

Chinese Industrial Cooperatives

General Report

BY

Madame Chiang Kai-shek

## HEADQUARTERS OF THE GENERALISSIMO

Wherever the Japanese military have penetrated into our country they have systematically destroyed every means of livelihood so as to impoverish and leave destitute our suffering civilian population. Furthermore the enemy have endeavored to destroy the morale of our people and break down our national resistance by flooding the occupied areas with heroin, opium, morphine, and other narcotics.

The Japanese do this because they realize that unless we are able to reduce our people to a state of physical, mental, and moral degeneracy and slavery they will be unable to conquer China regardless of how much territory they may claim to have "occupied."

Our friends and our people, therefore, should realize that whether during war-time or during the period of reconstruction, or in the high tide of peaceful prosperity, it is essential, in order effectively and fundamentally to help our distressed people, that we should encourage and assist them to maintain their self-respect by earning their own living rather than be content to subsist upon charity.

This can be done by supplying them with productive and constructive work so that they may feel that by applying their strength and their energy to the production of necessities of life they are earning their own livelihood and are, at the same time, contributing their part to national resistance and reconstruction.

The Industrial Co-operatives, because of the principles on which they are founded, can contribute admirably toward this goal. All help that can be given for founding co-operatives will materially assist in up-building the character of the people as well as in re-establishing the country that has been so wantonly ruined by the aggressors.

*May Ling Soong Chiang*

(MADAME CHIANG KAI-SHEK).

1 April, 1939.

# **GENERAL REPORT.**

## **CHINESE INDUSTRIAL CO-OPERATIVES**

May 1st, 1939

### **INTRODUCTION.**

The first report of the beginning four months of the Chinese Industrial Co-operatives was compiled during the last days of 1938. At that time the movement was in its infancy and, except for the Northwest Headquarters, there were only a few units established. Experience since January has shown more than ever that the Chinese Industrial Co-operatives are strongly supported by the people and that they are urgently needed. The movement has not been able to cope with all the demands made on it to establish new centers and to set up new units; but it has laid the foundations that will now enable it to expand as it should and to mean what it should to the Nation at this time.

During the second four months just passed the number of co-operatives actually producing necessities has risen to eight hundred and several hundred more are now in the process of being organized.

A staff has been selected and trained to administer the five major headquarters and the twenty-five depots. This personnel now numbers about 220 administrators, organizers, engineers, accountants and their assistants.

The entire first capital grant of \$1,200,000 N.C. (out of the promised \$5,000,000), has been invested or has been allocated; while the administrative expenses for the whole period of eight months since inception have not exceeded \$120,000 N.C.

It is expected that Capital and Administrative Funds will become available as they are needed for the carrying on of this work and it is hoped that those who have so generously contributed special funds for the urgent work, to which they are so essential, will continue to lend their assistance.

The Chinese Industrial Co-operatives counts itself fortunate in having the staunch support of Madame Chiang Kai-shek and Dr. H. H. Kung for the work it is trying to accomplish. It hopes that it will continue to merit that support and to live up to the great expectations held out for it both in China and abroad.

### General Headquarters.

Under the energetic direction of K. P. Llu, the Secretary-General, the General Headquarters is helping the various regional offices carry on their work, by apportioning funds and giving the necessary direction and advice.

H. H. Chen directs the Finance Division, which, in addition to its work on financial policy, is preparing debentures to be submitted to the proper authority for approval. The Accounting Division under H. K. Yang is selecting accountants for the various Headquarters and depots, receiving accounts and drawing up a proper accounting system. Accountants who go to various offices need to be men of special qualifications, able to play their part in the whole scheme, and able to train accountants for the individual co-operatives. The necessity for cost accounting in the bigger co-operatives is borne home as work proceeds. It is hoped soon to set up an Inspection Section in the General Headquarters from which a travelling auditor will assist in keeping the co-operatives on the right path.

After his work in the Southwest and the Southeast, Engineer-in-Chief F. Y. Lem is now proceeding, via Shanghai, Hongkong and Yunnan, to take up his duties in the General Headquarters. Kanyo Nieh of the Ministry of Economics has given valuable assistance in textile improvement work for the Chinese Industrial Co-operatives.

The Central Promotion Committee in the General Headquarters has been organized recently with C. L. Sa (Sa Chien-li) as Secretary. This Department publishes a bi-monthly periodical in Chinese, *The Co-operative Workers'*

*Friend*, a magazine for the education of the co-operative workers. It also publishes a monthly magazine in English, *New Defence*, which reports on the progress made to friends and supporters abroad.

It is hoped that the General Headquarters will soon be established outside Chungking in light buildings of wartime construction. This will make working conditions easier and will increase efficiency in every department.

#### Northwest Headquarters.

Under the energetic direction of K. M. Lu and C. F. Wu, respectively Secretary and Engineer of the Northwest Headquarters, work has gone ahead as planned so that now one hundred and fifty industrial units "produce for victory" in the area while scores of others are being organized.

During the past four months a good deal of emphasis has been placed on laying the foundations for development so that as much capital as might be available can be handled. The Northwest Headquarters now reports that, given the necessary funds, all demands for expansion of the Chinese Industrial Co-operatives can be handled.

New depots have been set up in Kansu, North and South Shensi, South Shansi, Honan and Hupeh. New staff members have been selected and trained. Units for the employment of refugees have been set up. Among the most successful of these have been the gold washing units; three of which in South Shensi have been able to make \$2,000 a month per unit of fifty refugees. These co-operatives pay for the prospecting co-operative which directs their work. Such units are being increased in this areas so as to give employment to all available refugees.

The wool of the Northwest can well be used to assist China at this time. Several wool spinning and weaving co-operatives have already been set up and many more are planned. For the period of the summer months a quota has been undertaken of 1,000,000 blankets against the army's requirements for next winter. A good woollen blanket can be made for seven dollars, about one dollar

gold, at the present rate of exchange. It also means that a new industry is started where industry is most needed, in districts where famine is common and where previously such raw materials were only sold to middlemen for payment of taxes, with the result that the wool went to whoever would buy it on the coast.

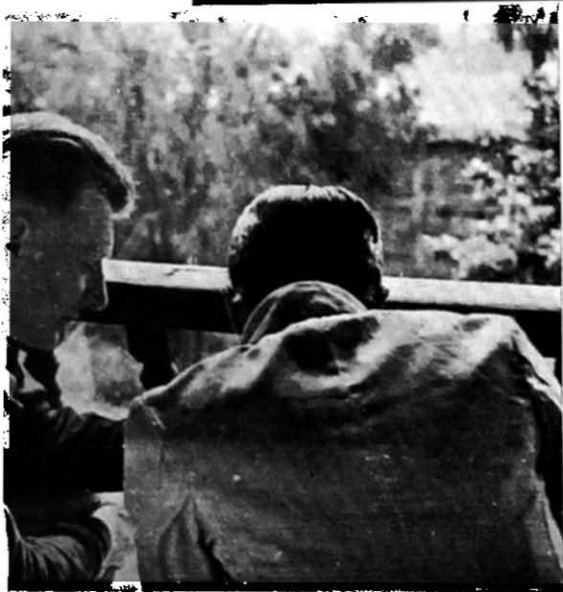
The co-operatives already set up have organized themselves into federations in their various districts for mutual help and it is expected that they will more and more be able to help each other with buying and marketing and that they will have to depend less and less on the staff of the Chinese Industrial Co-operatives for assistance.

New co-operatives set up in the Northwest include those for glass making, leather tanning, sugar crushing and sugar refining. Food stuffs manufactured by the co-operatives include dried beef, candy, rice and wheat flour, pressed vegetable oil, bread and biscuits. Then there are iron foundries, machine-shops, and co-operatives for making medical gauze, absorbent cotton, soap and candles, dry cells, brushes, starch, charcoal, flour, oil, pottery and alcohol. Many new spinning and weaving co-operatives have been set up. Better methods are being developed as more production is demanded and as machine-shop facilities and engineering brains are made available on the spot. The secret in setting up this kind of industry seems to be to do everything 'on location', to bring in capital, engineering and organizing ability to those districts where there are men and raw materials available.

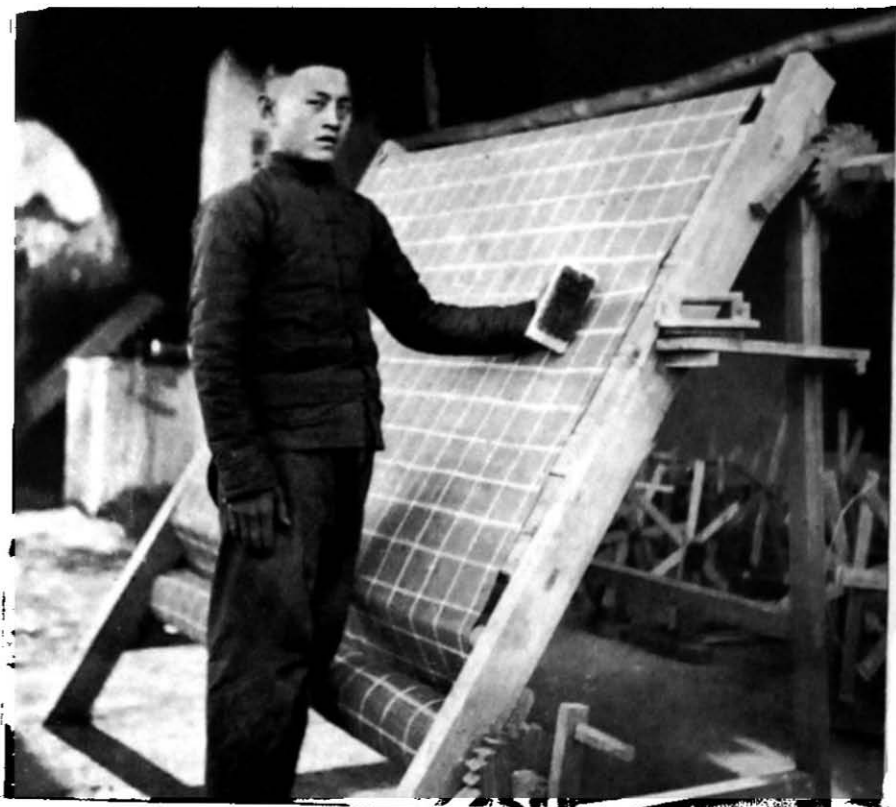
With the co-operation of military leaders of vision, the work of the Chinese Industrial Co-operatives is being carried into those districts near and at the rear of the Japanese lines. South Shensi now has units which are producing and there are plans for many more. Military Headquarters in that area will assist in moving the co-operatives when the war situation makes that necessary.

This summer when the Yellow River rises great distress amongst the population of the Honan valley is anticipated, for many of the dykes have been destroyed by the war.

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Preparations are being made by the Chinese Industrial Co-operatives to do what is possible in absorbing refugees in productive work in the Northwest Headquarters. There are many new mining units which can be started. In addition to the coal and gold already being worked, there is great demand for asbestos, graphite, salt, natural soda and copper—all of which are available in the area.

Transport, too, can take many willing workers. The Chinese Industrial Co-operatives Northwest Headquarters already has one co-operative of one hundred and fifty mule-carts, with rubber-tyred wheels. It plans to organize workers on hand-carts also, with their women folk in weaving units. A co-operative machine-shop is now turning out both the carts and the looms.

Water power by improved waterwheels is providing assistance to many a small industry. Flour mills, blowers and furnaces are being driven by this power. A paper mill in a country village has diverted a valley stream so that it flows through the co-operative, bringing in the water needed and carrying away the waste.

With special funds in the Northwest Headquarters area, medical assistance has been provided for co-operative workers in remote villages and educational facilities for their children. The co-operatives themselves will carry this burden as they come into production, but funds are needed to start them in the beginning. In one village where supplies are made for a certain irregular army, the officers' wives have formed a co-operative for the manufacture of uniforms and equipment needed by their husbands' units. They have forty children who should be schooled; and sick and wounded men are constantly being sent back to them for attention. Their struggle to carry on the war is a gallant one and they look to the Chinese Industrial Co-operatives for assistance.

Arrangements are being made to get several new machine-shops into commission during the next three months, for machine-shops and foundries are essential to the building up of small industry on any scale. As it

gains momentum, the Chinese Industrial Co-operatives, especially in the Northwest, should play an increasingly important part in assisting the morale of the people to withstand the onslaughts of enemy propaganda and military penetration. Guarding, as it does, the 'back door' to Szechuan and the line of communications to the U.S.S.R., the Northwest is immensely important and the work of the Chinese Industrial Co-operatives there is in direct relation to the success of Free China.

There have been critics in that region who have said that the goods produced were not all directly related to actual war needs. This is a mistaken view. If a man has to pay \$1.60 for a pair of dry cells, as was found to be the case in one North Shensi city, and \$1.20 a pound for sugar imported from the coast and probably of Japanese origin, he is going to say in his heart of hearts that the sooner the war is over the better off he'll be. But his morale will be able to withstand all temptation if he finds that he can procure goods for everyday wants at somewhere around the old prices and when he sees that the normal life of the community goes on in the same way as before.

The Northwest Headquarters is the first child of the Chinese Industrial Co-operatives, and it has lived up to all expectations. It has had the devoted assistance of young and enthusiastic engineers and co-operators and the direction of men who have known how to get youth to produce at its best. Youth loves to be given opportunities and to sacrifice itself. The Chinese Industrial Co-operatives aims to try and give it that chance. It aims to discover, in this peoples' movement, the China that must emerge, the China that more than ever will be determined to stand on its own sure feet and help itself.

K. P. Liu and K. M. Lu in their work have had the gifted assistance of that veteran of Chinese co-operators, Professor J. B. Taylor of Yenching University and of the Kansu Science Institute. He has given valuable time and thought to the plans of the Chinese Industrial Co-operatives

as they have progressed in that area and to the great advantage of the Chinese Industrial Co-operatives work in general. Then that progressive local administrator, Wang Feng-re has been another source of strength to the Chinese Industrial Co-operatives, in its first efforts in the Northwest. He has had the vision to utilize fully the services of the Chinese Industrial Co-operatives in the interests of the people among whom he works.

### **Southwest Headquarters.**

Work in the Southwest Headquarters area has gone steadily forward since its beginning in September, 1938. It was able to have the services of the present Secretary-General as well as that of the Engineer-in-Chief in its first stages. K. P. Liu left for Chungking just before the fire at Changsha but F. M. Lem stayed on until March of this year, evacuating machinery from threatened areas and setting up small units in the districts of Western Hunan. Seven factories were bought and removed from the danger zone around Changsha.

C. K. Tan then took over as Secretary for the Southwest. He has had long practical experience in the engineering field in China and like Messrs. Liu, Lem, Wu and Mao, he has had practical experience in the Ford plant in Detroit.

In its first stages, work in the Southwest Headquarters area centered around cities in West Hunan and was confined principally to refugee workers from occupied or threatened centers. At the time of the Changsha fire it was found necessary to move some co-operatives. This was done in the face of much personal danger to the Chinese Industrial Co-operatives staff but with no material losses to the units themselves. More serious was a fire of unknown origin in a refugee quarter of a back city which caused losses to three co-operatives;—losses, which, however, other co-operatives in the district co-operative federation are assisting to meet in a true co-operative manner.

Refugees are the particular problem which confronts the Southwest. Refugees from the Yangtze River valley as well as those from Kwangtung have converged on this area. They need to be removed from the railway cities to work centers inland. What special funds have been available to these Headquarters have been used for this purpose.

To start refugees in self supporting units takes a lot of careful organization. Their housing and their keep must be arranged. Raw materials must be got. Interest on money lent must start from the day the business is set up. So in the absence of sufficient special funds, work has been confined to those groups who could go into production immediately.

There is a co-operative of 126 refugee women members who make cloth shoes. Their children are taken care of in a kindergarten made possible with special funds given by Madame Chiang Kai-shek. Other women and children of co-operative members in this area are also being helped with this fund.

Interesting too is a co-operative of some sixty refugees, mostly young lads and girls, who support themselves by making hemp sandals of a superior type, with leather tips, for summer use in the army.

An excellent tannery makes leather for military equipment and for civil use. It has twenty-five members, all men. Cigarettes, soap, dry cells, stockings, towels, pens, leather boots and printed matter are all turned out by refugees in the vicinity of the same town. At another center in the same area there are bandage and gauze units, machine-gun belt makers, printing, towel making, and a leather goods co-operative.

Large schemes now being developed will shortly be put into action for match making, machine-shops and paper manufacture. A glass making unit is also being put into commission. Plans are being made for transport co-operatives and also for labor co-operatives which will provide lumber and help on the new railway construction for wartime use.

New offices have been set up in Kweichow and Kwangsi provinces to link the work up with Hunan and to provide for the necessities of that region. Supplies for Medical and Red Cross units are also being made. In Kwangsi there are many refugees from coastal areas and from the railways to the North who can be helped to find livelihood for themselves and their dependents. Now that the supplies of Japanese yarn from the coast have been interrupted by the breaking of the Chekiang railway, native spinning will come into its own in this area. With the better methods now being devised for making a good warp as well as the weft yarn which can be turned out, success should come to the local workers in the newly-formed co-operatives.

War brings many lawless elements in its trail. In peace time many a Chinese city harbored these. With the fall of these cities such elements have fled to the more inaccessible parts of the country and have combined with other predatory groups, thus presenting a serious bandit problem. In the Southwest Headquarters co-operative members and staff have had to carry on their work in the face of these disruptions, and it is interesting to note that in spite of certain losses they have been able to continue their task even in districts where this peculiar evil is prevalent. Much credit is deserved by this Headquarters for its efforts to combat this particular scourge and to carry on the work in the face of such difficulty.

The suggestion has been made that co-operative members be organized into Peace Preservation Corps for the protection of the Chinese Industrial Co-operatives. It is hoped too that essential members of co-operatives may be exempt from conscription since the work of the Chinese Industrial Co-operatives is so directly related to the winning of the war.

In the Southwest there are now over 40 co-operatives working, employing about 600 workers of whom 300 are women. Plans have been prepared for the organization of many more units during the coming year and an

efficient staff is being selected. Arrangements are being made to set up a training school for the whole Southwest. This will help considerably toward making the general idea of co-operatives well understood both to the junior organizers and to the members of the co-operatives.

Co-operative members already meet weekly to discuss problems facing them and to take an interest in their respective concerns. They also meet in a mission hall, for singing and to have some social life together. As in most other Headquarter areas, the members wear their 'work together' badge and also a cotton name and number patch, similar to those used by the soldiers.

#### Southeast Headquarters.

Each Headquarters area has its particular problems to face. In the Northwest almost anything can be sold as there are very few imported products to compete with. In the Southeast, consumer goods have been coming in through the coastal ports in Chekiang, Fukien, and Kwangtung and competing with the new industry. People do not want to buy Japanese goods but it is difficult, these days of Japanese control in Shanghai, to know which are Chinese goods and which are not. But in most districts there is a great shortage of many things that the Chinese Industrial Co-operatives can produce. So co-operative industrial units have begun to prosper.

Southern Kiangsi had practically no industry to speak of. Three of the counties in south Kiangsi, which are most rich in raw material, did not have a single internal combustion engine running within their borders. Together they are as big as many a European country, and considerably richer than most.

The Southeast Headquarters has tried to approach the problem of setting up small light and heavy industry in as fundamental a way as the circumstances permitted. Before the fall of Nanchang many of the smaller shops there buried their machines. The Chinese Industrial Co-operatives sent representatives to have these dug up, purchased, and transported to safer areas in Southern

Kiangsi, where they were assembled to make a good co-operative machine works. Refugee workers from Shanghai and Hankow turn out machines here for smaller co-operatives in the various country districts. A charcoal engine supplies the power and it is hoped other co-operatives may be similarly equipped soon. Several hundred power-driven units, operated by charcoal engines, would bring a good deal of new life to this Border Region and would give it a fuller economic life. It would then be able to sustain itself, its army and its refugees, for an indefinite period.

Under the energetic direction of the Southeast organizer, Meng Shao-hsin, another Yenching University man from the Hopei co-operatives, there are already over eighty industrial units organized in the south Kiangsi portion of the Southeast Headquarters. They include the machine works as well as a foundry, and co-operatives for leather tanning and working, boat building, knitting, wood working, weaving, dyeing, flour milling, making bamboo and cane articles, preparation of preserved foodstuffs, cigarette manufacturing, printing, lime burning, pen making, paper making, brick and tile making, rice milling, oil pressing, shoe making and transportation.

New offices have been established in Fukien and Kwangtung Provinces as well as in Chekiang and south Anhwei. Organizing work is being done here and staffs selected. The Fukien office as well as the south Anhwei office has had much valuable assistance with Special Funds from the Philippine Women's Relief Association, who have also given the Southeast Headquarters transportation and machinery for general use in the whole area. To these Philippine people, many struggling for their living in poor circumstances, must go a great deal of the credit that may come eventually for the development of economic bases in these areas.

A feature of the work in the Southeast has been the setting up of disabled soldiers' co-operatives. These men are cared for by the government but they like naturally to feel that they are still of use. It is pathetic to see the

eagerness with which they come together to form co-operatives and work for their country in this new way. Out of their meagre savings they will buy themselves workers' uniforms.

They find a disused temple and set up their machinery. In some cases they invite local people to join their co-operatives, and this is of more value than many slogans for real military and civil co-operation. They have learned how to work together in the army and they find that they can carry that spirit of comradeship into industry if they are given the right kind of encouragement. It is wonderful to see how these crippled men adjust themselves. They do fine color printing, make cigarettes, clothing, soap and toilet accessories. They themselves come with plans for setting up works for alcohol, paper, leather and other necessities they think they can produce successfully.

With special funds, the Chinese Industrial Co-operatives has been able to help some of their dependents to organize into units, giving them the training, for the first two months, in weaving that will enable them to support themselves.

Another effort in the Southeast Headquarters has been to use Special Funds from Madame Chiang Kai-shek for organizing the families of the soldiers at the front into production. In this Southeast section of China there is a proportion of one hundred women to seventy men. The women do all forms of heavy work. Some of these who have been carriers wish to form transport co-operatives. Others who wish to weave and knit are being organized for that work.

There is a great need in the Kiangsi-Fukien-Kwangtung Border Region for mosquito nets for the wounded soldiers and for civilians. Malaria is prevalent in the summer and cheap nets would be a great boon. These can be woven by disabled soldiers.

The disabled soldiers are also eager to form co-operatives for washing the gold in the rivers. They plan to invite some peasants to join their co-operatives so that there will be no opposition to their scheme.



Raw supplies;  
unloading leather for leather goods cooperatives in the Southeast.



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# First 50 Co-operatives in S. E. H. Q.

April 20

## Classification of Co-operatives Membership.

NO. OF MEMBERS OF MEMBERS LOCALITY	NATIVE WORKERS			REFUGEES			DISABLED SOLDIERS		UNEMPLOYED WORKERS			SOLDIERS' FAMILIES		TOTAL		
	Men	Women	Total	Men	Women	Total	Men	Total	Men	Women	Total	Women	Total	Men	Women	Total
	Headquarters ...	120	9	129	6	4	10			111	1	112	6	6	237	20
Depot 1 ...	76	2	78				101	101	50		50			227	2	229
Depot 2 ...	19		19						38		38			57		57
Depot 3 ...	53	2	55											53	2	55
Depot 4 ...									7		7			7		7
Depot 5 ...																
Depot 6 ...									13		13			13		13
Total ...	268	13	281	6	4	10	101	101	219	1	220	6	6	594	24	618

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April 20

## Classification of Co-operatives Membership.

LOCALITY	NATIVE WORKERS			REFUGEES			DISABLED SOLDIERS		UNEMPLOYED WORKERS			SOLDIERS' FAMILIES		TOTAL		
	Men	Women	Total	Men	Women	Total	Men	Total	Men	Women	Total	Women	Total	Men	Women	Total
Headquarters ...	120	9	129	6	4	10			111	1	112	6	6	237	20	257
Depot 1 ...	76	2	78				101	101	50		50			227	2	229
Depot 2 ...	19		19						38		38			57		57
Depot 3 ...	53	2	55											53	2	55
Depot 4 ...									7		7			7		7
Depot 5 ...																
Depot 6 ...									13		13			13		13
Total...	268	13	281	6	4	10	101	101	219	1	220	6	6	564	24	618

## First 50 Co-operatives in the S. E. H. Q.

### Membership, Share Capital and Loan to Co-operatives.

Numbers Items Kinds of Co-ops	No. of Co- opera- tives	Membership			Share Capital		Loan		
		Men	Women	Total	Promised to pay	Paid already	Long Term	Short Term	
Spinning & Weaving	19	112	8	120	\$1,640.00	\$829.50	\$1,500.00	\$8,370.00	\$8,170.00
Dyeing & Dyeing	2	50	8	58	340.00	85.00	2,900.00		2,100.00
Mines	3	28	0	28	355.00	342.00	1,200.00	460.00	1,000.00
Machine work	1	25	0	25	250.00			27,921.21	27,921.21
Educational Tool	1	10	0	10	100.00	25.00		600.00	0.00
Household Utensils	10	86	1	87	1,410.00	443.00	5,990.00	530.00	6,520.00
Leather	1	14	0	14	1,400.00	350.00		6,000.00	6,000.00
Chemical Products	2	32	0	32	226.00	69.00	700.00	450.00	1,200.00
Food Stuffs	4	25	6	31	500.00	260.00	600.00	2,700.00	3,200.00
Transportation & Transport- ation Tools	1	10	0	10	300.00	75.00	200.00	1,800.00	2,000.00
Building & Building Materials	1	10	0	10	110.00	56.00	1,300.00		1,300.00
Pottery & Porcelain	2	19	0	19	40.00	40.00	300.00	300.00	600.00
Paper	3	27	0	27	252.00	63.00		2,000.00	2,000.00
Dry Cells	1	8	0	8	400.00	400.00	700.00	1,300.00	2,000.00
Printing	2	34	0	34	210.00	63.00	1,500.00	350.00	1,800.00
Flour & Rice Mill	2	16	0	16	480.00	480.00	700.00		700.00
Tobacco & Cigarettes	2	44	0	44	66.00	30.00	600.00	800.00	1,400.00
Sewing	2	44	0	44	440.00	214.00	2,380.00	2,100.00	4,000.00
Others	1								
<b>Total</b>	<b>50</b>	<b>694</b>	<b>24</b>	<b>618</b>	<b>\$8,519.00</b>	<b>\$3,822.00</b>	<b>\$20,470.00</b>	<b>\$55,681.21</b>	<b>\$76,151.21</b>

New methods of obtaining tannin for leather tanneries have been developed, using local raw materials. Old methods of dyeing have been revised. Potash for soap is made from the ash of tung oil nuts. Workers were brought down from Chingtechun in North Kiangsi to spot places for porcelain kilns in South Kiangsi. They are now making in porcelain some of the articles which were previously supplied to the China market from Japanese enamel factories.

A sugar crusher was given by a foreign firm and is being brought to the Southeast Headquarters to be copied. It is hoped too to carry on sugar refining. A match making co-operative is being set up in an area where wood is plentiful.

Work among refugees has also received some attention. In two camps weaving co-operatives have been organized. Of course many members of the other co-operatives are refugees who had a little money and enough resourcefulness to seek this kind of an opportunity for themselves.

With the fall of Nanchang, however, there are many more refugees who have penetrated the southern districts and who are looking for a chance to establish themselves in the Kiangsi-Fukien-Kwangtung Border Region. The Chinese Industrial Co-operatives hopes to be able to offer, such of them as are willing to work, the chance to make themselves and their country independent. The importance of having an adequate economic base that really works, with several thousand industrial units that produce will readily be realized. It will back up this Border Government in a way that no other single factor can do. So far the showing in unit numbers has not been impressive, due to various reasons, but fundamental work has been done and no co-operative has suffered losses so far.

The technical section of the Southeast Headquarters has received valuable re-inforcement from Kwangtung. The chief engineer, Lang Wong, and four other engineers who are helping the engineers already on the job, are Cantonese educated in Canada and the United States.

The co-operation of Chang Fu-liang and his Rural Welfare Service in South Kiangsi has been very valuable. His staff has assisted the promotion work in several hsien (counties). His refugee factories are training workers in spinning, weaving, and dyeing, so that they can later stand on their own feet, take Chinese Industrial Co-operatives capital and support themselves. The Rural Welfare staff also assists co-operatives members with medical help and with education.

The Kiangsi Provincial Technical College has taken an increasing interest in the work of the Chinese Industrial Co-operatives in Kiangsi and many of its graduates have already entered the Southeast Headquarters as apprentices. It is hoped that there will be much more mutually beneficial co-operation with the School and other provincial authorities.

#### West China Headquarters.

In Chinese this is called the "Chuan-Kong Headquarters" for Szechuan and Sikong. It also includes, for the present, west Hupeh in its area. Arrangements are being made to start work in that Province shortly.

The head-office of the Chuan-Kong Headquarters is in Chungking together with that of the General Headquarters. Work started in this area at the beginning of the year and progress has been so rapid that at the present time over one hundred co-operatives are producing.

Because of the difficulties in wartime communications this Headquarters is divided into three major districts. The East Szechuan and West Hupeh area has made rapid advance under the outstanding direction of Yeh Teh-Kuang, a Fukienese graduate of Yenching University who studied co-operation and worked with co-operatives in Hopei. He started work in this area on January twentieth and by March thirty-first had sixty-eight units operating with fifty-five more being organized and plans for a total of three hundred to be in production by the end of June. The following tables will be of interest as they show how this work has been distributed.





"A sign of the times," putting up a Chinese Industrial Co-operatives sign over a shop in the West China Headquarters.

Here they are cutting up  
ramie from which fine absor-  
bent cotton is manufactured  
in the West Headquarters.



Five overseas engineers en route to the Southeast Headquarters with the truck donated by the Philippines Chinese Women's Relief Association. (Young Lee, Dr. Hwang, Lang Wong, Kenneth Yip and Charles Wong).



Weaving  
in the  
Southwest

**Industrial Co-operatives Formally Organized**  
**West China Headquarters, Eastern Section.**  
*(from January 20th, to March 31st, 1939)*

PLACE		Head- quarters	Depot 1	Depot 2	Depot 3	TOTAL
No. of Ind. co-ops.		23	23	13	4	63
No. of Members		279	234	131	40	684
Shares	No.	848	482	539	315	2,184
	\$ National Currency	\$7,675	\$9,035	\$8,940	\$3,280	\$28,930.00
REMARKS		Learning members are		Mostly iron and coal mining	Includes three paper- making co-ops.	not included.

**Number of Industrial Co-ops. Formed and in the Process of  
Being Formed\*—West China Headquarters, Eastern Section.**

PLACE	Depot 1	Depot 2	Depot 3	Depot 4	TOTAL
Number of co-ops. formed	23	28	13	4	68
Number of co-ops. in the process of being formed	10	20	10	15	55
REMARKS	All co-operatives organized are producing.				

\*Up to March, 1939.

## Kinds of Co-operatives in the Eastern Section of the West China Headquarters.

(From January 20th, to March 31st, 1939.)

Kind of Unit	Depot 1		Depot 2		Depot 3		Depot 4		Total	
	Members	Units	Members	Units	Members	Units	Members	Units	Members	Units
Textile .....	155	9	71	8			12	1	288	18
Metal Work...	19	2	29	4					48	6
Food .....	81	4	24	3	19	2			74	9
Printing .....			8	1					8	1
Medical .....	7	1							7	1
Furniture & Building.....	20	1	34	3					54	4
Chemicals ...	7	1					28	3	35	4
Coal Mining					90	9			90	9
Iron Mining...					9	1			9	1
Shoemaking & Army Boots	16	2	14	2					30	4
Others .....	24	3	54	7	13	1			91	11
<b>Total.....</b>	<b>279</b>	<b>23</b>	<b>234</b>	<b>28</b>	<b>131</b>	<b>13</b>	<b>40</b>	<b>4</b>	<b>684</b>	<b>68</b>

Total for the whole Headquarters: 684 members; 68 co-operatives.

In the Central portion of the Province, the West China Secretary, Hu Tze-chi, has had the task of getting some work started in the vicinity of Chungking and surrounding cities. Thirty co-operatives have been organized in this district, including one large printing co-operative.

In the Western portion of the province Nanking University, with its history of experimentation in the Industrial Co-operative idea, has been able to provide a nucleus of men to push the work in that quarter. They have done much planning and experimentation and have given liberally in time and energy. Dr. G. E. Chen, its President, has offered co-operation in every way possible, as has also the President of West China University. Dr. Sewell of West China University has assisted greatly by research into dyes which can be obtained locally. This kind of co-operation, in research and in finding the right kind of graduates who can help, is very useful.

Plans are being made to extend the work from Chengtu South along the highway to Yunnan, which can now be reached in twenty-two stages, and also along the highway North to the Shensi border. It is also expected in the near future to go East to Sikong.

The Eastern Section of these Headquarters comes into what the Chinese Industrial Co-operatives calls its Second Economic Line of Defence. It plans to remove workers from threatened districts and to bring up machinery from near and even from behind the Japanese lines. It is hoped that there will be support forthcoming in Special Funds for this work in this extremely important section.

In the Central portion of these Headquarters, work is to supplement existing and new big industry in the 'Third Line.' In the Western district it is to provide industry where there has been no industry before. To stabilize, to bring new life, a better morale and a consciousness of national purpose to those peoples to whom

the war means only that their raw materials cannot get out to market so easily and that imported goods are dear beyond all purchase except by the very rich.

### **Yunnan Headquarters.**

Work has been started in this Province under the direction of Mr. P. P. Mao. It is hoped that in this section it will be possible to manufacture a whole range of goods which would not be possible in other Headquarters. The Chinese Industrial Co-operatives realizes that its future strength must depend on a nation-wide scheme—many thousands of small units extending throughout the country and linked together. In this scheme Yunnan will play an important part, both for the provision of certain essential raw materials and for its role in the transportation system.

### **War-time needs.**

At the end of January Madame Chiang Kai-shek gave an order to the Chinese Industrial Co-operatives to manufacture \$100,000 worth of clothing for soldiers' comfort. Half of this order was taken care of in the Northwest Headquarters area where the cotton was spun, woven, and finally made into overcoats for soldiers in that area, and at a price cheaper than that for which they could be obtained locally. The other \$50,000 was spent in the Southeast Headquarters area where overcoats, underclothes and socks were turned out. They were delivered to W. L. Hsu of the "Friends of the Wounded Soldiers" and distributed under his direction.

There are several co-operatives working full time to provide medical gauze, absorbent cotton, and medical supplies. One co-operative in Chungking makes artificial absorbent cotton from ramie which is plentiful in Szechuan while cotton is not.

The machine-shops in both the Northwest and the Southeast Headquarters can turn out supplies when necessary. The machine-shops in the Northwest have recently

completed an order for two hundred hand carts for local transport and at the same time completed an order for looms for refugee women. The men prefer to be organized into transport services, for emergency work, while their women can be drawn together into weaving co-operatives, and so help themselves and their country in that way.

One co-operative in the Southeast Headquarters area has completed an order for five thousand belts for army use. In the Southwest Headquarters area another has filled a big order for boots to meet a local military need. In the same Headquarters the straw sandal making co-operative has made 70,000 sandals which were urgently needed by the soldiers for summer use.

Canvas in the Northwest Headquarters area is in great demand and the canvas making co-operative is kept going at full capacity.

A plan has been made for the manufacture of army blankets from Chinese wool of the Northwest instead of importing cotton blankets from abroad. The West Szechuan office as well as offices in the Northwest Headquarters are busy with plans for these blankets. Many samples have been made, some of cotton and wool and some of all wool. Some orders for these blankets have already been accepted and are being worked on. A woolen blanket on a cold night may mean the saving of a valuable life. The Chinese Industrial Co-operatives hopes that it will be able to produce enough blankets to save many lives this coming winter. The program in this matter is an ambitious one. It is to provide a million blankets by old-method spinning and weaving. Spinners and weavers have to be taught; wool has to be transported; advances have to be arranged for against finished goods; dyeing methods have to be thought out where imported dyes are not available. The Chengtu office of the Chinese Industrial Co-operatives, ably backed by Dr. Smythe of Nanking University, has worked hard on plans for making this whole blanket proposition feasible.

efficient staff is being selected. Arrangements are being made to set up a training school for the whole Southwest. This will help considerably toward making the general idea of co-operatives well understood both to the junior organizers and to the members of the co-operatives.

Co-operative members already meet weekly to discuss problems facing them and to take an interest in their respective concerns. They also meet in a mission hall, for singing and to have some social life together. As in most other Headquarter areas, the members wear their 'work together' badge and also a cotton name and number patch, similar to those used by the soldiers.

### **Southeast Headquarters.**

Each Headquarters area has its particular problems to face. In the Northwest almost anything can be sold as there are very few imported products to compete with. In the Southeast, consumer goods have been coming in through the coastal ports in Chekiang, Fukien, and Kwangtung and competing with the new industry. People do not want to buy Japanese goods but it is difficult, these days of Japanese control in Shanghai, to know which are Chinese goods and which are not. But in most districts there is a great shortage of many things that the Chinese Industrial Co-operatives can produce. So co-operative industrial units have begun to prosper.

Southern Kiangsi had practically no industry to speak of. Three of the counties in south Kiangsi, which are most rich in raw material, did not have a single internal combustion engine running within their borders. Together they are as big as many a European country, and considerably richer than most.

The Southeast Headquarters has tried to approach the problem of setting up small light and heavy industry in as fundamental a way as the circumstances permitted. Before the fall of Nanchang many of the smaller shops there buried their machines. The Chinese Industrial Co-operatives sent representatives to have these dug up, purchased, and transported to safer areas in Southern



Headquarter areas to set them up. Nanking University in Chengtu has made plans to assist in setting up one such for the Central Headquarters and the West China District Headquarters. With its previous experiences in Industrial Co-operatives and with its trained personnel this university should be in a position to render the greatest service to the Chinese Industrial Co-operatives.

All junior members of the various staffs in the different headquarters should go through these classes as well as those more influential members of the co-operatives themselves.

The Southeast Headquarters in setting up its training school is also adding a model co-operative in which the school members will participate.

It is hoped that enough special funds will become available to make all these training schools a possibility. They are essential to the Chinese Industrial Co-operatives and, it is hoped, will remain permanent contributions to the new industry.

### **Magazines.**

Each Headquarters is now arranging to have what technical information it collects published in the form of a magazine which can be circulated in other Headquarters areas and so made available for the whole country the lessons learnt in each section.

### **Promotion Committees.**

The Chinese Industrial Co-operatives needs help from every and any source. The task of trying to give China a workable system of small industrial units, self-controlled but linked together; of trying to move workers and machinery, of training workers and organizers in co-operative principles, of keeping up their interest and the interest of supporters everywhere, is a tremendous one.

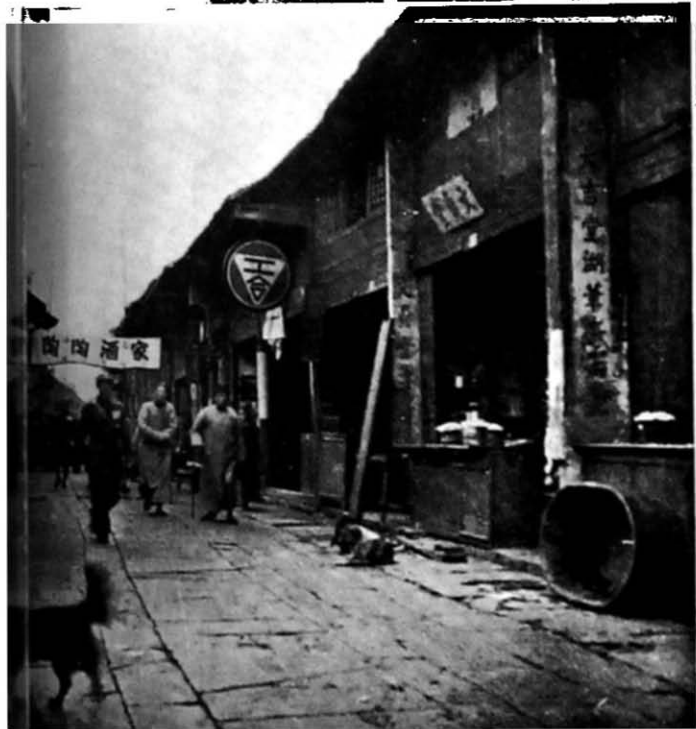
### **Conclusion.**


China is prepared for a war that may last for years to come. She knows that if she continues her policy of

resistance and orders the life in free China to that end she must win and again be the master in her own house. The Chinese Industrial Co-operatives is a 'war baby'. It is a lusty one and a very cherished one by all who hope for a real victory. The Chinese Industrial Co-operatives can do much if it can become a movement 'of the people, for the people, and by the people.' Betterment of the people's livelihood in Free China is the surest way to create the morale that must mean ultimate victory. Men of vision everywhere will realise that the business of the Chinese Industrial Co-operatives is their own business; that the world is for creative, rational, decent human beings and not for mad dogs. The few thousand members who man the co-operative units in China's new industry are creative, rational and decent. The aim of the Chinese Industrial Co-operatives is to make their number grow to millions.

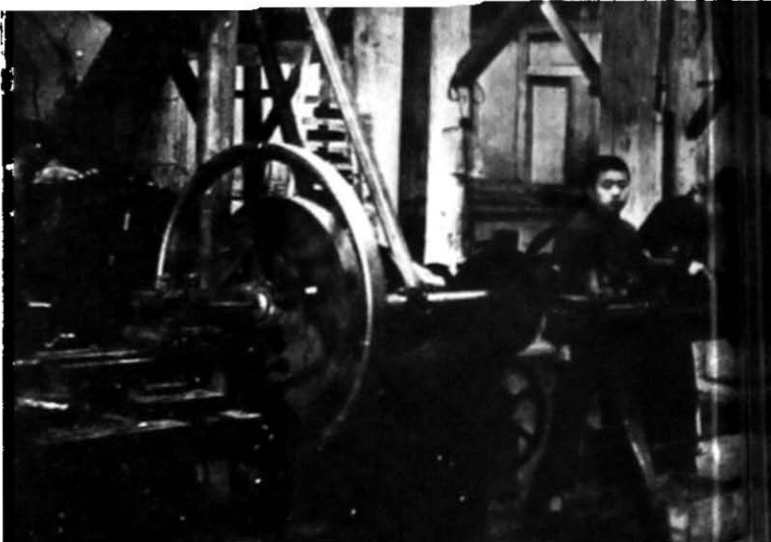
**REWI ALLEY,**  
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# FINANCES, MONIES ALREADY USED

FROM THE EXECUTIVE YUAN:—

N.C.

Capital, money to be loaned to co-operatives .. .. .	\$1,200,000
Sent to Chekiang to be administered by the C.I.C. .. .. .	200,000
Promotion funds used to set up five headquarters and 22 depots and expenses for seven months ..	120,000

\$1,520,000.00

CAPITAL LOANED TO C.I.C.:—

By Bank of China, Hongkong .. ..	\$ 120,000
Bank of Communications, Hongkong ..	80,000

\$ 200,000.00

Total .. .. .

\$1,720,000.00

SPECIAL CONTRIBUTIONS:—

Contributed through Mme. Sun Yat-sen by The Philippines Chinese Women's Relief Association, Manila.

for Fukien .. .. .	\$ 60,000
for Anhwei .. .. .	60,000
for Southeast H.Q. .. .. .	20,000

800

for Fukien and Kwangtung .. .. . 35,016.37

for Fukien Transport Co-operative .. .. . U.S.\$1,600.00

\$ 187,016.37

Madame Chiang Kai-shek for Women and Children .. .. .

50,000.00

International Federation of Trade Unions .. .. .

10,000.00

Mrs. Sailor .. .. . U.S.\$100

Miss Maud Russell .. .. . 100

Miss J. M. Waddell .. .. . 10

1,470.00

Anonymous from Shanghai .. .. .

100.00

Individuals in the Philippines .. .. .

307.00

Anonymous .. .. .

40.00

44.33

17.30

49.00

Mrs. Paul V. McNutt .. .. .

1,000.00

National Christian Council .. .. .

10.00

Miss Anne Foster .. .. .

728.21

Associated Mission Treasurers .. .. .

2,000.00

Anonymous .. .. .

Total .. .. .

\$254,502.21