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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

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MEMORANDUM FOR THE DIRECTOR

Authority CIA 6-30-77, OSD 11-18-77, Staff 3-30-78,
By isg, NARS, Date 8-22-79 NSL 7-25-78

SUBJECT: The Crisis in China

1. After more than eight months of turmoil and confusion the situation inside China seems to be settling down enough to permit some tentative conclusions about the near future. Developments in the past few weeks have caused most observers to conclude that Mao is now in effective control over the party and the policies of the regime. Whatever explanation there may be for the troubles this spring, a new equilibrium seems to have been established the top leadership.

2. There does remain, however, controversy over what happened last winter and spring when Mao was absent from view for many months and when major party journals took opposing positions. Although most observers believe Peng Chen fell in a power struggle, perhaps touched off by a sudden illness of Mao, some believe that Peng was the victim of a purge organized and developed by Mao as part of the intensification of the "cultural revolution." Mao's

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reappearance has made this debate less relevant to the current situation than it was some time ago when his position seemed uncertain.

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The Top Leaders

4. The principal casualties in addition to Peng Chen are Lo Jui-ching (armed forces chief of staff and probable head of the secret police), Lu Ting-yi (party secretary and chief of the party's propaganda department), Chou Yang (deputy director of propaganda), as well as lesser figures in the party propaganda and control apparatus and some military officials whose status is in doubt. The four top leaders under Mao have emerged unscathed, though their relative power position is open to speculation. Teng Hsiao-ping, as general secretary, gains as the result of the removal of a strong

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rival, Peng Chen. Lin Piao gains because of the unusual publicity associating his name with the cultural purge. Chou En-lai has not been hurt, and may have stayed aloof from the troubles last spring. Liu Shao-chi remains the nominal number two man, though he may have suffered some loss because of the strengthening of Teng and Lin.

5. While one member of Mao's "brain trust," Chou Yang, was purged, another member, Chen Po-ta, has been named to lead the "cultural revolution." A newcomer to the party center is Tao Chu, chairman of the Central-South Regional Bureau, and now replacing Lu Ting-yi on the secretariat and as propaganda director. Yeh Chien-ying also moves onto the secretariat, the first professional military officer in that group since 1959. A new balance of power under Mao thus appears to be taking shape, but its details are not yet clear.

6. Out of all this comes one clear implication for the future. The long-standing stability of the Chinese leadership has been shaken. Whoever did what to whom, there must now exist deep suspicion and mistrust within the Chinese party from top to bottom. The chance of a peaceful and orderly succession to Liu Shao-chi or to a Maoist "collective" appears greatly lessened. The party leadership will live under the threat of an increasingly suspicious

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Mao, or in the tense expectation of a vicious contest for power as he fades away. Thus, we are entering a period of much greater uncertainty in discussing future developments in China.

Internal Policy

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8. Chinese society is probably in for continued massive doses of political indoctrination, with emphasis on the cult of Mao and "politics in command." The effect on a population already weary of propaganda will be increased apathy and resentment. Support for the regime will further weaken as the policy of substituting exhortation for material incentives is pushed.

9. The intellectuals are almost certainly in for an even heavier going over than they have had over recent years. The regime

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has already pinpointed colleges and universities as bourgeois strongholds, and is probably moving toward a sweeping "reform" of the educational system, an action of potential long-range significance. More than any other group, intellectuals will resent the ludicrous extremes of the campaign and the hypocritical role they have to play in it. Already suffering from a chronic shortage of technicians, China may now face declining productivity and cooperation from its limited stable of trained specialists. Moreover, the effect of putting "politics in command" is to subordinate technicians and scientists to the politicians, one of the reasons for the colossal failure of the Leap Forward.

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11. It is also an open question how far the radicalization in the cultural and educational spheres will extend into economic policy. There have been recent high level statements about another "leap forward." But these could be part of the polemics against the anti-party group who allegedly attacked the last Great Leap. In any case, while we would not expect a repetition of the extremes of the original Leap Forward, any sharp step-up in the pace could be disastrous for an economy still recovering from the excesses of the first leap. Not only are food supplies more vulnerable now, but diversion of scarce resources to the military programs has left the economy with little resiliency for absorbing inept experimentation. In the rural economy, for instance, abolition of the private plots might be a logical outgrowth of the present political campaign. If so, this would severely cripple food output.

Foreign Policy

12. It is possible, of course, that a radical turn of internal affairs could spread to foreign policy. Most observers, however, think the opposite is the more likely. With internal affairs in flux

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and demanding greater energies and attention, it might be prudent for the regime to seek a certain equilibrium abroad, lest foreign developments intrude on internal programs. Recent Chinese propaganda -- e.g., that the main enemies are internal ones -- seems to point in this direction.

13. The Vietnamese war is obviously the touchstone for testing whether Chinese foreign policy has been affected by internal troubles. There are no signs of change in the intransigent Chinese position. Most observers agree, however, that in general the internal crisis serves to reduce the chances of Chinese intervention in Vietnam. Chinese reaction to US bombing of NVN's POL sites seems to bear out this estimate. It is significant that in the wake of the new bombings the Chinese have reiterated the old line that, while socialist countries must support Hanoi, the main burden of the war must be borne by the Vietnamese themselves. And this reaction came after the time when the leadership situation seemed to have stabilized.

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15. As for Sino-Soviet relations, it seems highly unlikely that Peking will soften its anti-Soviet line. Indeed, there has been an intensification of Chinese attacks on the USSR recently, taking the particular form of charges of US-Soviet "collusion" regarding Vietnam.

FOR THE BOARD OF NATIONAL ESTIMATES:



ABBOT SMITH
Acting Chairman

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