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BRIEF

SNIE 13-61: THE ECONOMIC SITUATION IN COMMUNIST CHINA

This Special National Intelligence Estimate was approved by the United States Intelligence Board on 4 April 1961. Significant judgments of this Estimate are as follows:

The Chinese Communist regime is now facing the most serious economic difficulties it has confronted since it consolidated its power over mainland China. While widespread famine does not appear to be at hand, in some provinces many people are now on a bare subsistence diet and the bitterest suffering lies immediately ahead in the period before the June harvests. Public morale, especially in the rural areas, is almost certainly at its lowest point since the Communists assumed power, and there have been some instances of open dissidence.

The Chinese Communist regime has responded by giving agriculture a higher priority, dropping its "leap forward" in industry and relaxing somewhat the economic demands on the people. It has even imported nearly 3 million tons of foodstuffs during 1961, at a cost of about \$200 million of Communist China's limited foreign currency holdings.

While normal crop weather in 1961 would significantly improve farm output over the levels of 1959 and 1960, at least two years of average or better harvests will be required to overcome the crises and permit a restoration of the diet to tolerable levels, some rebuilding of domestic stocks, and the resumption of net food exports. If 1961 is another poor crop year, the economic and political effects for Communist China are likely to be grave.

It is estimated that Peiping would not accept food offers from the United States even under conditions of widespread famine. Likewise it is estimated that even famine conditions would not, in themselves, cause Peiping to engage in direct military aggression.

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JAN 1999

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