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I-22A

~~NEW PEACE OFFERS OF KMT.~~

Group of politicians, including the liberal Sun Fo and the feudal reactionary Chen Li-fu, presented peace proposals (~~certainly~~ drawn up by Generalissimo Chiang) to the Communists 10 days ago. Their proposals:

1. Both sides to retain present positions until assigned to new positions.
2. Reorganization of Army.
3. "Reorganization" of Government.
4. Reopening of communications
5. Certain local self-govt. in Communist regions.

Jan. 18th came the bitter Communist reply:

The Communist rejected the proposals and American part

~~in them as "deceitful".~~

² Civil War

One year ago, they reminded the KMT, the KMT destroyed the PCC decisions, while American gave one-sided aid to Chiang Kai-shek for launching civil war.

The intention of these KMT peace proposals, they said, was to enable the KMT armies to keep the 165 cities and 175,000 miles of territory seized from the Liberated Areas with American weapons; the KMT merely wished ~~xxx~~ time to consolidate the conquered areas and to replenish their troops for a new offensive.

Chiang, they declared, had violated the PCC decisions, the Manchurian truce agreement, and from last July began civil war.

Only way to peace, they said, was for Chiang Kai-shek to abolish the fake constitution and restore the military positions as of Jan. 13, 1946.

~~Dr. Sun Fo~~ ^{KMT} quoted as saying the Communists were blackmailing the country with "threatened civil war" and did not care how much suffering they cause the people.

Dr. Sun Fo's statement infers that there is no civil war in China, yet it began last July with 90% of Chiang's armies hurled against the Communists.

"Suffering to the people" can be seen at its best in the KMT regions of central and south China, or wherever they rule.

Bankruptcy of KMT economy due to civil war. (Am. Trade Pech)
 Rich Taxes, ~~Terror~~
 Conscription.

~~Terrorism~~
 All means of communication used for civil war. Industries can get no raw materials, have no means of transporting goods into the interior in KMT China. Inflation, usury, taxes of every

kind on people in KMT areas.

Merchants in Fukien pay 32 different Govt. levies.

Loans to industrials and merchants to finance production cost 15% per month or upwards of 300% a year. Usury absorbs profits and industries and ~~many~~ firms by hundreds bankrupt.

Example of what is going on in KMT territory:

Chamber of Commerce of Hankow:

Also:

Hated conscription system, Sept. 1, 1946.

72 conscription areas.

Press gangs.

Tientsin--3,000 conscript; got 60.

Conscripts escape. Shops closed down by hundreds.

Prof. Fei Hsiao-tung: "County prisons filled with prisoners whose only crime is that some member of their families have deserted from Army or fled from press gangs."

N. Y. press reports that economy in KMT territory being swiftly destroyed and "economy more rotten than thought."

US-Chinese Trade Pact. (Opposed by Chinese business and industrialists)

"Reciprocity".

All protection of Chinese industry destroyed, American goods able to compete on equal basis with Chinese in China; Chinese goods same rights in USA.

The Pact dishonest and deceptive.

High-powered American industry can, and is, destroying Chinese industry.

KMT cities flooded with cheap American goods, Chinese nascent industry utterly defenceless.

New Peoples Armies in 11 KMT Provinces
~~This is one reason for the new KMT PEACE OFFERS.~~

~~Our correspondents report that Communists, by refusing KMT offers, want to see Chinese economy collapse.~~

Fatuous for Americans or the KMT to expect the Communists to rescue the rotten and treacherous system of the KMT. That system should not be saved. That is the one system that is causing suffering to the people, and Dr. Sun Fo and everyone else knows it.