

NIE 13-57

19 March 1957

APR 17 1957
~~SECRET~~

2389

Nº 270

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 13-57

(Supersedes NIE 13-56)

COMMUNIST CHINA THROUGH 1961

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 19 March 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This estimate was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient indicated on the front cover and of persons under his jurisdiction on a need to know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Special Assistant to the Secretary for Intelligence, for the Department of State
- b. Assistant Chief of Staff, Intelligence, for the Department of the Army
- c. Director of Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Assistant Director for Central Reference, CIA, for any other Department or Agency

2. This copy may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When an estimate is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the estimate should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this estimate, when used separately from the text, should be classified:

FOR OFFICIAL USE ONLY

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Operations Coordinating Board
Atomic Energy Commission
Federal Bureau of Investigation

SECRET

TABLE OF CONTENTS

	Page
CONCLUSIONS	1
DISCUSSION	2
I. DEVELOPMENTS WITHIN CHINA	2
The Political Situation	2
Popular Reaction to the Regime	3
The Economy of Communist China	4
Planning for the Second Five Year Period	6
Major Economic Problems	6
Prospects	8
The Military Establishment	8
II. COMMUNIST CHINA WITHIN THE COMMUNIST WORLD	8
III. COMMUNIST CHINA'S RELATIONS WITH THE NON-COMMUNIST WORLD	9
The Asian Impression of Communist China	11
IV. PROBABLE CHINESE COMMUNIST EXTERNAL COURSES OF ACTION	12
The US	12
Taiwan	12
Korea	13
Japan	13
Vietnam, Laos, and Cambodia	13
Pakistan, Thailand, and the Philippines	13
Indonesia	13
Malaya and Singapore	13
India	14
Burma	14
Hong Kong and Macao	14
APPENDIX A	
THE ECONOMY OF COMMUNIST CHINA	15
Industry	15
Engineering Industries	15
Metallurgy	15

SECRET

i

SECRET

TABLE OF CONTENTS (Cont.)

	Page
Electric Power and Coal	15
Petroleum	15
Other Industry	18
Agriculture	18
Transportation	18
Railroads	20
Shipping	20
Foreign Trade	22
Science and Technology	23
Population	23
APPENDIX B	
THE CHINESE COMMUNIST MILITARY ESTABLISHMENT	25
Ground Forces	25
Internal Security Forces	26
Air Forces	26
Naval Forces	27
Nuclear Energy Program	28
APPENDIX C	
DIPLOMATIC STATUS OF COMMUNIST CHINA	29

SECRET

COMMUNIST CHINA THROUGH 1961

THE PROBLEM

To examine the present situation in Communist China and its international relations, and to estimate probable developments during the next five years.

CONCLUSIONS

1. The Chinese Communist Party will almost certainly continue to exercise effective control over mainland China during the period of this estimate and will press forward with its program of creating a powerful industrialized Communist state. Through a combination of incentives and repression the regime will probably be able to prevent popular discontent from becoming a significant factor in retarding the momentum of its program. (*Para. 19*)

2. The Chinese Communists will probably continue to make substantial progress in industrial development but agricultural production will probably increase at only 50 percent of the planned rate of increase and thus will tend to restrict the rate of overall economic growth. (*Para. 37*)

3. Communist China has placed great emphasis upon maintaining and developing its armed forces as a basic aspect of national power. With Soviet assistance, its military capabilities have become far greater than those of any other Asian power and will probably continue to increase during the next five years. (*Paras. 38-39*)

4. The position of the Chinese Communists in the Communist world has been greatly enhanced as a result of developments since the death of Stalin and particularly because of the prominent role they have played in Bloc affairs in the past year. Peiping will probably further increase its influence within the Communist Bloc and will have an important voice in matters affecting the Bloc as a whole. Communist China will continue to rely on the Bloc for the bulk of its military and economic imports. Although it is probable that some conflicts of interest and disagreements will develop between Moscow and Peiping, it is highly unlikely that either will permit such conflicts to impair Sino-Soviet solidarity. (*Paras. 40, 43*)

5. Communist China's influence has increased markedly in the non-Communist world, and its presence is especially felt in Asia. The Chinese Communists have been able to create the impression in much of non-Communist Asia that Communist China is a dynamic, permanent, and perhaps not unfriendly world power, which it is unwise to offend by too close

SECRET

1

SECRET

2

alignment with the West. At the same time, however, there is apprehension concerning Communist China's real intentions and a recognition, though seldom voiced publicly, of the importance of the US in restraining Communist China from overt aggression. (*Paras. 44, 54, 57-58*)

6. The replacement of Western influence by Communist influence in Asia will continue to be a major Chinese Communist objective. In its approach to this objective and other international problems, Peiping will probably try to avoid courses of action which it believes would provoke US military intervention. It will

remain hostile to the US, and will not offer major concessions on basic issues. Nevertheless, it will probably endeavor to appear conciliatory and flexible on international issues. At the same time, it will continue its subversive efforts, and will take advantage of opportunities for Communist expansion, possibly including the extension of support to armed revolts against non-Communist governments. Peiping will remain determined to obtain control of Taiwan, but will almost certainly not attempt to seize Taiwan by force so long as the US is committed to its defense. (*Paras. 59-60, 62, 64*)

DISCUSSION

I. DEVELOPMENTS WITHIN COMMUNIST CHINA

7. During the past seven years the Chinese Communists have brought mainland China under effective control and have established a strong central government, aligned with the USSR and hostile to the West. By deliberate use of terror and by persuasion and social pressure, they have drastically changed many basic features of Chinese society. They have made considerable progress toward developing an industrial base and in increasing output in other sectors of their economy. The Chinese Communist armed forces are being modernized, with Soviet support, and their military capability on the Asian mainland and in adjacent waters has been greatly increased.

The Political Situation

8. The Chinese Communist Party is in complete control of the government. Most important government posts at both national and local levels are held by members of the party, and the party structure parallels that of the government down to the smallest political division. Orders from Peiping are trans-

mitted through both governmental and party channels. The party cadres have the important functions of supervising the operation of provincial and local governments and of providing leadership for the implementation of major projects such as the socialization of agriculture. Non-party members occupy a few cabinet and subcabinet positions but are there either as window dressing or in order that their skills can be exploited.

9. Party membership has more than doubled since 1952, and now probably exceeds 11 million. The majority of party members continue to be drawn from the peasant class (about 69 percent), but the proportion of urban workers has now increased to about 14 percent. About 10 percent of the members are women.

10. The top leadership of the Chinese Communist Party has continued to demonstrate a remarkable degree of continuity, unity, and stability. The Eighth Party Congress, which met in September 1956, confirmed the dominant position held by Mao Tse-tung and his closest lieutenants, Liu Shao-chi, Chou En-lai, Chu Teh, and Ch'en Yun. These four men serve as vice chairmen of the Central Com-

SECRET

SECRET

3

mittee and as members of the newly formed six-man Standing Committee of the Politburo, the most powerful organ of the party. Mao himself remains chairman of the Central Committee and of the Politburo and its Standing Committee. His personal prestige and power have not been diminished by the Soviet attack on the "cult of personality."

11. At the same time, the party has brought some new blood into the higher party echelons. One hundred three new members and alternates have been added to the Central Committee from among provincial and municipal party committees, central government and party agencies, and the high-ranking officers of the armed services. By giving added representation to provincial party organizations and key elements of the civil government and the military, the party has strengthened its control over these segments of government and administration. The most notable individual promotion was the appointment of Teng Hsiao-p'ing, Secretary-General of the Central Committee and apparently the lowest ranking member of the old 13-man Politburo, to the Standing Committee.

12. During the next five years, the leadership of the party will probably be able to maintain unity and cohesion. In the event of Mao's death or disability, jockeying for power might develop which could reduce the effectiveness of the leadership. Mao would probably be succeeded as chief-of-state by the aged vice chairman, Chu Teh. However, effective power would probably initially reside in a collective body made up of the senior party members.

13. The Chinese Communist Party will be engaged in a continuing drive to maintain and tighten party discipline. It will probably continue its efforts to improve party control in the army and in economic enterprises, in order to prevent the emergence of a caste of non-political specialists. There will also be an effort to adjust relations between local and central organs within both party and government, in order to encourage local initiative while enforcing central control and also to prevent the development of local satrapies. Although administrative efficiency will probably improve, the regime will continue to be

hampered by a shortage of trained party cadres and administrators.

Popular Reaction to the Regime

14. We believe that the regime is faced with considerable dissatisfaction, engendered in part by rigid controls, enforced social changes, and imposed austerity, and in some areas such as Tibet, with open defiance. On the other hand, the regime has the positive support of some groups, in part as a result of its promises of a new industrialized and prosperous China and its claims of growing prestige and influence in the world. The bulk of the people, however, probably respond to the regime in a resigned manner because of their conviction that it can effectively exercise its power over them and that little is to be gained by opposing it.

15. The regime, concerned by the adverse effects of the continuing lack of general positive support, sought, in the spring of 1956, to relax domestic tension engendered largely by the radical social changes embodied in the collectivization drive of 1955. The regime sought to counteract the rigidities of its policies and to create a more positive response to its programs, and promised some amelioration of the harsh conditions of life to almost every social group in Communist China. In particular, the regime has adopted some measures designed to improve conditions for the intellectuals and to increase incentives for peasants and urban workers. This recognition of what the Chinese Communists subsequently termed the "human factor" in production and social reorganization apparently stemmed from a desire to consolidate the considerable social change which had occurred.

16. These tactics have not involved any significant increase in personal freedoms. Despite an announced emphasis on material incentives for peasants and workers, these incentives will be limited since the regime's long term program will inevitably require the retention of austerity and harsh economic policies. Moreover, the incentives granted to private entrepreneurs participating in joint state-private enterprises are admittedly temporary. The toleration and even encourage-

SECRET

SECRET

4

ment of intellectual diversity, in certain fields, designed to elicit the maximum efforts of Communist China's limited numbers of intellectuals and trained technicians, will not be carried to the point where attacks on basic policies and doctrines of the regime will be permitted.

17. Even if the regime is unsuccessful in eliciting greater positive support, it will probably be able to maintain firm control throughout China and to implement sweeping social changes. It has large and well-disciplined police, militia, and security organizations, supplemented by a network of informers and local "residents' committees" which provide surveillance over individual family groups. Party control is further reinforced by a system of mass organizations, organized along social and occupational lines, which mobilize various groups in the population behind Communist programs and serve as channels for propaganda and indoctrination. The rapid expansion of agricultural cooperatives and collectives during 1955 and 1956 has probably strengthened Communist control over the peasantry and reduced the likelihood of large scale peasant revolts. Behind this control mechanism stands the large Chinese Communist military force.

18. The Chinese Communists have admitted the existence of unrest among some minority nationalities on the borders of China proper, requiring military suppression and a policy of gradualism in imposing Communist institutions. The most serious recent armed clashes appear to have been with the Tibetans. Although the Chinese Communists were able to establish a military regime in Tibet in 1951, it was not until May 1956 that they took the first step toward establishing Tibet as an "autonomous region" of Communist China. The regime, in recognition of strong Tibetan resistance to change, has indicated that social changes will be imposed gradually.

19. Barring involvement in a major war, during the period of this estimate the regime's control over the population will probably become increasingly effective as socialized enterprises become more firmly established. The regime will probably continue to have diffi-

culties in imposing its policies in minority areas, such as Tibet, where changes will have to be instituted slowly and carefully. However, the imposition of Communist control in these areas will probably be facilitated as communications and party organization improve, and as the policy of moving Han Chinese into these areas is implemented. There appears to be, during the period of the estimate, little likelihood that the existence of the regime or its control over the mainland will be threatened by popular dissidence, or by the almost inevitable local eruptions of discontent. The regime will probably be able to elicit a somewhat more positive support from certain privileged groups, such as skilled workers, technicians, and scientists.

The Economy of Communist China^{1 2}

20. The transformation of agrarian China into a "modern socialist industrial" state is an avowed major objective of the Peiping regime. During the initial four years of the First Five-Year Plan (1953-1957), the regime has achieved considerable progress in its program of industrialization. Gross national product has probably been expanding at an average annual rate of seven to eight percent, a growth rate comparable to that of Japan in recent years and well above that of other Asian countries. This growth was achieved under considerable strain, involving enforced austerity and adjustments to shortages in transport, power, and other sectors. Indus-

¹ See Appendix A for additional discussion of the current economic situation.

² The analysis in this section is based on estimates which are largely dependent on Chinese Communist statistics. Although these statistics often cannot be confirmed by independent sources, careful examination and comparison with independent data that are available strongly suggest that these figures constitute the basic economic data available to the regime and that in most instances there appears to have been no motive to inflate these data. Where inaccuracies exist, they appear, for the most part, to be the result of ambiguous definitions of the data, deficiencies and inexperience in data collection, provisional reporting, pressure to report fulfillment of plans, and incomplete and selective reporting of the data to support certain policy points of view.

SECRET

SECRET

5

trial expansion appears to have exceeded the original goals of the First Five Year Plan, while the growth of agriculture has been considerably less than the planned rate. The rate of investment has approached 20 percent of GNP and industrial output has increased at an estimated average annual rate of nearly 17 percent. The output of steel ingots is estimated to have increased from approximately 1.35 million tons in 1952 to about 4.5 million tons in 1956 and the limited electric power production has doubled. Agricultural output has increased at an estimated average annual rate of nearly three percent.

21. This relatively rapid rate of economic progress was facilitated by the comparatively inexpensive rehabilitation of the modest industrial base, built largely by the Japanese and concentrated in Manchuria and, to a lesser extent, in North China and Shanghai. Political unification of mainland China, for the first time in decades, provided generally peaceful domestic conditions which enabled the regime to integrate the previously fragmented economy and to organize resources and production on a national basis. In addition, the regime has received from other Bloc countries, over the four-year period 1953-1956, capital goods, raw materials, and military equipment in the amount of over six billion dollars. Of this, some 1.5 billion dollars was covered by Soviet economic and military credits and the balance financed by exports. The Bloc has apparently fulfilled Chinese Communist essential import requirements, especially for machinery, though with occasional delay in delivery, and has provided considerable technical assistance.

22. One of the most important factors contributing to the regime's economic program has been its success in establishing effective controls over the economy without causing a major slump in production. These pervasive controls effectively restricted consumption as output increased, resulting in the formation of capital which was concentrated in expanding heavy industry, and in the accumulation of commodities to exchange for vital imports. The agricultural sector, which contributed nearly two-thirds of GNP in 1950,

presented the critical problem because of the difficulty of establishing control over the output of nearly 450 million peasants farming millions of tiny farms. The problem of establishing control over industry was less difficult because the regime was able to assume ownership of a major portion of heavy industry directly from the National government, though it was faced with the problems of organizing production.

23. In the early stages of establishing control over the country, the regime permitted a large segment of private enterprise to continue and, for the most part, exercised indirect methods of control through fiscal, banking, and trade channels. It ruthlessly enforced compliance with its regulations and eliminated the major potential sources of resistance. The regime concurrently applied education, propaganda, and social pressures in an effort to induce the people to accept the end of private enterprise and began on a small scale to impose socialist control through a series of transitional stages. However, by forced acceleration of socialization in the winter 1955-1956, the regime virtually eliminated private capitalism and gained direct control over practically all industry and commerce.

24. To ease the transition to socialism in the agricultural sector, the Chinese Communists at first adopted a step-by-step approach which was to move from a simple pooling of labor and tools, through agricultural producers cooperatives, to full scale collectives. The Chinese peasant, by incentives, including the promise of higher income, and by noncompliance penalties, was induced to accept constantly increasing state control. Concurrently, the regime moved more rapidly to gain control over the marketing of the main agricultural products, and established price controls, rationing, and controls on agricultural loans. During the early part of the present Five Year Plan (1953-1957), progress toward collectivization was slow, irregular, and rather uncertain. By October 1954 less than two percent of the peasant households were in cooperatives and an insignificant percent in collectives.

SECRET

SECRET

6

25. Following a speech by Mao in July 1955, the rate of collectivization was abruptly accelerated. Mao called for more rapid socialization through energetic leadership, and castigated those who had urged a slower pace. By November 1956, the Chinese Communists claimed that 96 percent of the total peasant households in China were in some kind of agricultural producer cooperative, and of those 83 percent were completely collectivized. We believe that almost all peasants have now been assigned to collectives, but that many of these collectives have not yet been consolidated.

26. It is too early to judge the ultimate effects of these organizational changes. While the regime has claimed that in most instances production has increased in agriculture and industry and that trade has expanded, it has admitted that the "mistakes and defects were not few" in the socialization program. Among the major shortcomings admitted were: (a) waste and faulty planning, (b) neglect of livestock and rural handicraft industries, and (c) defective organization due to "rapid advances of the movement." In addition to the problems inherent in such a large undertaking, many mistakes resulted from inexperience and lack of training on the part of the cadres responsible for the drive. Nevertheless, in its approach to socialization and particularly the collectivization of agriculture, the regime has to date avoided most of the disastrous consequences experienced by the Soviet Union.

27. *Planning for the Second Five Year Period.* We estimate that many of the First Five Year Plan targets for 1957 were achieved by the end of 1956, but at the cost of depleted material stockpiles and an untenably low level of working capital. As a result, the year 1957 will be a period of adjustment and consolidation before the more ambitious Second Five-Year Plan (1958-1962) is begun. The regime has evinced growing concern over the inter-related problems of consumption and incentive and the total amount of capital available for investment. It has recognized the dangers: (a) that a shortage of consumer goods will cause difficulty in maintaining price stability, (b) that prices paid to the farmers for many of their products are too low to encourage

peasants to increase production, and (c) that an insufficiency of light industry products will decrease worker's incentives and lower productivity as well as reduce the state's profits and its resources for investment in heavy industry. Although the regime has recently announced its intentions to maintain industrial investment in 1957 at about the 1956 levels, it has admitted that cuts in nonindustrial investment will be necessary. A program of austerity in other government spending has also been introduced.

28. Although such considerations will probably lead to some modifications in the investment program of the recently announced Second Five Year Plan, the regime will probably still try in the second five year period to achieve a rate of economic progress about equal to that achieved in the first five year period. The announced targets of the Second Five Year Plan call for about an 80 percent increase in industrial production above the level expected for 1957 and an increase in agricultural production about one-third over the expected 1957 output. (See Tables A II page 17 and A III page 19.)³ If these goals were met GNP would increase by about 45 percent.

29. A major weakness of the proposed Second Five Year Plan is its assumption that agricultural output can be increased at a rate of six percent annually. We estimate that even with considerable effort the growth in farm output will be only on the order of three percent, and, therefore, will probably involve not only the curtailing of planned increases in personal consumption⁴ but also some reduction in planned investment.

30. *Major Economic Problems.* In view of the difficulties of increasing the amount of land under cultivation, the regime's success in increasing agricultural production will de-

³ In key sectors, by 1962 the Chinese Communists plan to increase production above the probable 1957 levels by the following percentages: cotton yarn 52 percent, basic food crops 40 percent, cotton 38 percent, coal 71 percent, steel 107 percent, electric power 131 percent, crude oil 245 percent, and chemical fertilizers 435 percent.

⁴ See paragraph 27, Appendix A, for a discussion of population growth.

SECRET

SECRET

7

pend largely on its ability to raise yields. The quality of the soil and the supply of water are adequate to support a substantial increase in output per acre, provided a heavy investment is made in fertilizers and irrigation. However, we believe the total investment in agriculture included in the Second Five Year Plan (1958-1962) is inadequate for achieving the agricultural goals. State investment is largely limited to some large scale flood control and irrigation projects. The bulk of the investment, which will be for local projects, is to be provided by the collectives from their own production, over and above their contribution to the national budget.

31. Whether the collectives will fulfill their goals will depend in part on the peasants' reaction to collectivization. During the first year of full scale collectivization (1956), peasant reaction was not unduly adverse, probably because of the prospects for a good crop year. We believe a continuation of this attitude will depend largely on whether the regime is able and willing to permit some increase in the real earnings of the peasants. The prospect for a rising peasant income will rest on the regime's decisions regarding total national expenditure and investments, and on the weather. We believe that the regime, recognizing this problem of peasant incentive, will probably make some concessions to the peasants, and cadres have already been instructed to limit the investment, welfare, and reserve fund allocations from the income of the collectives in order to maximize direct payments to the peasants. This situation will tend to limit the additional resources for investment which the regime can hope to mobilize through its collectivization program, and in addition will render the program vulnerable in the event farm output fails to increase.

32. Even with adequate progress in capital formation, the regime will still have the continuing problems of planning and of proper allocation of investment. As the industrial sector becomes integrated, orderly progress will depend on timely, realistic, and accurate planning which avoids mistakes such as those which in 1956 resulted in shortages of cement and steel, shortfalls in petroleum production,

low quality of output in many industries, and shortages of commodities for export. The planners must also act to end the serious congestions and delays which have occurred on various sections of the railroads.⁵

33. The shortage of trained personnel will continue to be another problem of major proportions. The increase in investment, the projected completion of new plants, and the progressive integration of industry, are certain to accelerate the requirements for trained personnel in industry. In particular, the Communists admit that the development of necessary skills is the critical factor in the establishment and expansion of such industries as chemical, telecommunications equipment, and precision machinery. During the Second Five Year Plan period the educational system will find it difficult to provide both for its own expansion and for the needs for trained personnel in industry and agriculture. Moreover, the shortage of scientific manpower will continue and scientific research and development will remain limited.

34. There will also be the problem of satisfying the increasing requirements for essential imports of machinery and other commodities. Further increases in production in almost all industries will depend upon installations of new productive capacity, much of which is to be furnished by the Soviet Bloc, but some of which will come from the West. During the period of this estimate, the Chinese Communist ability to import will be adversely affected if, as it now appears, the Soviet Union extends no further credits. It will also be adversely affected by the need to repay outstanding Soviet credits and by the extension of grants and credits to Asian Communist and non-Communist countries. Exports will therefore have to be increased even more than imports, which will be difficult in view of present problems in squeezing out agricultural goods for export. Moreover, developments within the Soviet Union and the European Satellites may have an important adverse impact on the volume of imports from the Bloc and the timing of their arrival. De-

⁵ See paragraphs 16-25, Appendix A, for a discussion of transportation.

SECRET

SECRET

8

lay or curtailment of scheduled installations as a result of stresses within the Bloc could have a seriously depressing effect upon the Chinese Communist rate of industrial growth. However, if Western trade controls were relaxed the regime's dependence on the Bloc would be reduced and its import problems eased.⁶

35. There will also be the continuing drain on resources to maintain the large military establishment, which is scheduled to account for 13 percent of the budget during the Second Five Year Plan, as against 18 percent in the First Five Year Plan. In absolute terms, the plan provides that military expenditures will remain approximately at 1956 levels. Not only does military spending reduce the funds available for other purposes, but it also competes for commodities in short supply such as steel and trucks, and takes a large share of the earnings from exports to finance military imports.

36. *Prospects.* We believe that many of the targets of the Second Five Year Plan, as it now stands, are unrealistic and cannot be achieved. It is likely that the regime, which appears to recognize this situation, will reduce some of the goals. However, despite the existence of the difficult problems discussed above, the Chinese Communists have demonstrated an ability to cope with similar problems in the past, have achieved considerable momentum, have further strengthened their control mechanism, and will probably continue to make progress.

37. Barring a series of natural disasters or the outbreak of war in the Far East, we believe that the gross national product will increase at an annual rate of six to seven percent during the period 1956-1962, as compared with an annual rate of increase of approximately seven to eight percent during the period 1952-1957. This increase will result in a total increase in GNP of 35-40 percent during the period 1958-1962 as compared with the 45 percent envisaged in the proposal for the Second Five Year Plan announced in September 1956. Agricultural output will probably increase at an average annual rate of about three percent rather than the planned rate of six percent. Since the regime will

have to compensate for the shortfall in agriculture, the Chinese people, especially the peasants, will be placed under heavy strain. However, it is not likely that the regime during the five year period will push the investment program to the extent that no increase in per capita consumption is possible, although they may do so for short periods to make up for temporary setbacks.

The Military Establishment⁷

38. The Chinese Communist regime has placed great emphasis upon maintaining and developing its armed forces as a basic aspect of national power. With Soviet assistance, it has become by far the strongest Asian military power. The ground forces of the People's Liberation Army total 2,500,000, many of whom are battle tested and most of whom are fairly well trained. The air arm, including naval aviation, is estimated to have 395 jet light bombers and 1,475 jet fighters. The naval forces include four destroyers and 13 submarines, with additional units under construction, and an estimated 315 aircraft. Of the latter, 160 are jet light bombers and 30 are jet fighters.

39. The armed forces probably will not increase their personnel strength in the next few years, but the power of these forces will grow as the ground force and the air arm are more completely equipped with improved weapons, and as the navy completes or acquires additional submarines and large patrol vessels. Communist China will remain dependent on the USSR for most major items of military equipment and a large part of its POL supplies during the period of this estimate.

II. COMMUNIST CHINA WITHIN THE COMMUNIST WORLD

40. The position of the Chinese Communists in the Communist world has been greatly enhanced as a result of developments since the

⁶ Trade controls are discussed in paragraphs 23 and 24 of Appendix A.

⁷ See Appendix B for a more complete discussion of the Chinese Communist military establishment.

SECRET

SECRET

9

death of Stalin and particularly because of the prominent role they have played in Bloc affairs in the past year. Communist China's initial reaction to Soviet criticism of Stalin was one of aloofness and noninvolvement, with Peiping taking care to point out Stalin's "strong points" as well as his "weaknesses." However, as a result of the Polish and Hungarian crises, Peiping has become increasingly involved in Eastern European affairs. It has asserted the necessity for each Communist country to develop with due regard to its own political and social backgrounds, has pointed out that no one Communist country is entitled to adopt an attitude of superiority over other Communist countries, and probably has favored a more flexible approach in Soviet relations with the Satellites. Communist China has so far not joined in Soviet criticism of the Polish press and there is some evidence of Sino-Soviet differences on Poland. On the other hand, it supported the Soviet use of force in Hungary and has insisted that the first duty of all Communist countries is loyalty to international proletarian solidarity under the leadership of the Soviet Union.

41. The tone of authority in the Chinese Communist statements and the need apparently felt by the Kremlin for Chinese support on Eastern European issues have made a deep impression on the Communist world, and have further weakened the concept that Moscow is the only authoritative interpreter of Communist ideological guidance. The actions of the Chinese Communists would appear to suggest an awareness of the need for some concessions to nationalism in the interests of Bloc solidarity.

42. The Chinese Communists, in many cases, are the channel through which Asian Communist parties receive guidance, although most of these parties probably look to the Soviet Union for leadership. The Chinese Communists exercise substantial influence in North Vietnam and North Korea. Communist China has extended a credit of \$320 million to each of these countries, continues to maintain large forces in North Korea, and is the principal supplier of military assistance for North Vietnam. Communist China is developing in-

fluence in Outer Mongolia, which until recently was an exclusive preserve of the USSR. In 1956, the Chinese Communists extended a \$40 million credit over a four year period to assist the Mongolians in the construction of light industrial facilities, and supplied a large number of technicians.

43. During the period of this estimate, Peiping will probably further increase its influence within the Communist Bloc and have an important voice in matters affecting the Bloc as a whole. However, Communist China will continue to rely on the USSR and the Communist Bloc as the chief source of the imports, aid, and technical assistance essential to its military and economic programs. In addition, Peiping will almost certainly continue to rely on Soviet military guarantees as its chief insurance against what it regards as the danger of US attack. Although it is probable that some conflicts of interest and disagreements will develop between Moscow and Peiping, it is highly unlikely that either will permit such conflicts to impair Sino-Soviet solidarity.

III. COMMUNIST CHINA'S RELATIONS WITH THE NON-COMMUNIST WORLD

44. Communist China's influence has increased markedly in the non-Communist world, and its presence is especially felt in Asia. It has formal diplomatic ties with less than one-third of the countries of the world, but these include India, Burma, Indonesia, Ceylon, and Pakistan. There is a growing pressure for normalization of relations with Communist China, especially in Japan, in Western Europe, and in the British Commonwealth. US influence has been the major factor in preventing a much greater number from recognizing Communist China and agreeing to its admission to the UN.⁸

45. Communist China has broadened its contacts, even with those countries with which it does not have diplomatic relations. It has expanded trade with many countries in the non-Communist world and has regularly participated in trade fairs. There has been a

⁸ See Appendix C: Countries recognizing Communist China.

SECRET

SECRET

10

steady increase in the exchange of official and unofficial delegations and Chinese Communists have frequently cultivated specific targets such as professional, intellectual, and religious groups and offered them free tours to mainland China.

46. In order to promote trade ties with underdeveloped countries, Communist China has in several cases selected items for trade because of their political impact. For example, despite a shortage of steel in Communist China, 37,000 tons were exported to Egypt in the first half of 1956. Other examples have been the rice-for-rubber deal with Ceylon, the Sino-Burma trade agreement, and the suggestions to Japan that large amounts of coal and iron ore would be available in exchange for machinery and steel.

47. The Chinese Communists have also used economic assistance to gain influence. The Sino-Cambodia aid agreement, which was signed in June 1956, provides for a grant-in-aid of about \$22.4 million during 1956 and 1957 in the form of technical assistance, construction materials, and merchandise. Both countries have stressed the "unconditional nature" of this aid. Under an agreement signed in October 1956, Nepal is to receive grants totaling approximately \$12.6 million over a three year period. The Lao government has not yet acted on Chinese Communist offers of assistance.

48. The Chinese Communists have demonstrated interest in developing the Asian-African Bloc as an instrument to weaken Western economic and political influence in underdeveloped areas. At the 1955 Bandung Conference Chou En-lai took a leading part and actively supported the "Bandung spirit of peaceful coexistence." This has since become one of the main slogans of Chinese Communist foreign policy, designed to convince non-Communist Asian nations of the peaceful intentions of Communist China and to facilitate an increase in Communist influence in these areas.

49. Emphasis on the "Bandung spirit of peaceful coexistence", however, has not caused the Chinese Communists to cease their efforts to gain the allegiance of Overseas Chinese com-

munities, or to abandon subversive activities in Southeast Asia. Moreover, the buildup of Chinese Communist military capabilities and occasional border incursions constitute a continuing pressure on neighboring countries.

50. Peiping is attempting to increase its influence, and eliminate that of Nationalist China, in the Overseas Chinese communities, especially those of Southeast Asia. It is attempting to obtain control of local Chinese schools, newspapers, organizations, and leaders, and is conducting a large scale propaganda campaign to revive interest in Chinese culture. In mainland China, preferential treatment has been promised to Overseas Chinese students and to relatives of Overseas Chinese. Although these efforts have resulted in some increase in Communist China's influence among Overseas Chinese, the bulk of the latter still appear to be intent on improving their positions in their resident countries, and seek to avoid involvement in the struggle for their allegiance.

51. The Chinese Communists are giving covert support to indigenous Communist groups in Asia. This policy has been followed even in the neutralist countries despite its adverse effects on Chinese Communist relations with the governments concerned. In Burma, the government is concerned over the assistance given by the Chinese Communist Embassy to the local Communists. Many Indonesians, particularly in the army and the Moslem parties, are disturbed by the ties between the Indonesian Communist Party and Peiping. The Indian government is concerned by the probability that the Chinese Communists are giving assistance to the Communists in Nepal and the possibility that the Naga tribes have received arms from Communist China.

52. The Chinese Communists have continued to increase their military capabilities in the Taiwan Strait area, although Chinese Communist propaganda speaks almost exclusively of the intention to "liberate" Taiwan by "peaceful" means. Peiping has adopted a "moderate" attitude toward the Nationalists, offering potential defectors positions in the Peiping regime corresponding to those of ex-Nationalist collaborators in Communist China.

SECRET

SECRET

11

Peiping propaganda directed toward Taiwan attempts to create the impression that the US is an unreliable ally for the National government and that the latter will inevitably collapse. Despite Peiping's seemingly conciliatory attitude toward Taiwan, the Chinese Communists continue to reject categorically any suggestions for a compromise solution to the Taiwan problem involving "two Chinas"; they equally reject suggestions for a meaningful renunciation of force in the Taiwan area.

53. The attitude of Communist China toward the US continues to be one of hostility and mistrust and its policy is directed toward destroying the US position in the Far East. Peiping portrays the US as the chief threat to peace in Asia and the world and the source of most of the problems facing the countries of Asia. Nevertheless, the Chinese Communists have made some gestures to create the impression that current Communist "peace" tactics apply also to relations with the US. These gestures, however, appear to be directed not at improving relations with the US, but at undermining US policies and creating a belief, particularly in Asia, that a shift in the US attitude toward the Chinese Communists is imminent.

The Asian Impression of Communist China

54. The Chinese Communists have been able to create the impression in much of non-Communist Asia that Communist China is a dynamic, permanent, and perhaps not unfriendly world power, which will exert a major influence on the course of events in Asia. Many Asians are impressed by the effective control which the Chinese Communists exercise over the tremendous area and population of mainland China, by the sweeping socialization of the country, by the steady and substantial increases in military capability and industrial capacity, and by the growing ability of Communist China to trade with and to extend economic assistance to other countries.

55. These achievements are of particular significance to the people and leaders in many countries of non-Communist Asia because

they too are seeking to make profound social and economic as well as political changes, and the Chinese Communist pattern appears in certain respects to offer a solution to many of their problems, which they are tempted to adopt. Many of the people and leaders in these countries are inclined to pay more attention to the apparent material progress in Communist China than to the methods by which it was attained.

56. Many Asians, in part because of their continuing distrust of Western intentions, have been impressed by Communist China's anti-colonialist propaganda and do not believe that the Chinese Communists intend to extend their control throughout Asia. Their receptivity to this propaganda is encouraged by the tendency in Asia to equate capitalism and private enterprise with colonialism. There is also a tendency among many Asians to accept the Communist charges that the US program of developing military pacts and bases is a colonialist policy which threatens the independence of Asian countries and increases the danger of war.

57. Although Communist China has been able to exploit Asian distrust of Western intentions, there is also an undercurrent of apprehension regarding Communist China's real intentions. This apprehension has been caused by Communist China's role in international Communism, particularly its connections with the support of indigenous Communist movements in individual Asian countries, and by mistrust in many Asian countries of historical Chinese expansionism. Peiping's efforts to exploit the Overseas Chinese communities in most South-east Asian countries have also created fears of its intentions, as have Communist China's activities in border areas, and its support of recent Soviet repression in Hungary.

58. Asians realize that Communist China is now the strongest Asian military power, and that they are dependent upon the US for defense against a possible Communist attack. Because of their dislike of such dependence and their concern as to the effectiveness of US action in their defense, many prominent Asians, especially in South and Southeast countries, have come to believe that they

SECRET

SECRET

12

should show discretion in some form of neutralism or at least a willingness to be friendly and to reciprocate Chinese Communist overtures, and finally, that if a trend toward Communist success should develop, they should not be the last to attempt some form of political accommodation. Many Asian leaders seem to have confidence that, even though they increase their political and economic contacts with Communist China, they will be able to resist attempts to encroach upon their political independence. These factors exist to some extent even in many of the countries aligned with the US. At the same time, even in non-aligned neutralist countries there is a widespread, though seldom publicly voiced, recognition of the importance of the US in restraining Communist China from overt aggression.

IV. PROBABLE CHINESE COMMUNIST EXTERNAL COURSES OF ACTION

59. The Chinese Communists, in their approach to international problems, will probably endeavor to appear conciliatory and flexible, but joint Sino-Soviet policy will in fact permit no major concessions to the West on basic issues such as Taiwan or the status of North Korea and North Vietnam. Communist China will continue to encourage the neutralist, anticolonialist, and nationalist sentiments in Asia and will continue its efforts to discredit US actions and motives and to seek a reduction in Western influence and military power in Asia. It will encourage wherever possible the formation of governments in which the Communist influence could be expanded. Communist China will almost certainly increase its official and unofficial contacts with the governments and people in non-Communist Asia, and will probably continue to increase trade with non-Communist countries, especially with Japan and other Asian countries. Peiping will also probably offer economic assistance to selected non-Communist countries and will propagandize the "nonpolitical" nature of such assistance. Peiping will continue its attempts to acquire influence over, and the support and allegiance of, the Chinese residing in non-Communist Asia. Peiping will continue to seek admission to the UN.

60. Despite a "soft" policy toward its Asian neighbors, Communist China will continue its subversive efforts, will probably apply pressure on a selective basis to remind the Asians of its power, and will take advantage of opportunities for Communist expansion, possibly including the extension of support to armed revolts against non-Communist governments. During the period of this estimate, Peiping will probably try to avoid courses of action which it believes would provoke US military intervention. However, the possibility cannot be excluded that the Chinese Communists will step up military action against the offshore islands, or will attempt to seize one of the smaller islands, to test US intentions and to increase external pressure on the US to bring about a Nationalist evacuation of these islands. If the Chinese Communists became convinced that the US would not assist in the defense of these islands with its own forces, they probably would attempt to seize them. Should the Communist regimes in North Vietnam or North Korea be subject to external attack the Chinese Communists would almost certainly give material support to the Communist regimes in these countries and would if necessary commit "volunteer" units to avoid a defeat. However, the Chinese Communists would probably seek to limit the area of conflict and to obtain a cease fire.

61. *The US.* Communist China recognizes that the US is the chief obstacle to its ambitions in Asia. Its efforts will almost certainly continue to be centered on neutralizing sources of US support, isolating the US from its allies, and, ultimately, destroying the US position in Asia. However, in its "peace" strategy, Peiping may make conciliatory gestures relating to peripheral questions in an effort to create the impression of reasonableness. Peiping will almost certainly continue to press for a meeting with the US at the foreign ministers' level, and will exploit opportunities for other contacts that may present themselves.

62. *Taiwan.* Peiping remains determined to obtain control of Taiwan. However, the Peiping regime apparently recognizes that its military forces will not be able to seize Tai-

SECRET

SECRET

13

wan against US military opposition. In consequence, Peiping is attempting to reduce morale on Taiwan, in the hope that Nationalist leaders may ultimately be induced to negotiate with Peiping over Taiwan's assimilation into Communist China. A major objective in any conference with the US would be to induce the removal of US military protection from Taiwan. The Chinese Communists will continue to improve their military capabilities in the area opposite Taiwan and the offshore islands, but they will almost certainly not attempt to seize Taiwan by force so long as the US is committed to its defense. (See paragraph 60.)

63. *Korea.* The Chinese Communists, in common with the USSR, hope to secure a withdrawal of UN forces from Korea and eventually to eliminate the ROK. As a means of putting pressure on the US to withdraw its troops, there may be additional withdrawals of Chinese Communist forces, but they will almost certainly maintain adequate forces in Manchuria to permit immediate reintervention. The Communists will almost certainly refuse any settlement in Korea which endangers Communist control of North Korea.

64. *Japan.* Communist China in conjunction with the Soviet Union will continue to seek to neutralize Japan and prevent its re-emergence as a major military and political power in Asia. It will attempt to weaken Japan's links with the US by exploiting US-Japanese policy differences. The Chinese Communists will seek to increase the tolerance for Communism among the Socialists and other groups. They will probably also offer trade inducements, seeking both to increase Sino-Japanese trade and to induce Japan to break the CHINCOM embargoes. Communist China will also seek to increase significantly cultural and other semiofficial contacts with Japan, anticipating the establishment of formal diplomatic relations. These policies will contribute to the weakening of Japan's willingness to support US policy toward Communist China.

65. *Vietnam, Laos, and Cambodia.* Peiping will continue to support the Vietnamese Communists in their efforts to extend Communist control to South Vietnam and will probably

act in concert with Hanoi to expand Communist influence in Cambodia and Laos. Through pressure, subversion, and overt propaganda the two Communist regimes will attempt to discredit and undermine the authority of the Diem government. The Chinese Communists probably will not encourage North Vietnam to initiate open hostilities against Diem, but might encourage Hanoi to initiate guerrilla activities. In the event a weak government came to power in South Vietnam, Peiping might adopt a conciliatory approach in order to encourage a neutralist development. Toward Cambodia and Laos, the Chinese Communists will continue their gestures of friendship and goodwill and will probably not engage in overt hostile propaganda, at least so long as the authorities in these two governments reciprocate. Communist China will probably expand its relations with both countries and formal diplomatic relations are likely to be established.

66. *Pakistan, Thailand, and the Philippines.* Although Chinese Communist efforts have thus far concentrated on the uncommitted nations, the coming years are likely to see greater emphasis on the states allied with the West, including Pakistan, Thailand, and the Philippines as the Asian members of SEATO. Peiping will seek to exploit growing sentiment for trade with the mainland, will encourage "informal" contacts as an entering wedge, and will attempt to exacerbate political disputes within these countries over national policies concerning relations with the West.

67. *Indonesia.* The Chinese Communists probably estimate that the capabilities of the Indonesian Communist Party, the strongest indigenous Communist Party in non-Communist Asia, will continue to be maximized if they themselves maintain a friendly attitude toward the Indonesian government. The Chinese Communists will continue to give covert support to the Indonesian Communists.

68. *Malaya and Singapore.* Peiping will probably continue to encourage Malayan Communists to work for popular front governments, to extend control over Chinese youth and the labor movement, and, at the same time to

SECRET

SECRET

14

maintain in being their guerrilla organization. Following the achievement of independence in Malaya (expected in August 1957) and self-government in Singapore, Peiping will seek to obtain recognition by these governments and will try to promote greater Chinese political influence in relation to the Malay population.

69. *India.* Although Communist China will seek eventually to supplant Indian influence in Asia, it will probably continue, at least for the next few years, to strengthen friendly relations with India and to encourage India's efforts to bolster a neutralist sentiment throughout Asia and the Middle East. But this general approach will probably not cause the Chinese Communists to cease their efforts to increase their influence in the Indo-Tibetan border area.

70. *Burma.* Peiping will continue its efforts to woo the Burmese government while at the same time encouraging the Communist elements in the country. Communist China will probably be willing to agree to a settlement of the boundary dispute on terms that appear conciliatory but is unlikely to cease its sub-

versive activities among the ethnic minorities in the border region.

71. *Hong Kong and Macao.* Communist China is committed to the ultimate incorporation of Hong Kong and Macao in its territory although this has not been stated as explicitly as in the case of Taiwan. However, for the period of this estimate the Chinese Communists will probably not attempt to seize these colonies by force. Non-Communist Hong Kong and Macao have a certain utility to Peiping as points of contact with the West; furthermore, Peiping probably believes that an attack on Hong Kong at least would involve hostilities with the UK and possibly with the US as well. Nevertheless, during the period of this estimate, Communist China will attempt to exploit frictions which arise over Hong Kong and Macao. Peiping will almost certainly continue unabated its campaign through outright subversion and "peaceful penetration" to increase its political and economic influence in Hong Kong and Macao, to reduce the effectiveness of these areas as Western listening posts, and to undermine the resolve of the UK and Portugal to maintain their positions.

SECRET

SECRET

15

APPENDIX A

THE ECONOMY OF COMMUNIST CHINA¹**Industry**

1. The regime during the First Five Year Plan has concentrated its investment on heavy industry, especially machine building, metallurgy, power, and armaments. As a result, industrial production (excluding individual handicraft) has expanded at an average annual rate of about 17 percent while the output of heavy industry has attained a rate of increase of about 20 percent. (See Table A I.) Although the regime has announced a policy of decentralizing industry, investment in industry in the First Five Year Plan has not altered the basic concentration of production in the established industrial areas of Manchuria, North China, and Shanghai.

2. *Engineering Industries.* Communist China is seeking to develop engineering industries which will ultimately be capable of producing its own requirements of machinery, equipment, and armaments. The engineering industries have become self-sufficient in the production of textile machinery, and are increasing the volume of the production of some types of machine tools (after Soviet Bloc prototypes), agricultural equipment, and transportation equipment. (See Table A II.) In September 1956 the Communists announced the assembly (probably at Mukden North Airfield)

¹The analysis in this appendix is based on estimates which are largely dependent on Chinese Communist statistics. Although Chinese Communist statistics often cannot be confirmed by independent sources, careful examination and comparison with independent data that are available strongly suggest that these figures constitute the basic economic data available to the regime and that in most instances there appears to have been no motive to inflate these data. Where inaccuracies exist, they appear, for the most part, to be the result of ambiguous definitions of the data, deficiencies and inexperience in data collection, provisional reporting, pressure to report fulfillment of plans, and incomplete and selective reporting of the data to support certain policy points of view.

of a jet aircraft, but they almost certainly used Soviet components. We believe their ability to produce aircraft and their components will probably increase markedly during the period of this estimate. The Chinese Communists still must depend largely on imports for chemical and refining equipment and for electronics machinery, although the completion of the telecommunications production center near Peiping in late 1958 will enable them to produce a sizable quantity of electronics components and some of the more complicated electronics and telecommunications equipment. Although the armaments industry is advancing along with general industrial development, production capacity has not been established for most heavy military end-items.

3. *Metallurgy.* The Chinese Communists are making rapid progress in expanding their steel production and are estimated to have raised steel ingot output from 1.35 million tons in 1952 to 4.5 million tons in 1956. However, in 1956 they still had to import 15-20 percent of their total supply of steel products. Steel production continues to be hampered by low quality coking coal and iron ore, and by a deficiency of the alloying elements, chromium and nickel. While there has been some progress in the production of other metals, there is a continuing deficiency in the production of copper and aluminum.

4. *Electric Power and Coal.* Although electric power production has been increasing at an average rate of 20 percent annually since 1952, it has not quite kept pace with industrial demand. Coal production, despite announced shortages, generally has been adequate to meet essential domestic demand and even to allow for limited exports.

5. *Petroleum.* The production of petroleum and petroleum products in 1956 equalled about one-third of domestic consumption, and sizable imports of crude oil and refined products

SECRET

SECRET

16

TABLE A I
ESTIMATED CHINESE COMMUNIST ECONOMIC GROWTH*
(Billion Yuan)

	1952	1953	1954	1955	1956	1957	Indicated Annual Average Rate of Increase During 1953-57
GNP (at 1955 factor prices)	67.5	73.8	79.2	84.1	91.5	97.0	
Annual Increase (in percent)	—	9.3	7.3	6.2	8.8	6.0	7.5
Agricultural Production	32.4	32.2	32.0	34.8	35.8	36.9	
Annual Increase (in percent)	—	-0.6	-0.6	8.8	2.9	3.1	2.6
Industrial Production (excluding individual handicraft)	8.2	10.3	12.4	13.4	15.8	17.6	
Annual Increase (in percent)	—	25.6	20.4	8.1	17.9	11.4	16.5
Light Industry Production	3.9	4.5	5.4	5.4	6.1	6.7	
Annual Increase (in percent)	—	15.0	20.0	—	13.0	9.8	11.5
Heavy Industry Production	4.3	5.8	7.0	8.0	9.7	10.9	
Annual Increase (in percent)	—	34.9	20.7	14.3	21.3	12.4	20.5

*The values given are for estimated income originating in 1955 prices. The figures differ from gross value figures given in Communist reports in that the figures in the table exclude indirect taxes and the costs of raw materials and fuel to avoid double counting. The indices also differ because they are based on physical production estimates for specific commodities including the production estimates given in Tables A II and A III.

SECRET

SECRET

17

TABLE A II

INDUSTRIAL OUTPUT — COMMUNIST CHINA
(Estimated for 1952-1957 and Chinese Communist goals for 1962)

NOTE: The figures in this table should be used with caution (see footnote on page 1 of this Appendix). The estimates are subject to varying margins of error, some of which might be considerable. The estimated production of industrial products projected for 1957 depends upon construction or improvement of capacity, the assimilation of advanced techniques by the Chinese Communists, and continued importation of capital goods from the West and the Bloc at approximately present levels. The figures for 1952 are the mid-points in the ranges given by the Chinese Communists in their Second Five Year Plan. We believe the investment plan needed to attain these goals is not feasible. The Chinese Communists apparently recognize this situation and there are indications that they are presently revising their program which will probably result in a downward revision of a number of the goals.

	Unit	1952	1955	1956 (Pre- lim.)	1957 (Pro- jected)	1957 over 1952	Per- centage in- crease	Per- centage in- crease
							1962 (Chinese Communist goals)	1962 over 1957
Electric Power	Billion KWH	7.26	12.278	15.30	18.0	148	41.5	131
Coal	Million MT	64	94	105	117	83	200	71
Crude Oil	1,000 MT	430	966	1,200	1,600	272	5,500	244
Gasoline	1,000 MT	130	240 ^a	220	310	138	1,200	287
Pig Iron	1,000 MT	1,870	3,630	4,630	5,375	187	9,500	77
Steel Ingots	1,000 MT	1,350	2,853	4,516	5,400	300	11,200	107
Coke	1,000 MT	2,860	5,200	5,900	6,685	134	10,000	50
Iron Ore	1,000 MT	4,058	10,583	12,745	14,918	268	23,400	57
Tungsten (concentrate 68% WO ₃)	1,000 MT	15.8	20.5	22.1	23.7	50	na	-
Manganese Ore (+35% Mn)	1,000 MT	123.8	196.0	280.0	310.0	150	620.0	100
Copper (refined)	1,000 MT	8.0	12.9	13.2	13.6	70	na	-
Tin	1,000 MT	9.8	16.0	16.0	16.0	63	na	-
Lead	1,000 MT	7.0	22.5	22.8	23.1	230	na	-
Zinc	1,000 MT	3.5	7.9	8.3	11.0	214	na	-
Aluminum	1,000 MT	0	10	12	20	-	110	450
Chemical Fertilizers	1,000 MT	194	371	472	578	204	3,100	436
Cement	1,000 MT	2,861	4,502	6,400	7,700	169	13,500	-
Machine Tools	1,000 Units	13.7	13.7	27	29	112	62.5	116
Locomotives (new & rebuilt)	Units	20	98	184	200	-	na	-
Freight cars (new & rebuilt)	Units	5,792	18,800-19,900 ^b	6,400	6,500	12	na	-
Trucks	1,000 Units	0	0	1	4	-	45	-
Tractors	1,000 Units	0	0	0	0.15	-	20.5	-
Motor Vehicle Tires	1,000 Units	417	593	675	760	82	na	-
Naval Vessels	1,000 SDT	2	10	14	19	850	43	126
Merchant Vessels	1,000 GRT	9	8	10	11	22	16	45
Inland Vessels								
Self-propelled	1,000 HP	8	9	16	23	188	58	152
Non self-propelled	1,000 DWT	14	26	33	40	186	76	90
Turbines (steam & hydraulic)	1,000 KW	6.7	90	164	189	-	1,450	667
Electric Motors	1,000 KW	639	524	1,048	1,153	80	na	-
Electric Generators	1,000 KW	30	108	281	331	-	na	-
Cotton Yarn	1,000 MT	656	720	929	1,016	55	1,540	52
Paper (machine-made)	1,000 MT	372	589	707	800	115	1,550	94

^a Includes imported crude through 1955.

^b This is the estimated production for three years 1953-1955.

SECRET

SECRET

18

continue to be necessary. The quality and variety of petroleum products have been improved and a relatively complete line is now produced. The major exceptions are aircraft fuels and high grade lubricants, which in 1955 constituted about one-fourth of the total imports of POL. Deficiencies in refined products will be partially corrected when the Lanchou refinery comes into production, probably in 1958, and when the Yumen refinery begins production of the high quality lubricants which it has been testing. Plans were announced in September 1956 to increase annual crude oil production (natural and synthetic) from the 1956 level of about 1.2 million tons to about five or six million tons by 1962. Much of this increase depends on higher production in the Yumen fields, and exploitation of newly discovered, but incompletely proven, fields in the Tsaidam and Dzungaria Basins. Even with substantial attainment of the 1962 targets, it is probable that Communist China by 1962 will still have to import substantial quantities of aviation fuels and high grade lubricants.

6. *Other Industry.* The chemical industry has not been developed significantly, and over two-thirds of the very modest state investment in this field has probably been for fertilizer. Chemical fertilizer output probably will be increased significantly in the next few years though large imports will still be required. The cement industry, despite remarkable advances since 1949, was not able to meet the high domestic demand in 1956 in part because of exports to the USSR. The Chinese Communists have announced plans to double the 1956 output by 1962.

7. The growth of light industry has been and will continue to be limited by a low investment priority and by shortages of agricultural raw materials. However, the Chinese Communists probably over-fulfilled their 1956 goals in the cotton textile industry, which accounts for about one-third of the total value of light industry. Chinese light industry is generally plagued with the problem of poor quality. This results from the absence of effective quality controls and from the pressure to stretch raw materials and to increase output per worker.

Agriculture

8. Agricultural production has expanded at an annual average rate of nearly three percent during the period 1952-1956. (See Table A III.) Output per unit of land has been increased, primarily through greater use of fertilizers and increased irrigation. Some additional land has also been brought under cultivation.

9. The expansion of major crops does not appear to have been hindered by the wholesale collectivization of agriculture in 1955-1956, although the output of other farm products has apparently been adversely affected. Farmers have traditionally produced such items as tung oil, tea, silk, hogs, and other commodities as a supplementary activity. But the winter construction programs and other duties assigned by the newly organized collectives reduced the time available for, and the incentive to engage in, such activity.

Transportation

10. Communist China's transportation system relies heavily on railroads, which presently carry the bulk of total inland traffic and the major share of trade with the USSR.² There is an extensive inland waterway system operating primarily in Central China. There is important coastal traffic from Shanghai north, a substantial share of which is carried by the Chinese merchant marine. The road system is generally poor, although increasing emphasis is being placed on road improvement and on the construction of strategic roads. Communist China is entirely dependent on foreign vessels for ocean shipping, which in 1955 carried over 50 percent of

² The Chinese Communists have announced that the railroads originated 193.4 million tons of freight in 1955, or about 10 percent less than the plan goal. We believe that the actual tonnage originated may have been less than the announced figure.*

*The Deputy Director for Intelligence, The Joint Staff, does not agree with the above footnote which could be read to imply that the difference between the actual tonnage initiated and the Chinese Communist announced figure may be slight. He believes that there is insufficient evidence to judge the degree of error involved.

SECRET

SECRET

19

TABLE A III

ESTIMATED AGRICULTURAL OUTPUT^a
COMMUNIST CHINA, 1952-1957, 1962

	Unit	1952	1953	1954	1955	1956	1957	Percent Average Annual Increase 1952- 1957	Percent Average Annual Increase 1957- 1962	
Food Grains	Million MT	163	166	164	180	183	187	2.7	217	3.0
Rice	Million MT	68	70	66	74	78	80	3.3	95	3.5
Wheat	Million MT	18	18	23	23	22	23	5.1	26	2.5
Other Grains	Million MT	52	51	49	55	54	53	0.4	60	2.5
Tubers (grain equiv.) ^b	Million MT	16	17	17	19	20	20	4.5	24	3.7
Soybeans	Million MT	9.5	10	9	9	9	11	3.0	12	1.7
Meat	1,000 MT	5,513	5,665	5,819	5,523	5,525	5,820	1.1	6,870	3.4
Fish	1,000 MT	1,633	1,900	2,295	2,520	2,650	2,810	11.5	4,830	11.5
Sugar (raw value)	1,000 MT	630	640	10	840	950	1,060	10.7	2,000	13.5
Edible Vegetable Oils	1,000 MT	1,133	1,070	1,263	1,364	1,434	1,625	7.5	2,700	10.7
Peanuts	1,000 MT	2,316	2,127	2,767	2,926	3,372	3,473	8.5	4,026	3.0
Cotton (ginned basis)	1,000 MT	1,305	1,175	1,065	1,518	1,463	1,650	4.8	2,400	7.8
Tobacco	1,000 MT	222	213	232	298	331	373	11.0	600	10.0

^a Estimates of physical production in the agricultural sector are subject to serious limitations in statistical reporting and coverage. Agricultural output data seem to show a substantial upward bias believed to reflect in part increased statistical coverage as local reporting is improved and in part the unreliable sampling procedures on which the crop reporting is based. The tonnages involved are very large and changes in total production are small in relation to the level of production. The estimated trends in physical production for the basic food crops are based primarily on increases in cultivated land, land under irrigation, and capabilities of fertilizer. Production trends are considered somewhat more reliable than the level of production in any one year.

^b Equated to grain at a 4:1 ratio.

SECRET

SECRET

20

its total foreign trade. (See Table A V.) The civil air fleet plays a very limited role. The telecommunications net is poorly developed.

11. *Railroads.* The railroad network (see map at the end of the estimate) is largely concentrated in the east and northeast where it connects important industrial and population centers. Traffic consists largely of the movement of a few bulk commodities from a relatively small number of places of origin to a few principal destinations. Transport of coal, the most important single item shipped, makes up more than one-third of the total rail traffic, while agricultural products and construction materials each make up about one-fifth.

12. The railroads received some 13 percent of total state investment during the period 1953-1957. About one-half of this was allocated to the construction of additional lines, about 3,000 miles of which have been completed, principally in western areas. The opening of the Trans-Mongolian link with the Trans-Siberian railroad in January 1956, the construction of the line westward from Lanchou, via Yumen and Urumchi to connect with the Soviet system near Aktogay, and the completion of the projected line into the Tsaidam (oil) basin, all will have an important impact on the opening of new areas in the west and will facilitate trade with the USSR. Work is also underway on sections of track which will provide an additional north-south trunk line parallel to, and west of, the Peiping-Hankow-Canton line. This line will pass through Pao-tou, Lanchou, Chengtu, Chungking, and Kunming, and will ultimately provide a Chinese inner belt line linking North Vietnam and the Soviet Union. Other new lines such as the Litang-Fort Bayard line and the recently completed Yingtang-Amoy line have greatly increased Chinese Communist military logistic capabilities in these strategic areas.

13. The other half of the total investment in railroads was devoted to improving the physical plant and equipment of existing rail lines. The program included the construction and restoration of double tracking, the development of yard facilities, the installation of communications equipment, a sizable in-

crease in the rolling stock inventory of higher capacity freight cars, and the adoption of a new central system of administration.

14. Despite the increased capacities and intensive utilization of facilities and equipment, there have been indications since 1954 that the development of rail facilities has not kept pace with the increase in the volume of traffic. In 1956 as a result of the sharp increase in demand arising out of the rapid acceleration in industrial development, the inadequacy of line capacities became a major transport problem. In particular, during the past year there have been increased references to the general lack of adequate transportation and to congestion, particularly on key sections of such rail lines as the Peiping-Hankow, the Lung hai, and the Shihmen-Taiyuan railways, and at important border transloading points.

15. We believe that the railroads, though overstrained, have met most of the requirements of the economy. However, railroad capacity will be an increasingly critical factor as the economy shifts from a decentralized agricultural economy to an increasingly industrialized economy. To deal with this problem the regime will have to increase its investment in rail transportation, particularly in expanding the capacities of existing lines.

16. *Shipping.* The small merchant marine, estimated at 112 ships of over 1,000 gross registered tons (GRT) (287,300 dead weight tonnage (DWT)), is restricted to coastal runs from Shanghai north except for a small export trade to North Vietnam. It, however, shares control with Poland over the services provided by Polish vessels on the China run.

17. There was an increase of almost 20 percent in the gross registered tonnage of the ships arriving in Communist China in 1955.³ (See Table A IV.) Communist China continued to be heavily dependent on non-Bloc shipping, much of it chartered, which accounted for 81 percent of the tonnage of all 1955 arrivals. Moreover, non-Bloc shipyards render important shipbuilding and repair

³ Incomplete data indicate an even greater increase in tonnage arriving in 1956, with non-Bloc shipping increasing by about 26 percent.

SECRET

SECRET

21

TABLE A IV
SHIP ARRIVALS IN COMMUNIST CHINA

Non-Bloc Ship Arrivals in Chinese Ports	1954		1955		Percentage Change in GRT. over 1954	1956 (preliminary)		Percentage Change in GRT. over 1955
	No.	Thousand GRT.	No.	Thousand GRT.		No.	Thousand GRT.	
<u>Flag</u>								
British	518	2,056	524	2,276	10%	532	2,630	16%
Japanese	97	504	196	748	48%	278	1,159	55%
Norwegian	80	323	54	234	-27%	81	316	26%
Danish	35	181	34	174	-4%	32	185	6%
Swedish	32	181	26	156	-14%	41	233	33%
Italian	23	151	16	94	-38%	9	60	-36%
French	14	105	10	74	-30%	16	96	30%
Dutch	17	120	56	329	174%	57	304	-8%
Finnish	18	89	19	95	7%	20	99	4%
Panamanian	4	28	-	-	-	-	-	-
German	4	20	8	64	220%	35	270	311%
Pakistanian	2	14	6	41	193%	3	21	-45%
Indian	2	12	3	20	67%	1	7	-65%
Moroccan	1	7	-	-	-	-	-	-
Turkish	-	-	4	17	-	2	7	-59%
Egyptian	-	-	2	15	-	5	28	87%
South African	-	-	2	14	-	6	45	220%
Burmese	-	-	1	6	-	1	6	-
Lebanese	-	-	1	2	-	1	7	250%
	<u>846</u>	<u>3,791</u>	<u>962</u>	<u>4,359</u>	<u>15%</u>	<u>1,120</u>	<u>5,473</u>	<u>26%</u>
<u>Bloc Ship Arrivals in Chinese Ports</u>								
		1954		1955	Percentage			
	No.	Thousand	No.	Thousand	Rise in			
		GRT.		GRT.	GRT.			
USSR	113	535	132	653	22%			
Poland	41	253	55	355	40%			
Czechoslovakia	4	22	8	46	110%			
	<u>158</u>	<u>810</u>	<u>195</u>	<u>1,054</u>	<u>30%</u>			

SECRET

SECRET

22

services to the Bloc merchant marine engaged in the China trade. Without the benefit of Free World shipping and shipping services, Sino-Soviet transportation and distribution facilities, already heavily committed, would face increasing difficulties.

18. About one-half of the total GRT of non-Bloc arrivals were ships trading between Hong Kong or Japan and the China mainland. Ships beginning their voyages from non-Bloc ports in Europe accounted for another one-third of non-Bloc arrivals. Most of the remainder of non-Bloc arrivals originated in Eastern European or South Asian ports. Voyages of Soviet Bloc shipping engaged in trade with China originated largely from Bloc ports, especially Poland and the Soviet Far East. In 1955 there was a sharp increase in the number of Bloc tankers from Europe which unloaded POL in the Soviet Far East before proceeding in ballast to Communist China to pick up return cargoes. As a result, 59 percent of Bloc ships arriving in Communist China came from the Soviet Far East, but only 39 percent of Bloc ships leaving Communist China went to that area.

19. A number of ships under non-Bloc flags were engaged intermittently in domestic coastal trade for the Chinese Communists in 1955 and contributed a valuable service not reflected in arrival figures. Bloc ships generally do not engage in coastal shipping.

Foreign Trade

20. Programs to industrialize the economy and to increase the military capabilities continue to be highly dependent on imports of machinery and of military equipment. To meet these requirements, the regime has progressively increased its exports of agricultural products (which account for four-fifths of total exports) and of industrial raw materials including minerals. By 1955, Communist China's total foreign trade was estimated to be about \$4.5 billion, 30 percent above 1954 and about 250 percent above 1950. (See Table A V.) About 80 percent of Communist China's trade was with the Bloc, with imports of about \$2 billion and exports of about \$1.5 billion. The import surplus was probably covered in

large part by loans from the USSR covering both economic and military equipment. Communist China exported about \$450 million to the non-Communist countries and imported about \$420 million from those countries. Communist China's ability to export will be hampered by increasing domestic demands for agricultural products, the poor quality of processed goods, and a fall-off in the production of subsidiary farm products.

TABLE A V
THE FOREIGN TRADE OF COMMUNIST CHINA
IN 1955

<u>Imports</u>				Value of Trade (Million US \$)
	Volume of Trade (Thousands of Metric Tons)			
	<u>Seaborne</u>	<u>Overland</u>	<u>Total</u>	
Non-Bloc	1,552	negligible	1,552	420
Bloc	452	2,240	2,692	2,065
Total	2,004	2,240	4,244	2,485
<u>Exports</u>				Value of Trade (Million US \$)
	Volume of Trade (Thousands of Metric Tons)			
	<u>Seaborne</u>	<u>Overland</u>	<u>Total</u>	
Non-Bloc	2,675	133	2,808	455
Bloc	1,910	4,165	6,075	1,545
Total	4,585	4,298	8,883	2,000

21. About two-thirds of the value of imports from the Soviet Bloc in 1955 consisted of machinery, equipment, and essential supplies such as POL, nonferrous metals, fertilizers, and other chemicals, and the bulk of the remainder was probably military equipment including the transfer of Soviet military equipment and facilities in China. Imports from non-Communist countries were textile raw materials (29 percent), drugs and chemicals (26 percent), metals and machinery (18 percent), rubber (7 percent), and miscellaneous items (20 percent), mainly foodstuffs, coconut oil, and paper.

22. Preliminary data indicate that Communist China's trade in 1956 was about \$4.3 billion. Compared to 1955, trade with the Soviet Bloc appeared to have declined by roughly 10 percent. However, if the value of Soviet military goods and installations located in

SECRET

SECRET

23

Communist China, transferred to that country in 1955, is excluded from the 1955 figures, trade in 1956 with the Bloc probably increased slightly.

23. Preliminary reports indicate that trade with non-Bloc countries in 1956 was considerably above the corresponding 1955 level. Imports under the CHINCOM "exceptions procedures" increased sharply during 1956. The amounts licensed for shipment were approximately \$70 million, as compared with a total of about \$15 million for the four year period 1952-1955. If goods licensed in 1956 were delivered, they would represent about 16 percent of total imports from non-Bloc countries. Two categories, iron and steel products and motor vehicles and equipment, accounted for over half of the exceptions shipments. Other significant categories were tinplate, excavators and cranes, metal-working machinery, and power equipment. The principal exporters were the UK, West Germany, France, Italy, and Japan.

24. The maintenance of effective multilateral trade controls would continue to hamper Chinese Communist economic and military development by complicating import problems, increasing costs, and reducing flexibility. Furthermore, present unilateral US financial controls will continue to deny to the Chinese Communists remittances as well as a significant former export market. Although increased trade with the Free World would almost certainly develop if CHINCOM controls were relaxed to the level presently maintained with the European Bloc, such increases would probably not constitute a substantial reorientation of Chinese Communist trade. We believe that such a relaxation of controls could increase Communist China's annual import capabilities and would increase its flexibility in planning, procurement, and shipment. However, Communist China's basic foreign and domestic policies would probably not be significantly changed in either case.

25. The Suez closure is having an adverse effect on Communist China's seaborne foreign trade. Cargo shipments have been curtailed, although alternative, costly rail facilities are being used for the most important items. Of

total trade, over 40 percent by volume is normally carried through the Suez canal. If the canal should remain closed for a prolonged period, the Chinese Communists would suffer from delays, dislocation, and increased costs for many of their imports. Moreover, they would be faced with a difficult problem in storing agricultural products, the export of which would almost certainly be delayed. Potentially the most serious impact upon the Chinese Communists would develop if non-Bloc vessels (which in 1955 provided 81 percent of tonnage arrivals in Communist China) were diverted to other trade.

Science and Technology

26. Communist China is severely handicapped in the economic sphere by its extremely limited research and development capability, by a severe shortage of scientific and technical manpower, and by the poor quality of training. It plans, during the next 12 years, to increase the number of experienced technical and professional personnel from the current 100,000 to about one million, particularly in such fields as engineering, agriculture, medicine, and education. These plans provide during 1958-1962 for the graduation of about 40,000 annually in engineering and physical science, or numerically slightly more than those graduated in this field in the US in 1955. However, a large proportion of these graduates must be retained as teaching personnel. We estimate that shortages of skilled personnel available to industry will become particularly acute during the Second Five Year Plan.

Population

27. The population of Communist China was recorded at 583 million in the 1953 census and the regime officially estimated it at 603 million in 1955, showing an indicated rate of increase of 1.75 percent per annum. Communist spokesmen have recently claimed a 2.2 percent natural rate of increase during 1955-1956. At that rate the population in 1962 would total over 700 million. Such a rate of growth would impose a considerable burden on the economy. Within the past year the

SECRET

SECRET

24

Communists have shown increasing concern about their population problem. A directive promoting birth control has been issued and articles have appeared recommending later marriage. It appears probable that the regime will step up its campaign to control the growth of population; however, the outcome of any such campaign is uncertain. The Communist planners have stated that six to seven million jobs in industry will be created during

the Second Five Year Plan. It follows that, if the ranks of the unemployed are not to be increased, the majority of the entrants into the labor force over the next five years will have to be absorbed by the agricultural sector, which is characterized by slowly rising output, or in other nonindustrial pursuits where productivity is low. In any event, the rising population is likely to operate as a brake on any projected rise in per capita consumption.

SECRET

SECRET

25

APPENDIX B

THE CHINESE COMMUNIST MILITARY ESTABLISHMENT

Ground Forces

1. Total Chinese Communist ground forces are estimated at 2,500,000 men, of whom 1,800,000 are organized in 36 armies and supporting units. This primary combat force includes 114 infantry divisions, 3 armored divisions, 1 and possibly as many as 3 parachute divisions, 3 cavalry divisions, and 22 artillery divisions. Most armies have about 50,000 men and most infantry divisions have about 15,000 men. (TOE strengths are about 60,000 and 19,000 respectively.) Infantry division organization includes an artillery regiment with 24 field pieces and 12 heavy mortars, an AA battalion of 12 light AA guns, and a tank regiment of 800 men and 36 medium tanks. At present only 15 to 20 percent of the infantry divisions are believed to have tank regiments. An anti-tank battalion with 12 x 45/57mm AT guns has been reported as organic to 9 infantry divisions. An armored division includes about 6,000 men, 80 medium tanks, 10 heavy tanks, and 8 self-propelled guns. Parachute divisions are estimated at 7,000 men. The breakdown of the 22 artillery divisions and their TOE equipment is as follows: 12 field artillery divisions, each armed with 108 pieces of calibers up to 152mm, 2 rocket launcher divisions armed with 72 x 132mm multiple rocket launchers each, 3 antitank divisions each armed with 72 antitank guns, and 5 anti-aircraft divisions armed with 108 light and medium guns each. Most ground force units are estimated to have about 85 percent of TOE.

2. About 25 percent of the total strength of the ground forces is stationed in Manchuria and North Korea. Another 25 percent is in the triangle bounded by Shanghai, Hankow, Canton, and the southeast coast, and about 14 percent is retained in North China in the provinces of Shantung, Hopei and Shansi. Part of the remainder of the force is in positions of coastal defense in the areas north of

Shanghai and southwest of Canton, and the balance is disposed in central, western, and northwestern China as a general reserve and border security force.

3. Morale in the ground forces is good, because of preferential treatment afforded members of the armed services and because the Chinese Communist soldiers are developing a sense of pride in their army and their country. A fixed annual training cycle is developing which begins with basic training for recruits in the spring and appears to progress to regimental and divisional size maneuvers by the following winter. A service school system for officers and noncommissioned officers is also operative, and higher level staff colleges have been established. To supplement indigenous training, numbers of both junior and senior officers are sent to appropriate level military schools in the Soviet Union.

4. The Chinese Communist ground forces are making efforts to create a better balanced force through an increase in the proportion of support units to infantry units, and are considering a shift in tactical doctrine to meet problems posed by nuclear warfare. A number of atomic warfare exercises have been held which have emphasized the employment of individual protective measures similar to those of the Soviet Army and which probably foreshadow some change in Chinese Communist ground combat tactical doctrines involving the abandonment of concentration and mass attack in favor of greater mobility and dispersion.

5. The Military Service Law of 1955 requires a three year term of service in the ground force, and provides for a reserve made up, in part, of conscripts who have completed their three years' service. This will add an estimated 800,000 men annually to the trained reserve, and will in any year after 1958 result in a reserve of up to 2,400,000 men who have undergone active military service within the

SECRET

SECRET

26

three previous years. The quality of personnel available for service in both the active and reserve components has been improved by the institution of reserve training in high schools and universities. Other preservice training is carried on in the National Defense Athletic Club and the New Democratic Youth League, which have extensive military sports training programs for civilians.

6. The bulk of the heavy equipment for the Chinese Communist ground force, especially armored vehicles, artillery, and complex electronic equipment, is being supplied by the USSR. The Chinese Communists produce most of their present requirements for small arms, mortars, recoilless rifles, rocket launchers, and ammunition for these weapons. The general increase in Chinese Communist industrial production during 1956 has considerably increased the Chinese Communist capacity to produce greater quantities of munitions, but the ground force will continue to depend upon the Soviet Union for most of its heavy equipment during the period of this estimate.

Internal Security Forces

7. The Ministry of Public Security and the Ministry of Defense share the responsibility for internal security. The Ministry of Public Security controls the People's Armed Police, a national police force of approximately 500,000 which supports local civil governments throughout China. The Public Security Forces, which are still an integral part of the army and under the control of the Ministry of Defense, are responsible for dealing with internal or border security problems that exceed the capabilities of the police. The Public Security Forces have an over-all strength of about 200,000 organized into a minimum of 20 divisions and 13 independent regiments. These units are smaller and more lightly armed than comparable line units, but they nevertheless contain the service and fire support elements necessary for independent operations in the field.

Air Forces

8. Communist China's air arm is heavily dependent upon the USSR for planes, equip-

ment, supplies, and training. The Chinese Communist Air Force (CCAF) and the Chinese Communist Naval Air Force (CCNAF) together are estimated to have 87,000 personnel and 2,600 aircraft of all types in operational units, including 1,870 jets. They constitute a reasonably well developed air arm with modern aircraft, and concepts of employment are improving. The personnel are young and vigorous, with excellent esprit de corps. The forces are organized into bomber, fighter, attack, and transport units, and operate from a large complex of air bases which permits launching attacks from many points on Communist China's periphery. They also have a fairly well developed reconnaissance capability.

9. The major strength of the Chinese Communist bomber force is estimated to consist of 395 light jet bombers (BEAGLES) and 220 piston light bombers (BATS). The BATS are being replaced by BEAGLES in a conversion program supported by the USSR. The BEAGLES, with 4,400-pound bomb loads, have a maximum speed of 450 knots and an unrefueled combat radius/range of 745/1,400 nautical miles when operating at an altitude of 35,000 feet. Operational effectiveness of the bomber force is reduced by factors such as electronic equipment of limited capability, which under other than visual or ideal radar conditions affects bombing accuracy, and the lack of combat experience.

10. The Chinese Communists are estimated to have in operational units 1,475 jet fighters, and about 180 piston fighters. Most of the fighter strength is deployed near industrial and population centers, with the Shanghai area most heavily defended. Replacement of piston fighters by jet fighters is progressing steadily, and piston fighters should be phased out completely by the end of 1957. Air interception capability is hampered by a shortage of adequate GCI radars, a serious shortage of airborne intercept equipment, by inadequate pilot experience in night and all-weather flying, and by only fair but improving standards in the ground control of interception procedures. However, the CCAF-CCNAF would pose a substantial threat to bombers attacking under conditions of good visibility. The

SECRET

SECRET

27

ability of the CCAF to support ground operations is being enhanced through operational training.

11. The bulk of the Chinese Communist air defense is concentrated in certain areas containing major military and industrial targets. They have a radar system which covers the entire coast and major industrial and population centers. This provides fair to good capability to detect penetration of coastal and major target areas, except by aircraft at very high altitudes. Although a central control exists, the defense system is in essence an "island" system because of the long distances and the relatively poor communications facilities.

12. The Soviet-supported modernization and training programs are progressively improving Chinese Communist air power. By mid-1959 piston light bombers will probably be completely replaced. The piston medium bomber force will probably rise to 60 aircraft by 1960, at which time we believe that piston medium bombers will begin to be phased out as jet medium bombers phase in. We estimate that by 1962 the total fighter strength will increase by about 22 percent and the proportion of all-weather fighters from less than two percent to about 30 percent. As the all-weather jet fighter program expands and communications improve, the air-defense system will improve significantly.

Naval Forces

13. The Chinese Communist Navy has an estimated strength of 4 destroyers, 13 submarines, 229 patrol vessels (including 118 motor torpedo boats), 25 minesweepers, 64 amphibious vessels (including 10 utility landing craft), and 250-300 small patrol craft and armed motor junks. Most of the destroyers and submarines have been obtained from the USSR since 1953. Most of the larger naval vessels operate from Hangchow Bay northward, the greatest concentrations of naval strength being based at Shanghai and Tsingtao. Only small patrol vessels and harbor craft are operational in the area opposite Taiwan. The Naval Air Force has about 30 jet

and 40 piston fighters and about 160 jet and 60 piston light bombers concentrated in several areas of East and Northeast China. This small, recently organized force has shown steady growth and improvement.

14. The navy, though small and principally a coastal defense force, is the most effective indigenous Asian navy. It can inflict losses on an enemy in Chinese Communist waters with submarine attacks, air attacks, mine warfare, and destroyer and torpedo-boat attacks. The greatest offensive potential probably lies in short range amphibious operations (including the employment of joint sea-air-ground forces) utilizing not only conventional amphibious types, but also merchant shipping, junks, and other small craft. The navy's capabilities are limited by lack of major combatant units plus the age and motley origins of their vessels. These conditions will prevail until overcome by the indigenous Soviet-assisted building program now in progress.

15. The Chinese Communists have demonstrated a reasonable degree of proficiency in amphibious assaults against coastal islands. As a result of periodic exercises, they probably are continuing to improve their techniques. Through the maximum employment of available conventional amphibious vessels and under favorable conditions they have the capacity against the Offshore Islands for the following lift variations: (a) 40,000 to 70,000 lightly armed troops, (b) 20,000 to 25,000 troops supported by an armored division and an artillery division with reduced motor transport, or (c) two divisions each of armor and artillery, also with reduced motor transport. Eighty-nine available merchant vessels (excluding 23 otherwise committed) with a capacity of 260,000 DWT together with coastal craft plus motor and sailing junks provide an additional short-haul lift for 200,000 troops. Against Taiwan, however, it is estimated that various factors would limit their initial assault force to approximately 75,000 to 100,000 troops. Completion of the Amoy rail line, and the near future completion of the Foochow branch greatly enhance the logistic support capability in the Taiwan Strait area. Against the Nationalists alone the Chinese Commu-

SECRET

SECRET

28

nists have the capability to seize and maintain control of the air and sea in the Taiwan Strait and can organize, launch, and support a large scale amphibious assault against Taiwan.

16. The USSR is providing most of the materiel support for the navy, particularly machinery, electronic gear, ordnance, and fuel. Under the supervision and direction of Soviet ship building experts, the Chinese Communists have recently expanded their naval construction program to include submarine, large patrol vessels, minesweepers, and motor torpedo boats. However, in spite of Chinese Communist industrial growth, the navy will continue to depend in large measure on the USSR for support through the period of this estimate.

Nuclear Energy Program

17. Communist China does not have a sufficient number of qualified nuclear scientists to support a significant atomic energy program. Through the Soviet atomic aid program and the Joint Nuclear Research Institute, Communist China is receiving help in the training of her scientists in basic nuclear physics and the application of atomic energy techniques to medical, agricultural, and industrial research. Even with this aid it is not likely that Communist China will be able, during the period of this estimate, to support an independent atomic energy program. However, if the USSR were to provide the necessary equipment and technicians, the Chinese Communists could in a short time achieve the capability to use nuclear weapons.

SECRET

SECRET

29

APPENDIX C

DIPLOMATIC STATUS OF COMMUNIST CHINA

UN members which recognize Communist China:

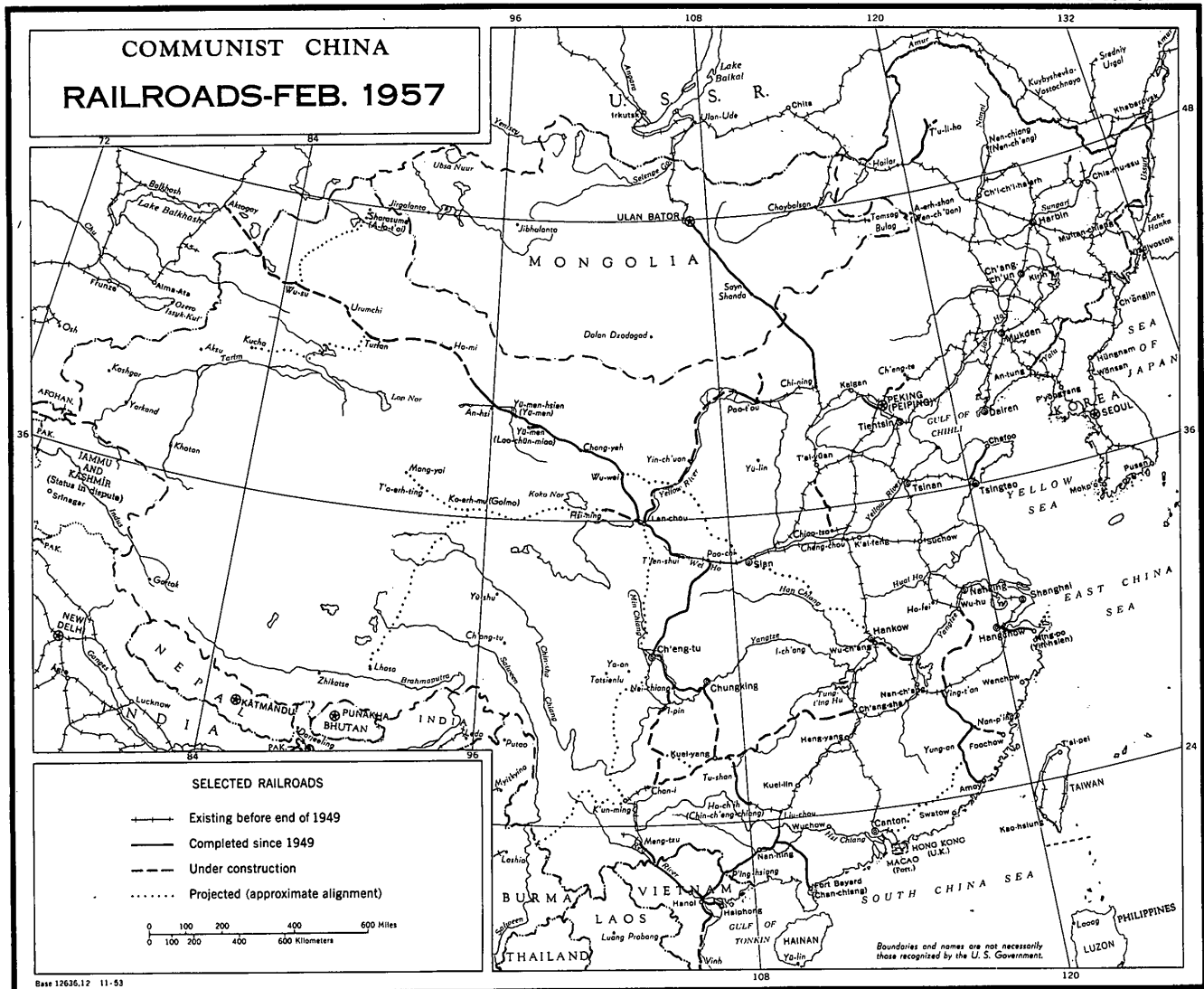
Afghanistan
Albania
Bulgaria
Burma
Ceylon
Czechoslovakia
Denmark
Egypt
Finland
Hungary
India
Indonesia
Israel
Nepal
Netherlands
Norway
Pakistan
Poland
Rumania
Sweden
Syria
United Kingdom
USSR
Yugoslavia
Yemen

Non-UN members which recognize Communist China:

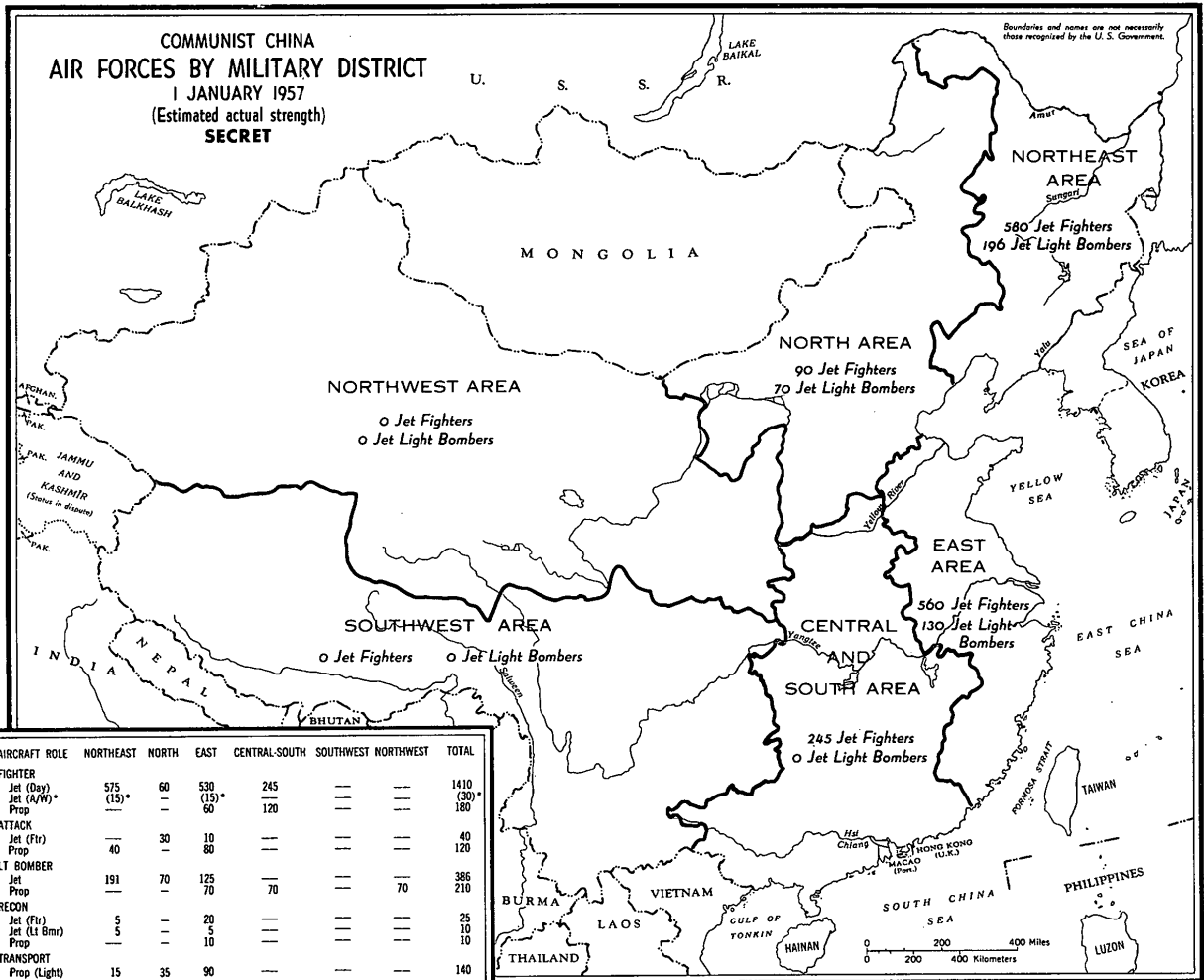
Switzerland
East Germany
North Korea
North Vietnam
Outer Mongolia

SECRET

FOR OFFICIAL USE ONLY



SECRET



AIRCRAFT ROLE	NORTHEAST	NORTH	EAST	CENTRAL-SOUTH	SOUTHWEST	NORTHWEST	TOTAL
FIGHTER							
Jet (Day)	575	60	530	245	—	—	1410
Jet (N/W)*	(15)*	—	(15)*	120	—	—	(30)*
Prop	—	—	60	—	—	—	180
ATTACK							
Jet (Ftr)	—	30	10	—	—	—	40
Prop	40	—	80	—	—	—	120
LT BOMBER							
Jet	191	70	125	70	—	70	386
Prop	—	—	70	—	—	—	210
RECON							
Jet (Ftr)	5	—	20	—	—	—	25
Jet (Lt Bmr)	5	—	5	—	—	—	10
Prop	—	—	10	—	—	—	10
TRANSPORT							
Prop (Light)	15	35	90	—	—	—	140
MEDIUM BOMBER							
Prop	—	—	—	—	—	20	20
UTILITY/AN							
Prop (Misc)	25	—	10	—	10	—	45
TOTAL AIRCRAFT	856	195	1010	435	10	90	2596

SECRET

SECRET