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CIA/ONE/STAFF MEMO 6-61

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

31 January 1961

STAFF MEMORANDUM NO. 6-61 (Internal O/NE Working Paper - CIA
Distribution Only)

SUBJECT: Food in Communist China

1. The Problem. Following a bumper crop in 1958, Communist China's agricultural production has decreased for two successive years. The estimated production of grain, the chief food, is as follows (millions of metric tons):*

$\frac{1958}{212}$

$\frac{1959}{190}$

$\frac{1960}{185}$

During the same period the population increased about 30 million.

2. For the first time since the chaotic days of 1949 actual famine threatens the land. Improved communication and stern rationing have up till now enabled the regime to avoid the development of large areas of localized starvation which

*These figures include tubers in terms of grain equivalent.

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marked the old China. Instead of allowing some to starve while food is adequate in other areas, the Communist regime arranges things so that all are hungry but starvation is rare. There are limits to this solution, however. Food is now so scarce and rations so meager that diseases of malnutrition (dropsy, beri-beri, et al.) appear to be rampant in nearly every province.*

stevedores and ricksha men who could not do their normal work because of inadequate food, and it is likely that this situation prevails among a considerable portion of the less conspicuous workers. From many different areas come reports of popular unrest including the appearance of wall posters calling "Down with Communism" and "More Food." After three years of unremitting hard work the Chinese people are worse off than they were before the "Great Leap Forward" with its glorious promises was launched.

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3. Causes of the failure. Demonstrably, 1960 was marked by bad weather in China, and we believe that this was the major cause of the shortfall. The regime must bear the blame, however, for other, very important causes, including mismanagement and

*The traditionally prosperous province of Szechuan appears to be an exception, in spite of Peiping's efforts at levelling.

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peasant apathy. Bureaucrats arbitrarily applied orders from above and ignored the advice of the veteran peasants whom they controlled. The peasants were deeply disillusioned with the regime. They were overworked, they were forced to do much work which they felt was wasted, their lives were severely regimented, and there was no material reward to compensate for all this.

4. Response of the leadership. By mid-1960 Peiping realized that it was facing a second bad year. That summer it inaugurated nationwide campaigns for the collection of wild foods and fibers. As the peak of harvest season approached, masses of labor were diverted to farming. Even the propaganda-valued sports teams were sent to what began to be called "the agricultural frontlines."

5. These efforts were not enough to produce a good crop in 1960, however, and rationing became increasingly severe as winter approached. The regime began taking steps, unprecedented in its short history, to lessen its demands on the people. Unable to provide increased food, clothing, or housing, Peiping is offering lessened work loads for the people. The peasants are to be allowed to hibernate a bit in this winter season, especially in the natural disaster areas. Athletics and other

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non-productive activities which increase the need for food are being stopped or greatly reduced. Trees have been stripped of their leaves to provide food for animals whose usual food is being consumed by humans. Over the longer range, the regime is planning not only to demand a little less of the people but to provide them with a little more. This is designed to combat worker apathy and resistance, and the increased rewards, if available, will be mainly in the form of production incentives.

6. A very compelling indication of the severity of the food shortage is the fact that in 1961 China may become a net importer of food. Agricultural exports, mainly foodstuffs, have been the regime's chief means of paying for the imports necessary for expanding its industrial plant. Now hard currency from very limited reserves is being paid out to Australia and Canada for wheat, barley, and flour.

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Estimated Trade Commitments in Grain, 1961 (millions of tons)

Trading Partner	Imports	Exports
Canada	1.10	

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Australia	1.10*
Burma	0.35
Total	<u>2.55</u>

Albania	0.10 to 0.15
Other Bloc	0.60
Ceylon	0.23
Cuba	0.10
Total	<u>1.08</u>

These figures are, of course, highly subject to change as further trade contracts are signed during the year, but the important point is that in no previous January have the regime's trade balances showed food imports exceeding exports.

7. A study of Communist China's food exports to Hong Kong indicate that through October 1960 (the latest available Hong Kong monthly trade report) they have continued at a rate equal to that of 1959. We know, however, that other important food export commitments, especially to Eastern Europe, have not been met during the fourth quarter of 1960. The drawing up of 1961 trade contracts with the rest of the Bloc has been lagging badly.

8. A response of more enduring potential has been to focus increasing effort and investment on improving agriculture.

*40,000 tons of the Australian wheat is to be shipped directly to Albania as an important part of Peiping's effort to replace Moscow's withdrawn aid to Albania.

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Between 1957 and 1960 the proportion of capital investment devoted to agriculture in the national budget increased nearly 50 percent, and it is likely to increase further this year. The newfound appreciation of the requirements of agriculture reached a peak, to date, in the Kiangsu Province directive for 1961 to "develop agriculture as its base and industry as its supplement."

9. Prospect. The big factor which defies all prediction is the 1961 weather. Another bad crop year and Communist China would be in desperate trouble. So far this year the weather has continued bad: severe cold has damaged winter crops in the South and drought continues in the North. The main growing season has not begun, however, and should the rest of the year have average weather or better, a substantial recovery could be achieved. Even at best, however, fairly severe rationing would have to be maintained in order to permit a partial replenishment of reserves. Furthermore, in times of hunger in China the pinch is always worst in the spring months preceding the first major harvest. Thus, the bitterest suffering lies ahead. Increased public disturbances are probable, and reports from the mainland will make inspiring reading for Chiang Kai-shek, but it is not likely that the stability of the

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Communist regime will be seriously threatened. Peiping's controls are clever, pervasive, and ruthless. A system which equates unproductiveness with starvation will probably squeeze an adequate work effort from the peasants in 1961.

10. Significance. Industrial growth, which was already suffering from mismanagement, shortage of spares, and the withdrawal of Soviet technicians, has been further depressed by the agricultural failure. Light industry failed in most of its goals in 1960, mainly because of the shortage of technical crops. All industry has suffered from hunger-caused loss of worker energy and morale and by the increasing diversion of investment to agriculture. These effects will continue in 1961, and goals for the year have already been lowered.

11. There is little basis for predicting what result this depression will have on Peiping's foreign policy. Although it is commonly believed that authoritarian regimes are inclined to seek foreign adventures to rally their people in times of domestic distress, we are faced with the fact that Peiping launched its most aggressive foreign policy during its period of manic optimism, in 1958. Perhaps the one

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useful estimate that we can make is that the economic retrenchment of 1961 will not prevent Peiping from encouraging and aiding leftist revolutions in other countries -- such as Laos. The resources required for such ventures are so small in relation to China's total assets and liabilities that they do not critically affect the balance.

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