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Mao's "Great Leap" Is a Big Flop by Robert S. Allen and Paul Scott

Red China is in the grip of even worse internal disasters than its increasingly desperate shortage of grain and other food.

Widespread industrial breakdowns are also affecting Peiping's Communist rulers.

In a startling report to Congressional leaders, Central Intelligence Director John McCone has disclosed that in the past year China's industrial production suffered such critical declines as to seriously affect the morale and effectiveness of its armed forces.

According to CIA compilations, over-all production in 1961 fell a staggering 80% under 1960. Virtually every major Chinese industry experienced enormous decreases.

Foremost among these amazing reductions are: coal output of 80%; electric power 70%; pig iron 76%; rolled steel 90%; crude oil 75%; cement 72%; cotton yard goods 74%; flour 75%; sugar 90%; cloth 72%; paper 80%; matches 60%.

Clothing and fuel have become so scarce the Reds put out feelers to western countries for large purchases. As in the case of their immense grain imports the Communists want long term credits.

"These astounding lags in industrial production spell real trouble for the rulers of Red China," McCone told the Congressional leaders in his first report since becoming head of CIA. "For one thing, they have forced cutbacks

from 60% to 75% in deliveries of rations and all types of weapons and equipment to the military, which has the highest priority.

"Already there have been a number of small but significant uprisings among both the civilian population and the military, which had to be put down by the use of force. We have authenticated information on these incidents in different parts of the country.

"These developments could lead to far reaching consequences to the United States and the rest of the free world. When Communist masters become desperate they do desperate things."

In an effort to divert mass rage at these mounting internal disasters, the Peiping rulers have greatly intensified their "hate America" propaganda.

This latest anti-US fury, McCone warned, could be the prelude to new Red military aggressions in Southeast Asia. This ominous possibility is being closely watched.

Another outgrowth termed highly likely is a series of purges among upper level Communist leaders.

There have been rumblings of that in Party publications. Also Mao Tse-tung has been tearing interior centers, delivering biting dissertations on shortcomings and failures. The top Red Megal has been forebodingly harsh.

McCone attributed two factors as primarily responsible for the extraordinary breakdown in industrial production -- the three successive crop disasters (1959-1960-1961) that caused the desperate food shortage, and widespread mismanagement and incompetent planning.

"It started with the crop failures," McCone said, the so called 'great (sic) leap forward'. That grandiose scheme made tremendous propaganda, but it was ill conceived, ill managed and completely disastrous. On top of all these misfortunes, China has been severely hit by a flu epidemic. Our information indicates that it is particularly bad in the interior."

Peiping's increasingly bitter ideological warring with Moscow is also playing an important role in this situation.

Because of the fierce Party fighting, the Soviet has withdrawn its supplies and other aid. McCone pointed out that this is forcing China to turn to Western countries, notably Canada, Australia, New Zealand, Britain and France, from whom large quantities of grain and other commodities have been bought and are being sought.

"Where is Red China getting the money for these purchases?" asked Senator Robert Humphrey (D-Minn.), a ranking member of the Foreign Relations Committee.

"Everything points to their using the gold reserve they laboriously built up over a period of years," said McCone. "This reserve was to be used for heavy machinery and other capital goods as part of their 'great leap forward'." But now they are being compelled to use it to buy food and other immediate essentials, such as fuel and clothing."

The CIA chief also predicted that internal conditions in China "will likely get worse before they get better."

TRANSMITTAL SLIP		DATE 17 Jan. 1962
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REMARKS: F.Y.I. JSW GLC JGO		
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FROM: Stanley J. Grogan, Asst. to the Dir		
ROOM NO. 1-F-08	BUILDING Hdgrs.	EXTENSION
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