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**CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES**

11 May 1961

MEMORANDUM FOR THE DD/I

**SUBJECT: The Chances of a Chinese Communist Military Move
into Southeast Asia**

THE PROBLEM

To examine Communist China's present food situation, and to estimate the chances that the Chinese might in desperation invade the rice growing areas of Southeast Asia.

CONCLUSIONS

A. Food and health conditions in Communist China are at their worst since the Chinese Communist regime consolidated its

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This memorandum has been produced with the assistance of members of the Board and Staff of O/NE, and of representatives of O/RR, O/CI, and DD/P.

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control of the mainland in 1949/1950. To combat this situation Peiping has been relaxing certain of its radical economic pressures, apparently facing up realistically to the acute problems at hand. Its mood is sober, but not desperate.

B. A Chinese Communist push into Southeast Asia is highly unlikely, either now or in the foreseeable future.

C. Assuming that the mission, strength, and disposition of any US troops positioned in Thailand and South Vietnam constituted no apparent threat to the Communist positions in Laos or the DRV, it is unlikely that their presence would provoke a Chinese Communist invasion of the area.

DISCUSSION

A. The Situation in China

1. The Chinese Communist regime is beset by the worst food and health conditions it has faced since the dislocations attending its conquest of the mainland. Food appears to be in extremely short

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supply in six provinces in particular: Shantung, Hopei, Honan, and Shansi (all in North China); Kwangtung (Southeast China); and Liaoning (Northeast China). * Reports of travelers and refugees concerning food rations and health conditions in these areas suggest that much of the rural population is on a slow starvation diet and is suffering from severe malnutrition and nutritional diseases. Within these disaster areas the peasants appear to be far worse off than the city people. There are scattered reports of starvation rations or conditions existing also in Chekiang, Kwangsi, Kiangsu, Hunan, and Tsinghai. These difficulties have contributed to an absolute decline in industrial construction, as well as in production in important sectors of industry. The USSR has neither alleviated China's famine nor returned the Soviet technicians which it withdrew in mid-1960.

2. The Communist regime appears to be realistically facing up to the acute problems at hand. It is taking a number of steps -- in the form of a relaxation of radical pressures -- designed to alleviate the critical situation China will face for the next few months. For example, the proportion of national production allocated to investment

* The total population of these provinces in late 1957 (official Chinese Communist figures) was 230 million.

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appears to be decreasing, to the benefit of personal consumption; agriculture and light industry are apparently to receive higher priorities in relation to heavy industry; some of the forced-draft aspects of industrialization are being dropped; and work pressure is being reduced. Peiping has also contracted for imports of about 4 million tons of Australian, Canadian, and Burmese* grains during 1961. Although this quantity (designed for domestic consumption) is small compared to China's total food requirements, it would increase consumption by about 20 kilograms percapita if distributed among the people in North China, the area most severely affected by drought, and would figure even more importantly in increases if distributed only in important urban centers or in food-deficit areas in coastal regions.

3. China is probably still sufficiently solvent to pay cash for current imports, but its international financial position is tight. Reserves of gold and convertible currencies were probably 25X1 about US \$225-350 million at the beginning of 1961, and China to buy about \$200 million worth of grain in the first six

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* Most of this is designed for re-export by Communist China.

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or seven months of 1961 alone. It is making strong efforts to sustain a high level of exports of nonfood items, and has sharply reduced its purchases of industrial imports from Western Europe. The Canadian offer to give China a 270-day credit for three-fourths of the large grain purchases planned in the last half of 1961 will provide the Chinese a short breathing spell. Although some drawdown of foreign exchange reserves probably will be unavoidable, they are not in danger of total depletion. Reports that the USSR has loaned convertible currency to help China buy grain are unconfirmed.

4. Prospects for this year's first major harvest (June-July) are not good. The crucial weather months are probably April and May, especially as concerns rains in the wheat growing areas of the north and the northwest. April was apparently fairly dry in these latter areas, although some rains have fallen there in the latter part of the month and in early May. There has been an overabundance of rain in many areas of south and south central China, but it is not certain as yet that the resulting floods have endangered this year's rice crop. A fairly good total 1961 food crop may yet result if weather conditions improve. However, if 1961 proves to be a third poor crop year in succession, the resulting economic and political effects will be grave. In such a situation, the regime's energies would probably be so

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completely engaged with combatting major problems of starvation and public disaffection that Peiping would have little inclination to assume the additional burdens and risks of a military adventure.

B. The Chances of a Chinese Communist Push into Southeast Asia

5. A number of considerations render such action highly unlikely. The most persuasive reason for believing that the Chinese would not attempt a military move into Southeast Asia is that they would almost certainly estimate that such action would result in military involvement with the US on a major scale. Apart from their own reluctance to run the risks of this, the USSR would bring strong pressure on them to prevent such a development, partly because of the risks and partly because of the unfavorable effects for Bloc policy elsewhere. Even if the Chinese believed that war with the US could be avoided, however, there are other reasons which would argue against the move.

6. There are, in fact, no great food surpluses in Southeast Asia. Rice exports from the mainland Southeast Asia countries are smaller than pre-war. The total 1960 rice exports from Burma, Thailand, Cambodia, and South Vietnam were about 5.8 million tons.*

* Unmilled, equivalent to about 3.8 million tons milled. See also table of rice exports at annex.

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This surplus is small in relation to China's basic grain needs (a minimum of about 200 million tons* at present); moreover, the population of China is increasing at an annual rate of 15-20 million people, for whom an additional 5-6 million tons of grain must be found each year. The Chinese could drastically cut present consumption levels and attempt to raise agricultural production in these countries, by force, but only at great cost and difficulty attempting to maintain controls over the hostile populations. Furthermore, the devastation wrought by a Chinese invasion -- war, conquest, and economic dislocation -- would require time before present crop production levels could again be neared. And the Chinese would have no guarantee that rice from these areas could be readily shipped, through a possible non-Communist naval blockade, to China.

7. An overt invasion would be out of character both with Communist China's preoccupation to date with internal problems, and with the foreign and military policies it has pursued. The Chinese intervened in Korea only in the last instance, in a situation in which, from their point of view, strong US forces threatened their border. They have exercised caution in their offshore island probes, and have

* Unmilled grain, including tubers. 1960 grain production in China, including tubers, was probably about 180-190 million tons.

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backed off from face-to-face encounters with US forces. Their course has been cautious in Laos. Furthermore, except principally for the aggressive attitudes they displayed towards India and Indonesia in 1959, the Chinese have shown considerable concern for "correct" relations with their neighbors to the south. One of Peiping's basic tactics has been to project the image of its "reasonableness" in South-east Asia, and it is probable that the Chinese leaders would consider that overt aggression there would shatter this image, greatly lessen Asian and African support for Peiping's world status aims, and perhaps drive India fully into the Western camp.

8. There are other means open to the Chinese Communists to gain more food at less cost than a Drang nach Sudan would entail. Opportunities exist to achieve increases in agricultural production through such means as improving cultivation, developing new seeds, increasing the application of chemical fertilizers, expanding irrigation, and gradually extending cultivated acreage. If these opportunities are vigorously exploited, Communist China can probably obtain enough increase in food production to keep up with population growth over the next decade. If there are poor crop years in the meantime, the regime can reduce the rate of economic growth, export more industrial products,

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and increase imports of fertilizers and food. As compared with Southeast Asia's rice surpluses, there are presently almost 70 million tons of wheat in the surplus stocks of the US, Canada, Australia, and Argentina.*

C. The Effect on Chinese Communist Intentions of the Presence of US Troops in Thailand and South Vietnam

9. Much would depend on the announced purpose of the US action and the circumstances surrounding the actual positioning of US forces in Thailand and South Vietnam, but under the most likely circumstances we can envision, the Chinese Communists would probably not seize upon such action as a pretext for invading the area. The restraints discussed above in paragraphs 5 and 7 -- fear of US retaliation, probable Soviet pressures against any Chinese invasion, and Chinese regard for international reaction -- would still apply. The absence of a common frontier with Thailand or South Vietnam, and the limited size and mission of the US forces sent to stiffen Thai and Vietnamese determination would give the Chinese no credible pretext for extreme action against those countries. The DRV

* Of this amount, about 43 million tons is US. It should be remembered that famine is more widespread and acute in China's wheat growing areas than in the rice-producing south.

would almost certainly be confident that it could handle any threat US forces of this size could offer to the Communist cause in the area, and would almost certainly not wish the Chinese to establish themselves in strength in North and South Vietnam or elsewhere in the area. Finally, the USSR, Communist China, and the DRV would probably be fairly confident that the introduction of US forces into South Vietnam would not threaten the Viet Cong, at least initially, and that US-Vietnamese resistance to continued Communist irregular warfare might prove no more availing than did the earlier efforts of the French.

10. The Chinese Communist response would nevertheless be strong. There would be plenty of propaganda play and dire threats, especially with respect to the presence of US forces in South Vietnam. The Chinese would charge that the US had contravened the 1954 Geneva Accords by introducing its forces into Vietnam, and would seek UN and international condemnation of this "lawlessness." The Chinese would almost certainly heighten their support of the DRV and its direction of Viet Cong operations in South Vietnam. Such operations would almost certainly be accelerated. Viet Cong forces would probably harass US troops and their communications and supply

ities, with a good chance that the US forces would be deflected from their other missions to direct action against the Viet Cong.

ii. If the scale and nature of hostilities expanded in South Vietnam, or if US forces took up positions of strength immediately south of the DMZ at the 17th Parallel, the chances of massive Bloc action would increase. Even if Bloc forces did intervene in strength in South Vietnam in this circumstance, DRV troops would probably do the invading. We do not believe that Chinese Communist forces would be committed in strength until or unless the Communist stake in the area appeared threatened.



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Rice Exports From Selected Southeast Asia Countries

(in thousand metric tons of milled rice)

Country	1955	1956	1957	1958	1959	1955-1959 Average	1960 ^{a/}	(Pre-war) 1939
Burma	1698	1948	1867	1500	1810	1765	1830	3380
Thailand	1250	1270	1590	1140	1100	1270	1208	1885
Cambodia	101	70	231	254	242	180	396	1040 ^{b/}
South Vietnam	82	5	189	116	246	130	370	<u>6/</u>
Total (milled)						3345	3804	6305
Total (unmilled, on basis of 65% extraction)						5100	5800	9700

a/ Preliminary estimates.

b/ Indochina figure, but comparable, since only those areas now comprising Cambodia and South Vietnam were exporters.

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