in insufficient quantities to satisfactorily sterilize the water. There was only  $\frac{1}{2}$  ton of bleaching powder at the plant as last reported. The Water Department is not willing to pay the high price asked by CNRRA for the 40 chlorine cylinders now available in Canton. One chlorinator has, however, been repaired and it is felt can be put into use as soon as liquid chlorine can be made available. Laboratory control at the plant is to be provided in the near future.

The water plant serving Shameen Island is being supervised closely by Mr. Lenoix in company with Mr. Gong, City Waterworks Superintendent. The measures being taken including improved coagulation and post-chlorination should greatly improve the quality of the water. The water plant at the Oikwan Hotel has received a great deal of attention and the quality of the water together with the pressure is much more acceptable.

In spite of recommendations to eliminate the chemical analysis of the water, these continue to be made at the city laboratory on all samples from the city water supply as well as from dug wells. It has been found by experience that the chlorination of the water from the 1675 dug wells in the city is almost an impossible task. The fly control work in connection with the cholera epidemic was on the verge of being discontinued due to lack of material until 1000 lbs. of 100% DDT was given by Lingnan University. Not one pound of DDT from CNRRA has ever been delivered to Canton by allocation.

Lectures have been given on fly and rodent control, and refuse collection and disposal to students at Lingnan University by Mr. Lenoix.

DDT ground spraying has been continued throughout Canton.

A reporting system for communicable diseases is fairly well established but without conclusive results.

A central medical godown is undergoing repairs and will be available in about two weeks.

Distribution to eight hsien has been completed without difficulty.



REGION 14 - Fukien

The Municipal Hospital Outpatient Department has been opened. Inpatient wards of 100 beds are functioning. The hospital has X-Ray services and a well equipped laboratory. The staff of doctors and nurses is well trained. At the Provincial Hospital, only the outpatient department is operating. Kwangchi and Sacred Heart Hospitals are working to full capacity.

Five teams from the Municipal Hospitals are carrying on an intensive program of cholera inoculation. About 86,000 people have been inoculated. Vaccinations have been suspended. The incidence of communicable diseases is low. There is sporadic meningitis and an increase in schistosomiasis, tuberculosis and venereal disease. Typhus is reported in Shao Shing. No further cases of plague have been reported in Chekiang.

Water purification plants for the Chien Tang dike project have been completed, and await only the arrival of filtration units.

Demonstration areas in the use of DDT have been established at Hangchow.

REGION 15 - Formosa

Miss Reimer, Regional Nurse Consultant, is assisting with the plan to open a school of nursing in the fall in Taipeh. A series of discussion on objectives and philosophy was well received by local nurses. Nursing education and practice long under Japanese domination on this island, is far below Chinese standards.



SECTION 12: Planning

REGION 1 - Northeast

The expansion of work relief projects in this area is dependent on arrival of supplies.

REGION 2 - Hopei-Jehol

The work in this region is more and more dependent upon the military and political situation and transportation difficulties. CNRRA is drawing up a work relief program to cover the entire region.

REGION 3 - Shansi

Nothing to report.

REGION 4 - Shantung

Progress in this area is highly unsatisfactory owing to military conditions and lack of CNRRA funds and, until these improve, no substantial progress can be expected.

REGION - Honan

Nothing to report.

REGION 6 - Shanghai

Through regular meetings of the executives of the CNRRA and UNRRA regional offices there is concerted planning of regional programs. Special emphasis is now being placed on the industrial rehabilitation of the Shanghai area.

REGION 7 - Kiangsu

Nothing significant to report.

REGION 8 - Anhwei

Effective distribution of supplies has been hampered by lack of secondary distribution points and transportation routes, with the result that stocks in CNRRA godowns are heavy. Every effort is now being concentrated on building up an effective distribution system, the prime necessities of which are road reconstruction and a survey of possible waterways.



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REGION 9 - Kiangsi)

REGION 10 - Hunan )

REGION 11 - Kupeh )

Nothing significant to report.

REGION 12 - Kwangsi

Efforts are directed toward helping CNRRA improve the warehousing and distribution problems of the region.

During July assistance will be given in the development of a proper use of the nutritional foods which have already been supplied and in further promoting the milk distribution schemes which are already being set up on a wide-spread scale.

REGION 13 - Kwangtung

REGION 14 - Chekiang-Fukien)

Nothing significant to report.

REGION 15 - Formosa

A thorough review of the resources of the island is being made in order to determine where emphasis should be placed in the relief and rehabilitation program.



SECTION 13: Regional NotesGENERAL

At the present time there are 31 inspectors attached to Office of Chief Inspector. During the month three inspectors left for assignments to Northeast, Hunan and Kwangsi Regions respectively. Two inspectors are being briefed for travel to Anhwei and Kiangsi. Upon arrival of these two men, there will be at least one inspector in each region. Total field complement 23. During the month inspectors have been requested to investigate whether or not supplies are reaching the ultimate consumer, or whether distribution indicated on reports is accounted for by shifting supplies from regional warehouses to warehouses of subordinate units; to determine whether or not spoiled foodstuffs and badly deteriorated equipment are occupying valuable warehouse space; to determine the effectiveness of planning for the utilization of supplies and/or equipment in advance of its receipt; and, based on results of Headquarters investigation, whether or not UNRRA cotton is being diverted to the manufacture of Army uniforms or luxury materials.

During the month reports have been received from all Inspectors assigned to Regional Offices, with the exception of Kiangsi, Hunan, and Northeast. Inspectors detailed to these three regions either have not yet arrived at the Regional Offices, or have been at Regional Headquarters for too short a time for reports to reach China Office.

Road Reconnaissance reports have been submitted by various of our inspectors. These have been found very helpful.

REGION 2 - Hopeh-Jehol

In reply as to whether questionable methods were used in selecting workers for work relief project the inspector referred to the project to remove refuse from the sides and bottom of a creek which runs through the center of the city of Tientsin into which many sewers empty. The creek has not been cleaned in the past 8 to 10 years. There is a registration office under the supervision of CNRRA for employing workers on this project. Up till the present time the demand for workers has been greater than the number applying. Accordingly, all who apply are given work. The unattractiveness of both the nature of the work and the rate of pay is such that only those who are badly in need of work apply. However, no welfare investigation is made of the applicants as to dependents or needs. Inspector states that neither UNRRA or CNRRA have staff available for this purpose.

REGION 3 - Shansi

Based on inspector's reports of existing work relief projects arrangements have been made for work relief to be carried out under special contract between CNRRA and the group for which aid is intended.



Allocations in Chahar in the past have been based on a 50/50 system half to Central Government area and half to the Communist area. In inspector's opinion such an arrangement is not equitable since surveys have shown that only a few villages of approximately 6,500 inhabitants are under control of the Central Government in Chahar. Decision was reached at a recent meeting that consideration be given to redetermining the allocation basis. Consideration was to be based on the survey of the region then being made by a CNRRA medical officer to determine whether or not the Central Government has sufficient agencies and personnel in those few village communities within its area to put these supplies to the best use.

On warehousing, inspector reports inadequate stock records. Security was adequate. Movement of goods in and out of godowns was found to be rapid, with the exception of bulky supplies which it has been impossible to ship to Suiyuan.

REGION 4:- Shantung

During June reports for May and for June were received from inspectors in Shantung. Reports included a survey of Jih Chao Hsien, the southernmost coastal county of Shantung.

Report was submitted concerning flour and clothing distribution in Shih-Chiu-So. Inspector reports there is apparently no starvation in this area. Prospects for an abundant harvest are said to be the best in ten years. Inspector calls attention to an inequitable distribution of grain supplies and recommends a possible program of purchasing grains where there is a plentiful supply and transporting them via CMT for distribution to regions where there is a need therefore. Inspector also states there is a great need for relief distribution of clothing. May report also contains data on Relief Supply Convoy of 25 trucks carrying 57 tons of relief supplies consisting of flour and clothing and medicines to be distributed in Lin-Yi (Communist Territory). Military clearance from Peace Preservation Headquarters was obtained for supplies, but only 20 drums of gasoline were allowed, the explanation being that a larger quantity would be confiscated by the Communist Army for Military use. Inspector reports that road facilities are available for transporting relief supplies through the Region and there are trucks available for that use. Inspector suggests that a continuous movement of supply convoys would appear to be in order. He recommends that passes for gasoline supplies be made available in order that complete distribution may be effected by use of motor vehicles.

As a result of the discovery that the principal of the Laiyang Middle School was misappropriating food supplies which had been turned over for student relief, CNRRA has changed its method of relief aid to refugee schools. No



aid is given without prior verification of enrollment figures and no supplies are turned over to school authorities for distribution. Rather, distribution is made by CNRRA representatives directly to students. Student committees are also being formed to supervise use of food supplies in school kitchens and to report on irregularities. Inspector recommends that CNRRA place more stress on verification not only in refugee schools but in all instances where enrollments and organization memberships are involved.

Inspector reports that steps have been taken to set up a routine check on flour mills to determine whether the mills are fulfilling terms of their agreement with particular reference to yield, moisture content and impurities. Checks are to include thorough verification of weights delivered to each mill; reports on weights of bran and flour produced; analysis of samples in cases of suspected adulteration; analyses of flour and wheat for moisture content; analyses of flour color and texture. Action has been taken by inspector to establish these checks.

#### REGION 5 - Honan

Report of 10 June deals with the distribution of 3,000 bags of flour, 30 bales of clothing, 6 cases of medicines, 15 drums of seed and CN\$4,500,000 for seed money to Communist Hsiens west of Anyang. Inspector comments that perhaps a month or more ago these hsiens were in need of relief flour. However, at the time of distribution the first crop of wheat was being harvested, and the need appeared no longer to exist.

#### REGION 6 - Shanghai Regional Office

Inspector reports that in the distribution of rations to displaced persons, every effort is being made to grade the recipients of UNRRA supplies so as to distinguish between those who are employed on a full month basis, and those who are unemployed or receive only a few days' casual employment from time to time. Complete check is in process to check displaced person group lists against employment rolls of Army, Navy. Inspector has checked food distribution to Polish and Greek groups. No irregularities were reported.

#### REGION 10 - Hunan

At Yo-Yang it was discovered that soldiers of the Nationalist Army are occupying the Catholic orphanage and several rooms in the mission compound. (May report). This was done without notification; and requests for re-possession for charitable purposes have been useless. Orphanage at Hengyang



was occupied in a similar manner. Protest by UNRRA, Changsha, succeeded in freeing the buildings from military occupation. Inspector reports that shipments of wet flour have arrived in Changsha from Hankow by junk. Rail shipments of flour have been received in the same condition. No tarpaulins were provided in either instance. Request has been made for tarpaulins and covers by Changsha. Request has been followed up by Headquarters. Data was obtained on a trip on Navy LST from Hankow to Yo Yang on 22 May. Inspector recommends rapid allocation and shipment of supplies from Yo Yang because of limited temporary warehouse space. All effort should be used to find additional warehousing. At Sharsice it was found that there are adequate facilities for unloading vessels of the size and draft of LSMs. There is ample temporary storage space for unloaded cargo. Inspector recommends that LSMs be made immediately available for a shuttle service between Yo Yang and Changsha in order to move these cargoes further south towards the area where famine conditions are now acute and growing worse. The first LSM to reach Changsha should unload there and proceed up stream on a trial run to Sharsice. If the run is successful the shuttle service should be extended from Yo Yang to Sharsice where a base can be established for trucking to Hengyang. This would allow a steady rapid large scale flow of supplies into the famine area. There is urgent need for Navy shallow draft landing craft of the LCM type.

During winter months when low water makes the rivers impassable to larger draft vessels, these small craft could continue to transport supplies to devastated areas.

#### REGION 11 - Hupeh

Reports dealing with Hupeh have dealt with field trips to Laohokow, and to Sui-Hsien and vicinity: shipment of PX and Commissary Supplies to Hankow; methods of relief work in Central Plains (Communist) Liberated Area; Committee for Agricultural Rehabilitation in Hupeh; Notes on Agricultural Rehabilitation meeting; report on indirect interference with relief supplies to the Central Plains (North Hupeh South Honan); Communist liberated area.

Regarding the field trip to Laohokow, inspector reports that UNRRA team and supplies, together with a mass feeding specialist, were sent to Laohokow as the result of a report that emergency conditions of extreme distress were prevalent. This report was found to be erroneous. The region as a whole is not one of acute need at present. There is no mass starvation and little necessity for direct relief. It was recommended that work relief projects are advisable for the repair of road beds and ditches, as well as bridge repair and replacement.



Regarding the conditions in Sui-Hsian and vicinity, inspector recommends direct relief measures. Basic agricultural needs are seeds, implements and draft animals.

Concerning methods of relief work in Central Plains (Communist) Liberated area, inspector reports that UNRRA CNRRA officials and CPLA have done an honest and efficient relief job. Relief methods of the region are being studied so that they may be applied in other areas. Inspector emphasizes that report deals only with methods of relief, and calls attention to the fact that CPLA has received less than half of its due proportion of goods in Hupeh province.

Regarding report of indirect interference with relief supplies to the CPLA it is inspector's conclusion that the general political and military situation has reflected in a direct as well as indirect sense on relief work in Hupeh province, and has prevented the Communist Region from receiving even half of what they were entitled to. In inspector's opinion the only effective way of dealing with the situation is to inform the authorities that if the direct and indirect interference is not brought to a halt, UNRRA and CNRRA cannot carry out their mandate of non partisan operations, that they deem it impermissible to act in violation of their mandate, and therefore will withhold all supplies and aid from both sides until the situation is cleared up.

#### REGION 13 -- Kwangtung

Investigation of alleged sale of powdered whole milk by Fong Pin Hospital revealed a contemplated exchange of the whole milk for rolled oats. Chairman of the Committee for the hospital was instructed that under no circumstances could this be done. No sales were found to have occurred.

Director of BTW Canton has been advised that he is to clear all godowns in Canton of supplies. Allocation has been made; 40% Kwangtung, 40% Kwangsi, and 20% Hunan.

#### REGION 14 - Chekiang-Fukien

Detailed information received in May from an inspector regarding trial overland journey between Hangchow and Foochow, to estimate feasibility of establishing a shuttle service between these two points, states that the roads are too dangerous, physical hardship involved too great, and banditry a constant threat. Ocean travel is quicker, cheaper and safer. Inspector questions practicability of having Foochow as a sub-region to the Hangchow office. Transportation and communication is difficult. In addition, the sub-region receives all of its supplies direct from Shanghai. Since UNRRA-CNRRA policy calls for a regional office in Foochow, in inspector's opinion



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it should not be dependent upon another regional office which can exercise no practical control over it.

Inspector reports that warehouse methods used at godowns in Foochow are extremely poor. System of stacking allows for no drying out of wheat and flour, which because of transshipment from Shanghai by river launch, is frequently damp when received. Complete spoilage of these commodities is imminent. Fire protection measures were reported to be inadequate. Flour and wheat have remained undistributed for two months. A later report of 15 June indicates that 80% of the supplies in the region are set aside for work relief projects, which have not yet begun. The financial status of the region is such that plans have been approved by CNRRA/UNRRA to sell the greater part of this wheat and flour, the condition of which necessitates immediate disposal.

Report of 15 June also states that recent unloading of medical supplies was well handled, with very little pilferage. Concerning inspector's recommendation that packing lists either precede or accompany shipments, advice has been received from Medical Supply Division indicating, that this is being done.

There are 3 refugee camps in Foochow directly under CNRRA's control, caring for a total of 561 people. To date 149 refugees have been sent from these camps to Shanghai and 16 to Amoy. It is estimated that there are ten thousand people awaiting return to their native provinces who will pass through these Foochow camps. Living conditions are reported to be far too overcrowded at two of the three camps. Sanitation should be improved. Five hundred and nine bags of flour and 8 bales of used clothing have been turned over to the camps thus far. Most of the refugees go to Shanghai for disposition there. It is exceptionally difficult to obtain passages, and shipments have had to be cancelled. Transportation of refugees should be another point in favour of the establishment of CWT between Shanghai and Foochow.

A report of a field trip to Wenchow sub-office, which because of poor transportation took the better part of a month has been received from the inspector at Hangchow. According to inspector's report, the CNRRA representatives in Wenchow are greatly in need of sufficient operating instructions and assistance in organizing and handling relief work. Inspector reports that local CNRRA authorities leave distribution of commodities to individuals entirely to the local officials and supplies are not distributed according to regulations. There was no one in charge of the local health program. All rice and wheat stocks are reserved for work relief projects, which have not yet been started. Warehousing is so poor that immediate distribution of supplies is very necessary.



REGION 15 - Formosa

Detailed survey was received in early June from Inspector in Formosa covering general economic conditions, details of the UNRRA CNRRA office structure, composition of provincial government, communications, industrial analysis, CNRRA's rehabilitation plans, and complete list of supplies received up to 23 May. The pressing need for Formosa appears to be rehabilitation and not relief. A plan of distribution of goods is needed in this area. Although UNRRA has repeatedly requested that materials be moved out of the warehouses and has suggested alternate plans for distribution, as of 8 June CNRRA had made no commitment as to whether they would adopt either of the suggested distribution plans, but stated they had not evolved any plans of their own.

At the present time work relief projects could more adequately be called Public Work Improvement since there is no screening of laborers and no reference made to relief roles. Inspector recommends more adequate supervision of projects and that CNRRA representatives interview applicants for work, determining whether or not laborers are eligible for work relief jobs - notice to this effect to be given publicly. Those selected should be presented with identification and written approval for employment.

As brought out in May report, fertilizer is a vital commodity for Formosa for use on the next rice crop. Three thousand tons of fertilizer have arrived. CNRRA's proposed distribution plan would allocate two pounds of fertilizer to every farmer on the island. UNRRA has pointed out the ineffectiveness of such a distribution, and other plans have been drafted to distribute all of the fertilizer to the rice section of the island (central and western sections). This would enable a distribution of 50 lbs. per acre. CNRRA has made no final commitment as to how distribution was to be made, the quantity to be distributed, or the areas to be covered.

China Office Headquarters

Investigations undertaken during the month of June by Office of Chief Inspector have been concerned with delay in forwarding consignments to Regional Offices, faulty packing and pilferage of PX supplies to regions, suspected sale of UNRRA blankets, survey of existing black market, improper use of UNRRA cotton, investigation of reports concerning Filipino Relief Supplies, investigation of flour and bran sales for April and May, PX and Commissary Supplies ex S.S. "Defender," suggestions for prevention of pilferage of relief goods during loading and unloading, investigation of goods



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ex "M. V. Jefferson Meyers," suggestions for preservation of UNRRA/CNRRA vehicles not yet in use, investigation of UNRRA merchandise at Holts Wharf, shortages of vehicles consigned to Kaifeng for Yellow River Project, distribution of milk powder, investigation of system used for movement of supplies via lighter and truck. Numerous other inspections were made.

With regard to reported sale of UNRRA blankets, investigation revealed that these blankets actually came from a branch of the Chinese Government. They were offered to department stores and later withdrawn, and the money which had been paid for them returned, with interest. It is considered extremely reprehensible for some branch of the Chinese Government to sell blankets while UNRRA is purchasing them for relief activities.

Check of black market activities from street stalls showed most of goods offered for sale to be of Army origin, or non-Government imported goods, and with few exceptions could not be identified as UNRRA cargo.

Survey of cotton mills and dyeing plants in Shanghai brings to light the fact that UNRRA cotton is being used for manufacture of Army uniforms, which, according to the agreement for use of this cotton, is an improper use.

The following amounts of flour were distributed to various relief and charitable organizations in Shanghai during April and May:

April	99,928	bags
May	<u>120,266</u>	"
Total	<u>220,194</u>	"

Large quantities of wheat bran are being held by CNRRA in the mill warehouses. In view of the fact that local dairies have had difficulty in securing sufficient quantities of bran, it is recommended that this should be released for their requirements.

The following suggestions were offered for preservation of CNRRA vehicles not yet in use (a) uncrated vehicles in open yards should immediately be serviced and put into operation or otherwise disposed of (b) that no vehicles be stored at Markham Road Yard, which is badly managed and has insufficient system of checking, resulting in loss of vehicles (c) vehicles landed in this port should be numbered upon arrival by CNRRA SSO and number entered in special ledger. This system would enable an accurate record to be kept.



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Distribution of milk powder in Shanghai has not yet reached the volume which it is hoped will be obtained. Most of the distribution work is done by voluntary workers from hospitals, who assist at the milk stations. While reluctant to impose further work on these voluntary assistants, the only alternative to speed up distribution would be to open new stations, but the CNRRA budget does not allow for hiring of additional personnel to run same.



in the number of cases reported and in the number of admissions to the hospital. With the institution of supervised treatment in Fongpin Hospital, there has been a marked decrease in the death rate. There is but little evidence of any wide-scale chlorination of well water throughout the city. Cholera has developed very severely in Kongsuen, in a congested area. Efforts are being made to quarantine the area. Anti-cholera vaccinations are proceeding to a large degree - at the rate of about 8000 persons per week.

A sub-committee on cholera control with sulfadiazine was instituted in Canton by Major Peterson, and is progressing.

The water treatment plant in Shameen has not yet been installed. It is proposed to connect the Oikwan Hotel water supply with the city system.

A sanitation survey was made in Hsin-Hui Hsien. There is now, as there was before the war, a hsien Public Health Bureau divided into three sections, Medical Administration, Anti-epidemic, and Public Health, the latter being responsible for water supply and garbage disposal. On the present staff is included one sanitary inspector. The present monthly budget includes CN\$5000 for medical supplies and CN\$2000 for administrative expenses. The Public Health program is not functioning due to lack of funds. Water is drawn from wells and the river, and there is no purification attempted. Sewage is dumped into the same river without any treatment. Garbage is collected by the Police Department and piled up. There is no control for food sanitation and no program for the control of diseases spreading from insects. A very limited program of smallpox and anti-cholera immunization is carried on, affecting only an infinitesimal section of the population. It is expected that this condition obtains in many other hsien.

Because of the cholera epidemic in Wuchow, Kwangsi Province, Mr. J. N. Lancix, Regional Sanitary Engineer, visited this city of 100,000 inhabitants. An inspection was made of the wells and the water system of the city. Although the pumping station was destroyed by the Japanese, an emergency station has been installed with disinfection by bleaching powder solution as the only means of treating the Fu River water. It was found that as an average the dosage of 0.62 ppm. did not satisfy the demand of the water during normal times which amounted to as much as 1.9 ppm. after heavy rains. Instructions were left by Mr. Lancix for greatly improving the chlorination procedure and its control. Fortunately, the city has been able to obtain bleaching power, while UNRRA supplied bleach which has been used by the Health Department for chlorination of wells and river water. A better method for providing chlorination of local wells through a centrally controlled organization in each village was recommended by Mr. Lancix. Fortunately, the cholera epidemic in Wuchow is on the decline.