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SOVIET ECONOMIC LEVERAGE AGAINST COMMUNIST CHINA

OFFICE OF RESEARCH AND REPORTS  
CENTRAL INTELLIGENCE AGENCY

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SOVIET ECONOMIC LEVERAGE AGAINST COMMUNIST CHINA

Following many months of Chinese Communist efforts to contest the USSR on matters of doctrine and international strategy, the USSR in mid-1960 withdrew the 2,000 to 3,000 Soviet technicians serving in China. Although the current propaganda line of both countries stresses unity and harmony, Moscow could, if it wanted to, apply additional pressures.

The USSR could:

1. Reduce the financial ability of Communist China to import Soviet goods (a) by accepting a smaller amount of Chinese export offerings, especially of light manufactured items that China might have difficulty marketing elsewhere, or (b) by pressing for early repayment by China of short-term indebtedness, which has been allowed to build up to the equivalent of several hundred million dollars.\* This form of pressure would be particularly convenient because it would not involve a breach of contract. All other measures in this list, in contrast, have either legal or ideological complications.
2. Stop the flow to Communist China of blueprints and information on advanced technology. Although China could turn to non-Communist sources for some of this information, many of the industrial processes that it wants are closely guarded secrets, which the West probably would be reluctant to release to China.
3. Discontinue the training of Chinese Communist scientists and technicians in the USSR. During the next 5 years, China's principal hope of obtaining well-trained scientists with advanced degrees rests on continued Soviet willingness to train them. Graduate-level training facilities in China itself are still generally inadequate, and the regime almost certainly would not risk defection of students by sending large numbers of them to non-Communist countries for graduate scientific training.
4. Cut off shipments to Communist China of machinery, equipment, and POL. The USSR has been China's major supplier of such items and could disrupt the China's economy by suddenly cutting off deliveries. It would take China time to turn to non-Soviet suppliers for even those items readily available elsewhere. Many items, such as military hardware and spare parts for the large number of Soviet machines acquired during the past decade, could not be readily obtained.
5. Persuade the European Satellites to apply similar economic sanctions. Economic support from Eastern Europe is important for Communist China, because they supply technological information and technicians, train Chinese researchers, supply large quantities of machinery, buy Chinese exports, and grant China substantial short-term credits (presently estimated at \$100 million).

\* If China were to settle its short-term indebtedness to the USSR in 1961, Chinese ability to import goods for industry (from all countries) would be reduced by nearly 50 percent compared to the 1960 level.

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